

**BONITA-SUNNYSIDE
FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT

Management Report
For the Year Ended June 30, 2014

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Craig R. Fechter, CPA, MST
Scott A. German, CPA

Board of Directors of the
Bonita-Sunnyside Fire Protection District
Bonita, California

In planning and performing our audit of the financial statements of the Bonita-Sunnyside Fire Protection District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing any changes that you consider making. We thank the District's staff for its cooperation on this audit.

Fechter & Company, Certified Public Accountants

A handwritten signature in black ink that reads 'Fechter & Company, CPAs'. The signature is stylized and cursive.

September 15, 2014
Sacramento, CA

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
Required Communications
For the Year Ended June 30, 2014

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 13, 2014, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Internal Control Related Matters

In any smaller entity, whether private enterprise or a governmental agency, the lack of segregation of duties can present potential issues in regards to the perpetuation and concealment of fraud. Specifically, the District has two related individuals who are primarily responsible for keeping the books and records, performing account reconciliations, collecting money and making bank deposits. While we recognize that it may not be feasible to segregate duties due to lack of resources, we recommend that compensating controls be performed. Some of the controls would include:

- Having the fire chief review the monthly bank reconciliations and bank statements. In the case of the fire District, this would include reviewing the county statements.
- Examining financial statements on a monthly basis.
- Examining a budget to actual report on a frequent basis.
- Examining a "profit & loss, previous year comparison" report on a frequent basis. This is a special report that your bookkeeping system can produce that compares two periods.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
Required Communications
For the Year Ended June 30, 2014

- Reviewing the District's payroll register on a periodic basis to question and examine any changes in payroll rates or overtime paid during a payroll period.
- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing checks and asking questions about invoices presented for payment. This person should be completely independent of the accounting function
- Frequently displaying "professional skepticism" when considering staff responses on District finances.

There is no catch-all for finding all instances of fraud within any entity, whether public or private. One of the key factors in helping prevent fraud is to encourage ethical behavior at all levels of the organization, i.e., "tone at the top". Another key would be to note instances of abnormal behavior of finance or accounting staff when questioned about District financial matters.

The District should remember that they have outside resources available in the case of fraud – they are able to contact District auditor, their attorney, or county auditor-controller should anyone feel there is a chance of fraud or abuse.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- PERS actuarial study to estimate the annual retired contribution
- Actuarial study to estimate annual retired contribution for post-employment benefits

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process:

- Posting of all GASB 34 entries on behalf of the district
- Adjusting year-end payroll accrual and pre-paid expenses

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
Required Communications
For the Year Ended June 30, 2014

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

**COUNTY OF SAN DIEGO
BONITA, CALIFORNIA**

**AUDIT REPORT
JUNE 30, 2014**

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

INTRODUCTORY SECTION

JUNE 30, 2014

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**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

FINANCIAL SECTION

JUNE 30, 2014

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bonita - Sunnyside Fire Protection District
Bonita, California

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of the Bonita-Sunnyside Fire Protection District as of and for the year ended June 30, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Bonita - Sunnyside Fire Protection District
Bonita, California

Opinions

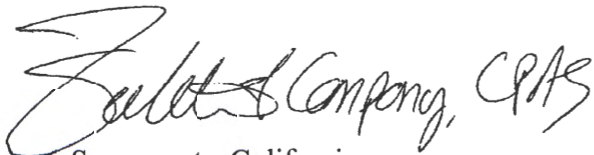
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bonita-Sunnyside Fire Protection District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and post-employment benefit information on pages 3-7 and 32-34 respectively, 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.

Fechter & Company,
Certified Public Accountants



Sacramento, California
September 12, 2014

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the Bonita - Sunnyside Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's ending Total Net Position was \$7,937,907.
- The Change in Net Position for the year was \$52,176.
- The District had revenues in excess of expenditures in the General Fund in the amount of \$338,748 in the current year.
- This year the District had \$18,605 in additions to Capital Assets

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

Basic financial statements - The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

More detailed information about the District's most significant funds – not the District as a whole is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Supplementary Information* gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District had net position of \$7,937,907 as of June 30, 2014, an increase of \$52,176 from the previous year.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 7,937,907 as of June 30, 2014.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

