

# Basic Financial Statements and Independent Auditors' Reports



**Barstow Fire Protection District**  
Barstow, California  
for the year ended **June 30, 2020**

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

# Barstow Fire Protection District

## Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2020



A component unit of the City of Barstow

Prepared by the Finance Department

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BARSTOW FIRE PROTECTION DISTRICT  
BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2020

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BARSTOW FIRE PROTECTION DISTRICT  
 BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
 FOR YEAR ENDED JUNE 30, 2020

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December 22, 2020

Board of Directors  
& Citizens of the City of Barstow

It is our pleasure to submit the Basic Financial Statements and the Independent Auditors' Report for the Barstow Fire Protection District. The District annually issues a report on its financial position and activity, audited by an independent firm of certified public accountants as required by State law. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

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

Lance, Soll & Lunghard, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion with emphasis of matter regarding going concern on the Barstow Fire Protection District financial statements for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it. Both the MD&A and the Notes address the going concern of the Barstow Fire Protection District and discuss the steps being taken to improve the deficit fund balance.







## **PROFILE OF THE GOVERNMENT**

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

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

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

## **HISTORY**

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

The District included approximately four square miles and had no equipment for firefighting. The population was barely 1,000. The total assessed tax valuation was less than one million dollars. In September 1926, through a tax initiative by the tax payers, the District acquired its first fire engine, a 1922 Model T Ford. "The new chemical engine made its first emergency call and made a good showing," the Printer (a local newspaper) reported on Nov. 4, 1926. After that, it was possible to buy fire insurance in Barstow.

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





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

In early 2010, the City Council and Fire Board held a joint meeting and approved an application to change the Fire District to a subsidiary district of the City. In November of 2010, the Fire Board and City of Barstow were granted approval from the Local Agency Formation Commission (LAFCO) to change the District from being an independent special district to a subsidiary district of the City of Barstow. The only significant change is that the City Council now serves as the Fire Board.

## **LOCAL ECONOMY**

Major industries located within the government's boundaries or in close proximity include major military installations including both military and civilian personnel; national defense contractors; transportation and rail firms; and numerous educational and financial institutions. In fiscal year 2020, the property tax levy increased by 5.4% over the previous fiscal year. Although there was an increase in property tax in fiscal year 2020, the District remains conservative in its projections due to the COVID-19 pandemic. The most current population figures show San Bernardino County has increased its population by .5% from January 1, 2019, to January 1, 2020. The City of Barstow city limits represent the largest portion of the District. Its population increased .2% from the previous fiscal year. The unemployment rate as of June 2020 for the City of Barstow, the largest area of the District, is 12.1%. When comparing to June 2019, this rate has increased from 6.1% due to the COVID-19 pandemic.

## **LONG-TERM FINANCIAL PLANNING**

The fiscal year 2020 budget falls within the policy guidelines set by the City Council for budgetary and planning purposes. The District has maintained a conservative approach to fiscal matters by managing ongoing expenditures and tracking revenues. As in the previous fiscal year, The Board, in conjunction with management, studied and reviewed a variety of options to address this issue. The major consideration in fiscal year 2020 was:

- On November 6, 2018, voters successfully passed the Measure Q initiative, a ballot measure to levy a Transaction and Use Tax of one percent (1%). This additional tax revenue is used to sustain the fire department, to support police services including adding police officers, maintain streets repairs and help fund senior and youth recreation programs.





Recent events related to the COVID-19 pandemic impacted the expected tax revenue generated under Measure Q. Management intentionally budgeted conservatively in the first full year of Measure Q which allowed for minimal impact to staffing that is funded by Measure Q although some equipment intended to be purchased with Measure Q funds were placed on hold until the impact of COVID-19 is fully determined.

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

### ACKNOWLEDGEMENTS

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

Respectfully submitted,

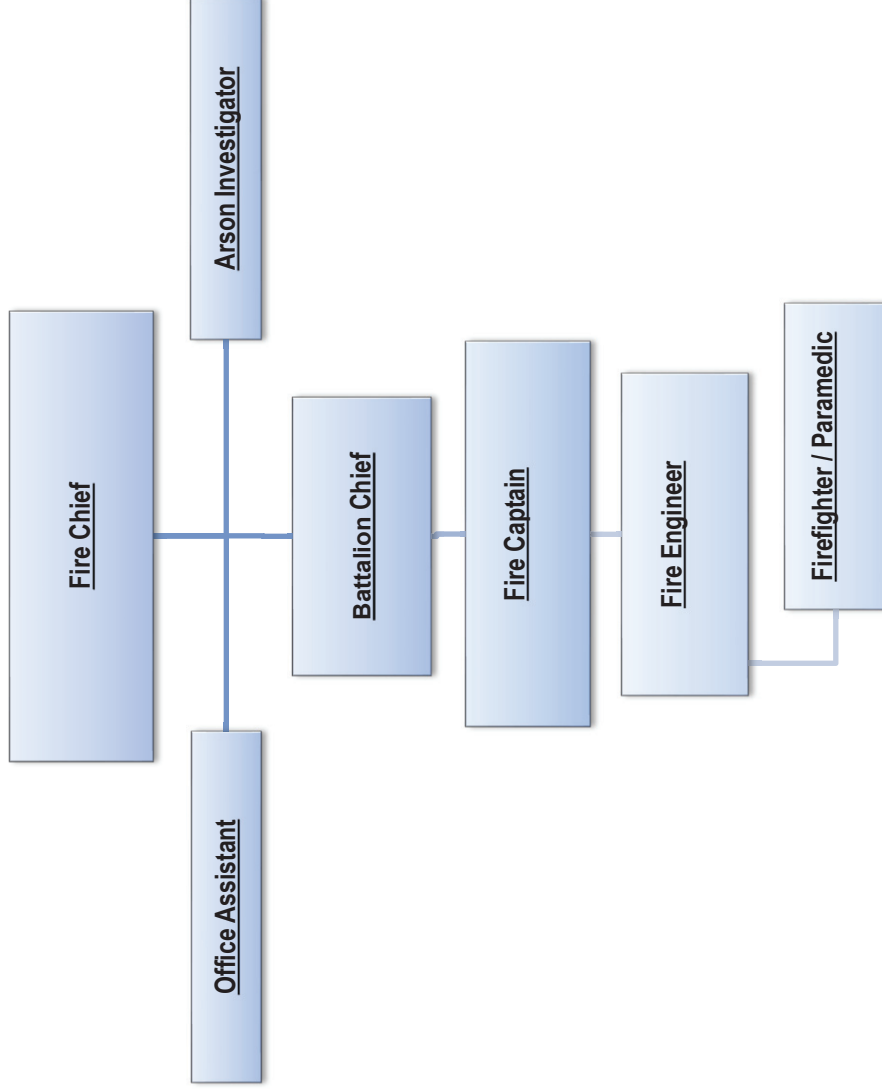
Nikki Salas  
City Manager

Cindy Prothro  
Assistant City Manager





## BARSTOW FIRE PROTECTION DISTRICT ORGANIZATIONAL CHART-FISCAL YEAR 2020



**Barstow Fire Protection District  
List of Ex-Officio Members  
June 30, 2020**

***Ex-Officio Members***

Chairman  
Vice Chairman  
Director  
Director  
City Treasurer  
City Clerk

Julie Hackbarth-McIntyre  
Carmen Hernandez  
James Noble  
Timothy Silva  
Michael J. Lewis  
JoAnne V. Cousino

The seal of the Barstow Fire Protection District is a circular emblem with a central figure of a phoenix rising from flames. The text "BARSTOW FIRE PROTECTION DISTRICT" is written around the top inner edge of the circle, and "ORGANIZED MAY 2, 1926" is written around the bottom inner edge. The seal is surrounded by horizontal rays.

***Appointed Officials***

City Manager  
Assistant City Manager  
Administrative Services Manager  
City Attorney  
Fire Chief

Nikki Salas  
Cindy Prothro  
Heidy Riley  
Terri Highsmith  
Jamie Williams



## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities and the general fund, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Barstow Fire Protection District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 11 to the financial statements, the District has suffered recurring losses from operations and has a deficit fund balance of \$6,371,923 in the General Fund and a deficit net position of \$18,873,781 on the government-wide financial statements that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund, the schedule of proportionate share of the net pension liability, the schedule of plan contributions, the schedule of changes in net OPEB liability and related ratios, and the schedule of contributions OPEB, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Lance, Soll & Lingham, LLP*

Brea, California  
December 22, 2020



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## **BARSTOW FIRE PROTECTION DISTRICT**

### **Management's Discussion and Analysis**

**June 30, 2020**

As management of the Barstow Fire Protection District (District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. It is designed to:

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

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

#### **FINANCIAL HIGHLIGHTS**

- The District's revenues were \$6.9 million
- The District's expenses totaled \$10.4 million
- In the fund financials, the revenue budget was \$7.3 million and actual revenues were \$0.1 million less than projected, or a 1% variance
- The fund financials show actual expenditures were less than budgeted appropriations by \$2.1 million
- The Barstow Fire Protection District ended the fiscal year 2020 with deficit fund balance of \$6.4 million.

#### **USING THIS ANNUAL REPORT**

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

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

The basic fund financial statements can be found beginning on page 21 of this report.

## BARSTOW FIRE PROTECTION DISTRICT

### Management's Discussion and Analysis

June 30, 2020

The Notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. This section also includes more detailed information as required by the Government Accounting Standards Board (GASB), Statement No. 68 regarding the *San Bernardino County Employees' Retirement Association (SBCERA)* plan. The Notes to the financial statements begin on page 27.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary information and compliance for the Barstow Fire Protection District fund. The District adopted an annual appropriated budget for its general fund in fiscal year 2020. In addition, the schedule of funding progress, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits, is also presented as required supplementary information as required by GASB Statement No. 45. Required supplementary information can be found on page 48 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

##### Net Position

Net Position may serve over time as a useful indicator of a government's financial position as shown in the chart on the following page. In the case of the District, the total net position for fiscal year 2020 was negative \$18.9 million. Total liabilities exceed total assets by \$21.5 million.

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

	Governmental Activities	
	2020	2019
Current and other assets	\$ 72,962	\$ 327,559
Capital assets	726,929	782,897
Total assets	<b>799,891</b>	<b>1,110,456</b>
Deferred Outflows	<b>6,619,510</b>	<b>8,296,673</b>
Current liabilities	6,430,684	5,722,225
Other liabilities	15,837,960	14,317,932
Total liabilities	<b>22,268,644</b>	<b>20,040,157</b>
Deferred Inflows	<b>4,024,538</b>	<b>4,801,156</b>
Net position:		
Net investment in capital assets	726,929	782,897
Unrestricted	(19,600,710)	(16,217,081)
Total Net Position:	<b>\$ (18,873,781)</b>	<b>\$ (15,434,184)</b>

## **BARSTOW FIRE PROTECTION DISTRICT**

### **Management's Discussion and Analysis**

**June 30, 2020**

As shown in the Barstow Fire Protection District Statement of Net Position chart, the major variances are:

#### Assets-

- Under the *Current and other assets* category, in fiscal year 2019, the District was expecting the final payment for the SAFER grant for approximately \$300,000.
- The receivable amount due to the District in fiscal year 2020 was considerably lower.
- Capital assets decreased due to annual depreciation and removal of obsolete assets.

#### Liabilities-

- The District loan with the City of Barstow increased to a balance due of \$5.8 million.
- The District had interfund cash borrowing from the City.
- The other major component of the increase in liabilities from the previous fiscal year was due to an increase in Other Post Employee Benefits (OPEB) obligation per the updated actuarial report.