TABLE 1
Condensed Statement of Net Position

Summary of Assets, Liabilities and Net Position

Assets	2014	2013
Current Other Assets	\$ 6,858,805	\$ 6,568,249
Capital Assets, net	1,704,918	1,907,933
Total Assets	\$ 8,563,723	\$ 8,476,182
 Liabilities		
Current and Other Liabilities	\$ 38,497	\$ 86,689
Long-term Debt	587,319	503,762
Total Liabilities	\$ 625,816	\$ 590,451
 Net Position		
Invested in Capital Assets	\$ 1,704,918	\$ 1,907,933
Restricted	-	3,013
Unrestricted Net Position	6,232,989	5,974,785
Total Net Position	\$ 7,937,907	\$ 7,885,731

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2014 increased to \$2,616,368. Property taxes appeared to have stabilized after years of annual decreases and in fact increased by approximately 1% over the prior year.
- The District's total expenses increased to \$2,564,192.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

- The increase in Net Position was \$52,176.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2014:

TABLE 2
Condensed Statement of Activities

	2014	2013
General Revenues		
Property Taxes	\$ 2,308,383	\$ 2,257,888
Assessments	193,938	187,893
Use of Money and Property	58,078	56,611
Mitigation Fees	23,232	22,214
Reimbursements	5,184	11,043
Miscellaneous	27,553	17,422
Total Revenues	2,616,368	2,553,071
Salaries & Benefits	1,956,437	1,946,732
Services & Supplies	386,135	321,758
Depreciation	221,620	230,569
Total Expenditures	2,564,192	2,499,059
Increase in Net Position	\$ 52,176	\$ 54,012

Significant Changes in Individual Funds

There was an increase in revenue of approximately \$264,544 over budgeted amounts and a decrease in total expenses of General Fund Budget of approximately \$202,418 in budgeted amounts.

General Fund Budgetary Highlights

The General fund had the following Excess of Expenditures over Appropriations (instances where actual amounts exceeded budgeted amounts) in individual categories:

- Contracts – Maintenance & Service - \$4,185
- Dispatch Costs - \$1,118
- Station Janitorial Supplies - \$147

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**TABLE 3
ANALYSIS OF SIGNIFICANT BUDGET-TO-ACTUAL VARIATIONS**

	Actual	June 30, 2014 Budget	Variance
Revenues	\$ 2,616,368	\$ 2,351,824	\$ 264,544
Operating Expenses	2,277,620	2,480,038	202,418
Net Increase (Decrease)	\$ 338,748	\$ (128,214)	\$ 466,962

Operating expenses above include the \$18,605 for Capital Equipment purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014 the District has net capital assets totaling \$1,704,918 which include land, structures, improvements, furniture, fixtures, equipment, fire apparatus, and vehicles. The District owns property and structures located at 4035 Bonita Road and 4900 Bonita Road. All capital assets have no liens.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District Board of Directors, management staff, and safety personnel believe in the philosophy of operating the District in a cost efficient manner while continuing to serve the residents of Bonita. To minimize deaths, injuries, and property losses by taking feasible action to prevent fires and extinguish them promptly if they occur. This shall include performing life safety and fire protection as needed. To plan for the future by setting aside reserve funds in the event of a shortfall, to operate within means provided and remain sustainable. The goal of the District is to serve the residents of Bonita.

CONTACTING THE DISTRICT

The Bonita-Sunnyside Fire Protection District financial statements are designed to present a general overview of the Bonita-Sunnyside Fire Protection District's finances and to demonstrate Bonita-Sunnyside Fire Protection District's accountability. Questions regarding this report should be directed to Tim Isbell, Fire Chief or Annette Craven, Office Manager at (619) 479-2346, or 4900 Bonita Road, Bonita, CA 91902-1725.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Cash	\$ 6,357,202
Accounts receivable	1,603
Deposits	500,000
Capital assets, net	<u>1,704,918</u>

TOTAL ASSETS 8,563,723

LIABILITIES

Accounts payable and accrued expenses	\$ 11,734
Accrued payroll	26,763
Long-term liabilities:	
Compensated absences	374,503
Due beyond one year	<u>212,816</u>

TOTAL LIABILITIES 625,816

NET POSITION

Invested in capital assets, net of related debt	1,704,918
Unrestricted	<u>6,232,989</u>