Net investments in capital assets, of \$726,929 represents investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The remaining balance of the District's Net Position is an unrestricted negative balance of \$19.6 million; therefore, no funds were available as of June 30, 2020.

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

As shown in the Statement of Activities chart on the following page the District's Net Position decreased by \$3.4 million for fiscal year 2020 as compared to fiscal year 2019. Program revenues increased by \$1.8 million from fiscal year 2019 because Measure Q was approved by the voters in November 2018, generating new revenue. Fire protection expenses also increased in fiscal year 2020 due mainly to an increase in staffing levels. This also was due to the passage of Measure Q.

**BARSTOW FIRE PROTECTION DISTRICT**

**Management's Discussion and Analysis**

**June 30, 2020**

**STATEMENT OF ACTIVITIES**

		<b>Governmental Activities</b>	
		<b>2020</b>	<b>2019</b>
<b>Revenues:</b>			
Program Revenues			
Charges for services		\$ 61,109	\$ 49,597
Operating grants and contributions		2,272,275	472,954
Capital contributions and grants			
Total Program Revenues		2,333,384	522,551
General Revenues			
Property taxes		4,592,787	4,393,005
Other revenues		9,938	33,496
Total General Revenues		4,602,725	4,426,501
<b>Total Revenues</b>		<b>6,936,109</b>	<b>4,949,052</b>
<b>Expenses:</b>			
Public safety & fire protection		10,375,706	7,955,563
<b>Total expenses</b>		<b>10,375,706</b>	<b>7,955,563</b>
Excess (Deficiency) of Revenues over (under) Expenses		(3,439,597)	(3,006,511)
<b>Changes in net position</b>		<b>(3,439,597)</b>	<b>(3,006,511)</b>
<b>Restatement to add loan update:</b>			<b>(968,696)</b>
Changes in Net Position		(3,439,597)	(3,006,511)
Net position beginning of year (restated)		(15,434,184)	(11,458,977)
<b>Net position June 30</b>		<b>\$ (18,873,781)</b>	<b>\$ (15,434,184)</b>

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, the District's governmental fund reported a deficit fund balance of \$6.4 million (see chart on page 10). The positive net change from the fiscal year 2019 is approximately \$200,000. Further details are discussed on the next page under the Expenditure Budget category.

The majority of fund balance is *unassigned fund balance*. The deficit status means there are no funds available for spending.

## **BARSTOW FIRE PROTECTION DISTRICT**

### **Management's Discussion and Analysis**

**June 30, 2020**

#### **BARSTOW FIRE PROTECTION DISTRICT BUDGETARY HIGHLIGHTS**

The Barstow Fire Protection District budgetary highlights and actual amounts for fiscal year 2020:

***REVENUES*** –Final budgeted revenue and actual revenue came within estimates overall.

- Actual property tax revenues came in at \$4.6 million as opposed to a budget estimate of \$4.8 million, or \$177,213.
- The budget for licenses and permits was conservative at \$30,000, and actual receipts came in \$31,109 over projections. This was due in part to one time training facility revenue received.

***EXPENDITURE BUDGET*** - The final budget when compared to actual expenditures was under by \$2.1 million. This was due to the following:

- Salary and benefit projections were close with the actual expenditures coming in slightly under budget by \$94,000 considering a budget of \$5.7 million.
- Services and supplies expenditures were under budget by \$2 million mainly due to the deferral of budgeted equipment purchases due to the Covid 19 Pandemic.

The two charts on the next page summarize the District's budgeted revenues, expenditures and actual amounts received. The second graph shows actual revenue and expenditures for the past five fiscal years.

**BARSTOW FIRE PROTECTION DISTRICT**

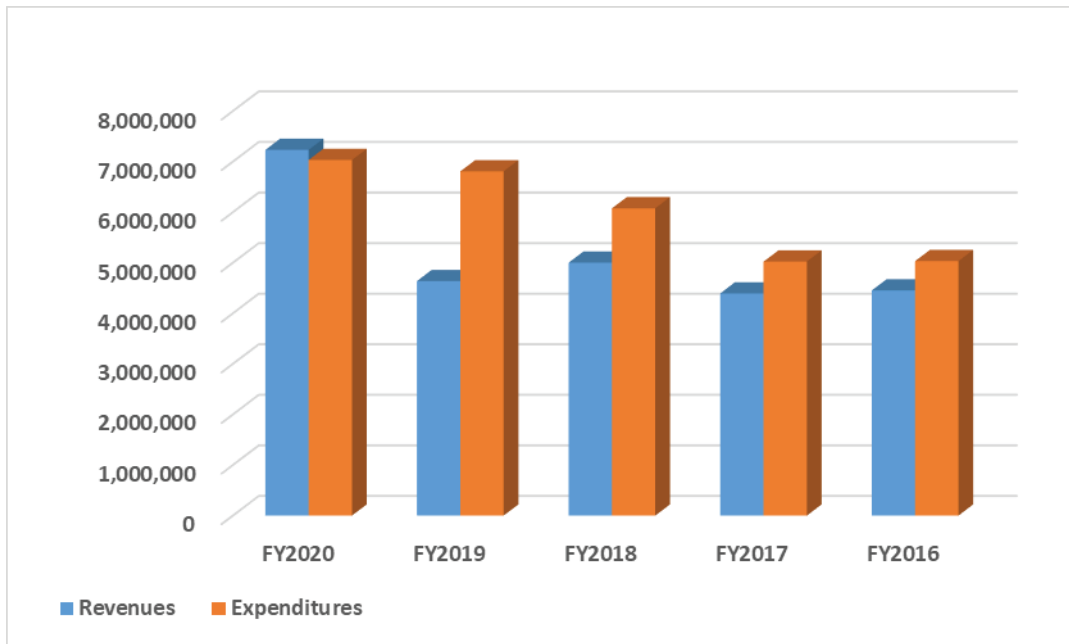
**Management's Discussion and Analysis**

**June 30, 2020**

**Barstow Fire Protection District Budget to Actual**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
<b>Total Revenues</b>	<b>\$5,166,551</b>	<b>\$7,329,170</b>	<b>\$7,232,940</b>	<b>(\$96,230)</b>
<b>Expenditures</b>				
Fire Salaries & Benefits	3,787,436	5,691,899	5,597,932	93,967
Services & Supplies	1,377,174	3,460,903	1,435,755	2,025,148
<b>Total Expenditures</b>	<b>5,164,610</b>	<b>9,152,802</b>	<b>7,033,687</b>	<b>2,119,115</b>
Revenues Over (Under) Expenditures	1,941	(1,823,632)	199,253	2,022,885
<b>Fund balance, beginning of year, as restated</b>			<b>(6,571,176)</b>	
<b>Fund balance, end of year</b>			<b>(6,371,923)</b>	

**Barstow Fire Protection District Revenues & Expenditure**



**BARSTOW FIRE PROTECTION DISTRICT**

**Management's Discussion and Analysis**

**June 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of June 30, 2020 is \$726,929 (net of accumulated depreciation). This investment in capital assets includes land, building and structures, and machinery and equipment. The total change in the District's investment in capital assets for the current fiscal year, when compared to the previous year's capital assets, was a decrease of \$56,000. The Fire District disposed of minor equipment in total for \$129,000 that had outlived its useful life or was obsolete. The equipment removed was from 10 to 17 years old. Accumulated depreciation was adjusted by the same amount due to these deletions. This was offset by annual depreciation of current equipment. Additional detail is shown in Note 4 of the Notes to Basic Financial Statements on page 34.

**Barstow Fire Protection District's Capital Assets**

*(Net of Depreciation)*

	<b>2020</b>	<b>2019</b>
Land	\$ 45,129	\$ 45,129
Work in progress	-	-
Buildings & Structures	2,093,869	2,093,869
Machinery and equipment	2,054,474	2,183,030
Less Accumulated Depreciation	(3,466,543)	(3,539,131)
<b>Total</b>	<b>\$ 726,929</b>	<b>\$ 782,897</b>

**Current Debt & Long-term Debt**

At the end of the current fiscal year, the Barstow Fire Protection District had total debt outstanding of the government of \$6,464,384. On June 30, 2020, the District owed the City of Barstow \$5.8 million for negative cash borrowing and services such as dispatch and administrative costs that have accumulated each year since 2013. In addition, the Fire District had a negative current fiscal year cash deficit of \$381,000 which the City of Barstow General Fund covered.

The District's compensated absences liability increased slightly by \$8,000 due to salary and step increases from 2019 to 2020.

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

	<b>2020</b>	<b>2019</b>
Advances from & Due to other funds	6,198,610	5,876,559
Compensated Absences	265,774	258,045
<b>Total</b>	<b>\$ 6,464,384</b>	<b>\$ 6,134,604</b>



## **BARSTOW FIRE PROTECTION DISTRICT**

### **Management's Discussion and Analysis**

**June 30, 2020**

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

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

The economy continues to be at the forefront of management's consideration in leading and providing services for the residents of the Barstow Fire Protection District and economic indicators are closely monitored. The continued COVID-19 pandemic could potentially impact the expected tax revenue in the future.

Management and the Board are aware of ongoing financial concerns and has worked with Fire District management to implement cost cutting measures as well as increase revenue through the successful Measure Q tax initiative. The Measure passed in the city of Barstow on November 2018 increased sales tax by an additional 1%. It is anticipated this will help to reduce the Fire District's debt. This additional tax revenue will be used to sustain the Fire Department as well other municipal services. Property tax and revenue generated under Measure Q is closely reviewed and monitored.

The management team continuously takes the necessary steps required to address the needs of its residents for the short-term and the long-term, focusing on public safety, including fire safety needs, necessary infrastructure improvements, and community services including recreation and activities for all ages, business and economic development and planning for long-term growth in conjunction with the Board of Directors.

#### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**BARSTOW FIRE PROTECTION DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ -
Receivables:	
Accounts	72,362
Prepaid costs	600
Capital assets not being depreciated	45,129
Capital assets, net of depreciation	<u>681,800</u>
<b>Total Assets</b>	<b><u>799,891</u></b>
<b>Deferred Outflows of Resources:</b>	
Deferred employer pension contributions	1,760,542
Deferred employer OPEB contributions	19,568
Deferred outflow - Pension	4,670,215
Deferred outflow - OPEB	<u>169,185</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>6,619,510</u></b>
<b>Liabilities:</b>	
Accounts payable	105,390
Accrued liabilities	126,684
Due to other governments	6,198,610
Noncurrent liabilities:	
Compensated Absences Due within one year	106,310
Compensated Absences Due in more than one year	159,464
Net Pension Liability	12,382,040
Net OPEB Liability	<u>3,190,146</u>
<b>Total Liabilities</b>	<b><u>22,268,644</u></b>
<b>Deferred Inflows of Resources:</b>	
Deferred Inflow - Pension	3,985,070
Deferred Inflow - OPEB	<u>39,468</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>4,024,538</u></b>
<b>Net Position:</b>	
Net investment in capital assets	726,929
Unrestricted	<u>(19,600,710)</u>
<b>Total Net Position</b>	<b><u><u>\$ (18,873,781)</u></u></b>

BARSTOW FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Contributions and Grants	
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public safety	\$ 10,375,706	\$ 61,109	\$ 2,272,275	\$ -
<b>Total Governmental Activities</b>	<b>10,375,706</b>	<b>61,109</b>	<b>2,272,275</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 10,375,706</b>	<b>\$ 61,109</b>	<b>\$ 2,272,275</b>	<b>\$ -</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose				4,592,787
Use of money and property				9,938
<b>Total General Revenues</b>				<b>4,602,725</b>
Change in Net Position				(3,439,597)
Net Position at Beginning of Year				(14,465,488)
Restatement of Net Position				(968,696)
<b>Net Position at End of Year</b>				<b>\$ (18,873,781)</b>

**FUND FINANCIAL STATEMENTS**



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BARSTOW FIRE PROTECTION DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General</u>
<b>Assets:</b>	
Cash and investments	\$ -
Receivables:	
Accounts	72,362
Prepaid costs	<u>600</u>
<b>Total Assets</b>	<b><u>\$ 72,962</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 105,390
Accrued liabilities	126,684
Due to City of Barstow	<u>6,198,610</u>
<b>Total Liabilities</b>	<b><u>6,430,684</u></b>
<b>Deferred Inflows of Resources:</b>	
Unavailable Revenues	<u>14,201</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>14,201</u></b>
<b>Fund Balances:</b>	
<b>Nonspendable:</b>	
Prepaid costs	600
<b>Unassigned</b>	<u>(6,372,523)</u>
<b>Total Fund Balances</b>	<b><u>(6,371,923)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 72,962</u></b>

**BARSTOW FIRE PROTECTION DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Fund balances of governmental funds		\$ (6,371,923)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		726,929
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Compensated Absences		(265,774)
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred.		1,760,542
Employer contributions for OPEB were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred.		19,568
In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:		
Deferred outflows of resources - pension	\$ 4,670,215	
Deferred outflows of resources - OPEB	169,185	
Deferred inflows of resources - pension	(3,985,070)	
Deferred inflows of resources - OPEB	<u>(39,468)</u>	814,862
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.		
Net OPEB obligation	(3,190,146)	
Net pension liability	<u>(12,382,040)</u>	(15,572,186)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>14,201</u>
<b>Net Position of Governmental Activities</b>		<b><u>\$ (18,873,781)</u></b>

BARSTOW FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020

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	<u>General</u>
<b>Revenues:</b>	
Taxes	\$ 4,592,787
Licenses and permits	61,109
Intergovernmental	2,569,106
Use of money and property	<u>9,938</u>
<b>Total Revenues</b>	<b><u>7,232,940</u></b>
<b>Expenditures:</b>	
Current - public safety	
Salaries and benefits	5,597,932
Services and supplies	<u>1,435,755</u>
<b>Total Expenditures</b>	<b><u>7,033,687</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>199,253</u>
<b>Fund Balances</b>	
Beginning of year, as originally reported	(5,602,480)
Restatements	<u>(968,696)</u>
Beginning of year, as restated	<u>(6,571,176)</u>
<b>End of Year</b>	<b><u>\$ (6,371,923)</u></b>

**BARSTOW FIRE PROTECTION DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

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Net change in fund balances - total governmental funds	\$ 199,253
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. The activity is reconciled as follows:	
Depreciation	(55,968)
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 governmental funds.	(7,729)
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred.	(827,415)
Employer contributions for OPEB were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, these contributions are deferred.	(2,450,907)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>(296,831)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (3,439,597)</u></u></b>

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**I. SIGNIFICANT ACCOUNT POLICIES**

**Note 1: Summary of Significant Accounting Policies**

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

**a. Description of Reporting Entity**

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

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

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

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

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

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.



**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The following is the District's major fund:

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

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end). The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes, intergovernmental revenues, and other taxes and investment income. Expenditures are recorded in the accounting period in which the related fund liability is incurred except for claims, judgments, compensated absence, interest on long-term debt which is recognized when paid.

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

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

**c. Cash and Cash Equivalents**

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

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 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, 2020, no allowance was required to be recorded.

**g. Capital Assets**

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

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

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

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

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

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**h. Liability for Compensated Absences**

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

**i. Property Taxes**

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

**j. Fund Balances**

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

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2020, 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.

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

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

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

Unassigned Fund Balance – is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance.

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

**l. Pensions**

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

**m. Net Positions**

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

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is the remaining net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

## BARSTOW FIRE PROTECTION DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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#### Note 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.

At June 30, 2020, the portion of the District's cash and investments pooled with the City is \$0.

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

#### a. Custodial Credit Risk

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

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, 2020, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2020, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

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

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

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

**Note 2: Cash and Investments (Continued)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
U.S. Agencies	5 years	None	None
Time Certificates of Deposit	5 years	None	50%
Negotiable Certificates of Deposit	N/A	30%	50%
Bankers' Acceptance	180 days	40%	30%
Prime Commercial Paper	270 days	25%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds investing in eligible securities	N/A	20%	10%
Medium Term Notes	5 years	30%	None
County Pooled Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	100%	\$75 million*

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

**b. Disclosures Related to Interest Rate Risk**

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

Barstow Fire Protection District's cash is pooled with the City of Barstow's cash to maximize investments. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided in the City of Barstow's Comprehensive Annual Financial Report for fiscal year ended June 30, 2020.

**c. Disclosure 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, 2020 consisted of property taxes and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>
Accounts Receivable	<u>\$ 72,362</u>

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

**Note 4: Capital Assets**

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Non-depreciable assets:				
Land	\$ 45,129	\$ -	\$ -	\$ 45,129
Total non-depreciable assets	45,129	-	-	45,129
Depreciable Assets:				
Buildings and improvements	2,093,869	-	-	2,093,869
Machinery and equipment	2,183,030	-	(128,556)	2,054,474
Total depreciable assets	4,276,899	-	(128,556)	4,148,343
Less accumulated depreciation:				
Buildings and improvements	(1,739,475)	(19,010)	-	(1,758,485)
Machinery and equipment	(1,799,656)	(36,958)	128,556	(1,965,170)
Total accumulated depreciation	(3,539,131)	(55,968)	128,556	(3,466,543)
Total depreciable assets, net	737,768	(55,968)	-	681,800
Total capital assets	\$ 782,897	\$ (55,968)	\$ -	\$ 726,929

**Note 5: Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at June 30, 2020, consisted of the following:

	General Fund
Salaries and Benefits	\$ 126,684
Other	105,390
Total	\$ 232,074

**Note 6: Long-Term Liabilities**

Long-term liabilities consisted of the following:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 258,045	\$ 136,819	\$ (129,090)	\$ 265,774	\$ 106,310	\$ 159,464

**Compensated Absences**

The District's policy relating to compensated absences is described in Note 1. Compensated absences are liquidated by the District's General Fund. The total amount outstanding at June 30, 2020, was \$265,774.

**Note 7: Retirement Plan**

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

## BARSTOW FIRE PROTECTION DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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#### Note 7: Retirement Plan (Continued)

##### Plan Description

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

##### Benefits Provided

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

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

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

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



**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 7: Retirement Plan (Continued)**

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

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

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

For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for Tier 2 members. However, the maximum amount of compensation earnable that can be taken into account for 2017 for Tier 1 members with membership dates on or after July 1, 1996 is \$265,000. The maximum amount of pensionable compensation for Tier 2 members that can be taken into account for 2017 is equal to \$140,424. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

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

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

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

The County of San Bernardino and participating employers contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERA's actuary after the completion of the annual actuarial valuation.

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

Fire safety members contribute the required employee share of their pension. The percentage of pay varies between 12.30%-17.74%.

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 7: Retirement Plan (Continued)**

The District pays a capped percentage of the employer's pension cost per the Barstow Professional Fire Fighters Association Memorandum of Understanding. Employer pension costs have two tiers. The employer's costs are capped at 46% with the employee paying the difference.

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

The District's contributions to the Plan for the measurement period ended June 30, 2019 were \$1,625,725.

In fiscal year 2017-2018, the District transferred from the "Other Safety" cost group within SBCERA to the "County Safety" cost group to achieve future savings in the cost of the District's contributions to SBCERA. Such transfer must be made in a manner that does not shift the present unfunded liability burden associated with the District, or a portion thereof, to the County. The Parties have agreed that the amount that must be contributed to SBCERA to effectuate the inclusion of the District into the present County Safety cost group, and avoid negatively impacting the County as a result thereof, is \$8,485,000 calculated as of June 30, 2018. The Parties have further agreed that this amount may be amortized over twenty years at SBCERA's assumed rate of return for investments, which is 7.5%, resulting in twenty annual payments of \$832,312 beginning on or before July 1, 2017, and continuing on or before each successive July 1 thereafter, through and including July 1, 2036. The payments are considered supplemental contributions in addition to the regular employer contribution rates annually set by the SBSERA Board of Retirement and approved by the County Board of Supervisors.

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

As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$12,382,040.

The District's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of Plan. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018. The District's proportionate of the net pension liability was based on the District's share of all actual contributions, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.498%
Proportion - June 30, 2019	<u>0.457%</u>
Change - Increase (Decrease)	-0.041%

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 7: Retirement Plan (Continued)**

For the year ended June 30, 2020, the District recognized pension expense of \$2,809,951. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,760,542	\$ -
Changes of assumptions or other inputs	1,617,136	3,586,946
Changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	2,641,369	-
Net differences between projected and actual earnings on plan investments	246,529	-
Difference between expected and actual experience in the total pension liability	165,181	398,124
Total	<u>\$ 6,430,757</u>	<u>\$ 3,985,070</u>

\$1,760,542 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2021	\$ 650,400
2022	(474,001)
2023	180,129
2024	449,873
2025	(114,705)
2026	(6,551)

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 7: Retirement Plan (Continued)**

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry - Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Projected Salary Increase <sup>2</sup>	General: 4.50% to 14.5% and Safety: 4.7% to 14.5%
Cost of Living Adjustments	Contingent upon CPI increases with a 2% maximum
Investment Rate of Return <sup>1</sup>	7.25%
Mortality	Mortality rates are based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table projected generationally using the two-dimensional mortality improvement scale MP-2016. For healthy General males members, the ages are set forward one year. No adjustment for healthy General female members. For Safety members, ages are set back one year. For disabled General members, ages are set forward seven years.

<sup>1</sup> Net of pension plan investment expenses, including inflation.

<sup>2</sup> Varying by service, including inflation 3% plus real across-the-board salary increase of 0.5% plus merit and promotional increases for both June 30, 2019 and 2018.

**Discount Rate** – The discount rates used to measure the Total Pension Liability was 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2019.

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

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 7: Retirement Plan (Continued)**

The June 30, 2019 target allocations (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption is summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	8.00%	5.61%
Small Cap U.S. Equity	2.00%	6.37%
Developed International Equity	6.00%	6.96%
Emerging Market Equity	6.00%	9.28%
U.S. Core Fixed Income	2.00%	1.06%
High Yield/Credit Strategies	13.00%	3.65%
Global Core Fixed Income	1.00%	0.07%
Emerging Market Debt	6.00%	3.85%
Real Estate	9.00%	4.37%
Cash & Equivalents	2.00%	-0.17%
International Credit	11.00%	6.75%
Absolute Return	13.00%	3.56%
Real Assets	5.00%	6.35%
Private Equity	16.00%	8.47%
Total	100.00%	

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

1% Decrease	6.25%
Net Pension Liability	\$ 18,662,980
Current Discount Rate	7.25%
Net Pension Liability	\$ 12,382,040
1% Increase	8.25%
Net Pension Liability	\$ 7,232,669

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

Payable to the Pension Plan

At June 30, 2020 the District reported a payable of \$13,144 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 8: Post-Employment Health Care Benefits**

**Plan Description**

The Barstow Fire Protection District became part of the City of Barstow in November 2010 as a special revenue fund. The Barstow Fire Professional Fire Fighters Association maintains health coverage through CalPERS, the same coverage offered to City employees. The City provides retiree medical benefits to eligible retirees and their spouses in accordance with their labor agreements. The health insurance plan is a single employer defined benefit plan.

**Employee Covered**

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	19
Total	<u>23</u>

**Contributions**

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The District must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected prefunding financing requirements. For the measurement period 2018-19, the District contributed \$15,600, which were in the form of benefit payments during the period. The City did not make additional contributions to the CERBT trust (CERBT).

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to prefund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry - Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.95%
Inflation	2.50%
Contribution Policy	Contributes full ADC
Salary Increases	Varies by Entry Age and Service
Projected Salary Increases	3.00%
Investment Rate of Return	6.85%
Mortality	MacLeod Watts Scale 2020 applied generationally
Healthcare Trend	5.4% decreasing to 4.00% in 2076

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 8: Post-Employment Health Care Benefits (Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below.

Asset Class	Target Allocation	Expected Real Return Year 1-10	Expected Real Return Years 11+
Global Equity	59.00%	4.80%	5.98%
Fixed Income	25.00%	1.10%	2.62%
Global Real Estate (REITs)	8.00%	3.20%	5.00%
Treasury Inflation Protected Securities	5.00%	0.25%	1.46%
Commodities	3.00%	1.50%	2.87%
Assumed Long-Term Rate of Inflation			2.00%
Assumed Long-Term Investment Expenses			n/a
Expected Long-Term Net Rate of Return, Rounded			6.85%
Discount Rate			3.17%

\*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.79 percent. The discount rate used reflects the results of a crossover test. In years where the trust is expected to have sufficient assets to pay the current year's retiree benefits, the assumed trust rate of return is applied; once the trust is no longer expected to be able to pay plan benefits, a municipal bond rate is applied for the remainder of the projects. The S&P General Obligation Municipal Bond 20 Year High Grade Index was used for the purpose of the municipal bond rate.

**Changes in the net OPEB Liability**

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/Asset
<b>Balance at June 30, 2019</b>	<b>\$ 835,930</b>	<b>\$ 267,697</b>	<b>\$ 568,233</b>
<b>Change in the Year:</b>			
Service Cost	90,956	-	90,956
Interest on the Total OPEB Liability	29,157	-	29,157
Charges in Assumptions	52,128	-	52,128
Changes in Benefit Terms	2,355,457	-	2,355,457
Contribution - Employer		14,200	(14,200)
Benefit Payments	(14,200)	(14,200)	-
Net Investment Income	-	16,415	(16,415)
Administrative Expenses	-	57	(57)
Plan experience	124,887	-	124,887
Other Expenses	-	-	-
Net Changes	2,638,385	16,472	2,621,913
<b>Balance at June 30, 2020</b>	<b>\$ 3,474,315</b>	<b>\$ 284,169</b>	<b>\$ 3,190,146</b>

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**Note 8: Post-Employment Health Care Benefits (Continued)**

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease 1.79%	Current Discount 2.79%	1% Increase 3.79%
Net OPEB Liability	\$ 3,966,053	\$ 3,190,146	\$ 2,600,610

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

Due to the nature of the benefit agreements of the plan, the health care cost trend rate was not considered to be a significant assumption in determining the net OPEB liability, hence the sensitivity disclosure with regard to the healthcare cost trend rate was not applicable.

**Recognition of Deferred Outflow and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB plan investments	5 years straight-line
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.52 years at June 30, 2019)

**OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB**

For the measurement period ended June 30, 2019, the District recognized OPEB expense of \$2,470,475. For the fiscal year ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
OPEB Contributions Subsequent to Measurement	\$ 19,568	\$ -
Changes of Assumptions	57,416	36,354
Differences between expected and actual experience	111,769	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,114
<b>Total</b>	<b>\$ 188,753</b>	<b>\$ 39,468</b>



**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 8: Post-Employment Health Care Benefits (Continued)**

The \$19,568 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year	
<u>Ending June 30:</u>	
2021	\$ 13,301
2022	13,302
2023	14,908
2024	15,387
2025	15,003
Thereafter	57,816

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

**Note 10: Restatement of Beginning Fund Balances**

Restatement to the beginning fund balances of the Barstow Fire Protection District Fund of (\$968,696) was made to correct the fund balances for costs paid by the City of Barstow in prior fiscal years, on behalf of the Barstow Fire Protection District.

**Note 11: Negative Fund Balance and Excess Expenditures Over Appropriations**

The Barstow Fire Protection District (BFPD) had a deficit fund balance of \$6,371,923 and a deficit net position on the government-wide statements of \$18,873,781 as of June 30, 2020.

In fiscal year 2020, the negative fund balance was actually reduced due to a positive net change of \$199,253. The Fire District has had on-going losses carried over from previous fiscal years. The Board and Administration will continue to monitor the Barstow Fire Protection District financial situation. Management will keep the Board informed of developing highlights, and concerns regarding the District.

**Revenues**

Actual property tax revenues came in at \$4.6 million as opposed to a budget estimate of \$4.8 million, or \$177,213. The budget for licenses and permits was conservative at \$30,000, and actual receipts came in \$31,109 over projections. Revenue from other agencies was \$2.2 million more than budgeted mainly due to the transfer in of \$2.1 million from Measure Q revenue for the District.

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 11: Negative Fund Balance and Excess Expenditures Over Appropriations (Continued)**

**Expenditures**

Salary and benefit projections were close with the actual expenditures coming in slightly under by \$94,000 considering a budget of \$5.7 million. Services and supplies expenditures were under budget by \$2 million mainly due to the deferral of equipment purchases.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BARSTOW FIRE PROTECTION DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**Note 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**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2020**

**Note 1: Budgetary Information (Continued)**

**c. Budgetary Comparison Schedules**

Budgetary Comparison Schedule, General Fund

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES:</b>				
Property taxes	\$ 4,770,000	\$ 4,770,000	\$ 4,592,787	\$ (177,213)
Licenses and permits	30,000	30,000	61,109	31,109
From other agencies	335,051	2,497,669	2,569,106	71,437
Use of money and property	31,500	31,500	9,938	(21,562)
Total revenues	<u>5,166,551</u>	<u>7,329,169</u>	<u>7,232,940</u>	<u>(96,229)</u>
<b>EXPENDITURES:</b>				
Current - public safety				
Salaries and benefits	3,787,436	5,691,899	5,597,932	93,967
Services and supplies	1,377,174	3,460,903	1,435,755	2,025,148
Total expenditures	<u>5,164,610</u>	<u>9,152,802</u>	<u>7,033,687</u>	<u>2,119,115</u>
Net change in fund balance	<u>\$ 1,941</u>	<u>\$ (1,823,633)</u>	<u>199,253</u>	<u>\$ (2,215,344)</u>
<b>FUND BALANCE:</b>				
Beginning of year (as restated)			<u>(6,571,176)</u>	
End of year			<u>\$ (6,371,923)</u>	

**BARSTOW FIRE PROTECTION DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Proportion of the Net Pension Liability	0.45700%	0.49800%	0.37800%	0.51800%	0.63800%
Proportionate Share of the Net Pension Liability	\$ 12,382,040	\$ 12,626,176	\$ 9,958,070	\$ 12,781,554	\$ 12,395,608
Covered-Employee Payroll	\$ 1,890,826	\$ 1,816,148	\$ 1,776,774	\$ 2,518,304	\$ 2,036,785
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	654.85%	646.45%	560.46%	507.55%	608.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.03%	72.94%	71.09%	76.86%	80.98%

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions: None

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

**BARSTOW FIRE PROTECTION DISTRICT**

**SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 1,760,542	\$ 1,625,725	\$ 1,704,307	\$ 1,258,947	\$ 1,407,336
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,760,542)</u>	<u>(1,625,725)</u>	<u>(1,704,307)</u>	<u>(1,258,947)</u>	<u>(1,407,336)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	2,045,831	1,890,826	1,816,148	1,776,774	2,518,304
Contributions as a Percentage of Covered-Employee Payroll	86.06%	85.98%	93.84%	70.86%	55.88%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal cost method
Amortization method	Level Percent of pay (3.5% payroll growth assumed)
Remaining amortization period	20 years
Assets valuation method	Market value of assets less unrecognized returns from each of the last five years.
Inflation	2.50% per year
Salary Increases	3.00% implation per year, plus real across-the-board salary increase of 0.50%, plus merit and promotion increases.
Investment rate of return	7.25% net of pension plan investment
Retirement age	53 years
Mortality	RP-2000 Heath Annuitant Martality Table



BARSTOW FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

Measurement Date	2020	2019	2018
	6/30/2019	6/30/2018	6/30/2017
<b>Changes in Total OPEB Liability</b>			
Service cost	\$ 90,956	\$ 86,320	\$ 90,934
Interest on the total OPEB liability	29,157	26,317	21,440
Plan experience	124,887	-	-
Changes in assumptions	52,128	13,302	(50,934)
Changes in benefit terms	2,355,457	-	-
Benefit payments	(14,200)	(12,072)	(12,099)
<b>Net change in total OPEB liability</b>	<b>2,638,385</b>	<b>113,867</b>	<b>49,341</b>
<b>Total OPEB liability - beginning</b>	<b>835,930</b>	<b>722,063</b>	<b>672,722</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 3,474,315</b>	<b>\$ 835,930</b>	<b>\$ 722,063</b>
<b>Plan Fiduciary Net Position</b>			
Contribution - employer	\$ 14,200	\$ 12,072	\$ 12,099
Net investment income	16,415	19,778	23,752
Benefit payments	(14,200)	(12,072)	(12,099)
Administrative expense	57	(461)	(121)
<b>Net change in plan fiduciary net position</b>	<b>16,472</b>	<b>19,317</b>	<b>23,631</b>
<b>Plan fiduciary net position - beginning</b>	<b>267,697</b>	<b>248,380</b>	<b>224,749</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>284,169</b>	<b>267,697</b>	<b>248,380</b>
<b>Net OPEB Liability/(Assets) - ending (a) - (b)</b>	<b>\$ 3,190,146</b>	<b>\$ 568,233</b>	<b>\$ 473,683</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	8.18%	32.02%	34.40%
<b>Covered-employee payroll</b>	\$ 2,758,300	\$ 2,611,101	\$ 2,537,528
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	115.66%	21.76%	18.67%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**Notes to Schedule:**

Changes of Assumptions: The discount rate decreased from 3.17% to 2.79% in measurement period 2018-19.

**BARSTOW FIRE PROTECTION DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - OPEB  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially Determined Contribution	\$ 335,358	\$ 64,738	\$ 62,732
Contribution in Relation to the Actuarially Determined Contributions	19,568	14,200	12,072
Contribution Deficiency (Excess)	<u>\$ 315,790</u>	<u>\$ 50,538</u>	<u>\$ 50,660</u>
Covered-employee payroll	\$ 2,045,831	\$ 2,758,300	\$ 2,611,101
Contributions as a percentage of covered-employee payroll	0.96%	0.51%	0.46%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**Notes to Schedule:**

\*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

**Methods and assumptions used to determine contributions:**

Valuation Date	6/30/2019
Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of pay
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	6.75%
Healthcare cost-trend rates	5.4% in 2021 fluctuating to 4% by 2076
Retirement Age	45 to 65 years
Mortality	MacLeod Watts Scale 2020 applied generationally

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2020.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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





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

**Purpose of this Report**

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

*Lance, Soll & Lingham, LLP*

Brea, California  
December 22, 2020