NET POSITION \$ 7,937,907

The accompanying notes are an integral part of these financial statements

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Safety	\$ 2,564,192	\$ -	\$ -	\$ -	\$ (2,564,192)
Total Governmental Activities	<u>\$ 2,564,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,564,192)</u>
General Revenues					
					\$ 2,308,383
					193,938
					58,078
					5,184
					23,232
					<u>27,553</u>
					<u>2,616,368</u>
					52,176
					<u>7,885,731</u>
					<u>\$ 7,937,907</u>

The accompanying notes are an integral part of these financial statements

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS	<u>General Fund</u>
Cash	\$ 6,357,202
Accounts receivable	1,603
Deposits	<u>500,000</u>
TOTAL ASSETS	<u><u>\$ 6,858,805</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 11,734
Accrued payroll	<u>26,763</u>
Total liabilities	<u>38,497</u>
FUND BALANCES	
Fund balance:	
Non-spendable: Deposits	500,000
Reserved for capital expenditures	-
Unassigned	<u>6,320,308</u>
Total fund balance	<u>6,820,308</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,858,805</u></u>

The accompanying notes are an integral part of these financial statements

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances - governmental funds		\$ 6,820,308
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost		1,704,918
<p>Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:</p>		
Compensated absences	(374,503)	
Other post employment benefits	<u>(212,816)</u>	<u>(587,319)</u>
Net position of governmental activities		<u>\$ 7,937,907</u>

The accompanying notes are an integral part of these financial statements

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General fund</u>
REVENUES	
Property taxes	\$ 2,308,383
Special assessments	193,938
Use of money and property	58,078
Reimbursements	5,184
Mitigation fees	23,232
Miscellaneous	<u>27,553</u>
Total revenues	2,616,368
EXPENDITURES	
Current:	
Salaries and benefits	1,897,290
Administrative	120,670
Insurance	56,557
Fire Prevention	1,018
Fuel and Oil	23,434
Hoses	3,534
Household expense	3,610
Maintenance	47,971
Office supplies	11,342
Protective gear	21,640
Professional services	14,263
Safety	3,892
Training	2,390
Utilities	37,411
Travel	1,298
Automobile	12,695
Capital outlay	<u>18,605</u>
Total expenditures	<u>2,277,620</u>
NET CHANGE IN FUND BALANCES	<u>338,748</u>
FUND BALANCES, BEGINNING OF YEAR	<u>6,481,560</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 6,820,308</u></u>

The accompanying notes are an integral part of these financial statements

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$	338,748
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Current year capital asset additions		18,605
Depreciation expense not reported in governmental funds		(221,620)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Change in compensated absences		799
Change in other post employment benefits liability		(84,356)
		(84,356)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	52,176
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BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of the Bonita - Sunnyside Fire Protection District (the District). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

The Bonita-Sunnyside Fire Protection District is in San Diego and was formed in 1950, the home to over 13,000 residents living in the community of Bonita an unincorporated area of San Diego County. The Bonita-Sunnyside Fire Protection District service area is primarily suburban residential but also has commercial, rural/agricultural and wildland/urban interface properties.

The Bonita-Sunnyside Fire Protection District is proud to provide a paramedic engine to serve the residents of Bonita.

A. Significant Accounting Policies

1. Accounting Policies

The Accounting Policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

2. Accounting Pronouncements

For the year ended June 30, 2004, the District was required to adopt GASB Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37 (GASB 37), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38 (GASB 38), Certain Financial Statement Note Disclosures, and GASB Statement No. 39 (GASB 39), Determining Whether Certain Organizations are Component Units. GASB 34 significantly changes the way state and local governments report their financial information to the public. As a result of GASB 34, state and local governments are required to report financial information using both fund-based and government-wide financial statement presentations. Fund-based statements continue to use the modified accrual basis of accounting, but the government-wide statement uses full accrual basis of accounting. In addition to the change in the financial statement presentation, GASB 34 requires the reporting of capital assets and long-term obligations on the government-wide financial statements. The preparation of a Management Discussion and Analysis to clarify the District's financial activities is also required by GASB 34. Furthermore, the District's notes to the financial statements incorporate modifications as required under GASB 38.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

A. Significant Accounting Policies (Continued)

3. Basis of Presentation

a. Government-Wide Financial Statements

The Government-wide Financial Statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The Government-wide Financial Statements are prepared using the economic resources measurement focus. Governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The Government-Wide Financial Statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

b. Fund Financial Statements

Fund Financial Statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

A. Significant Accounting Policies (Continued)

4. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

a. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Deferred Revenue

Deferred Revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue. At June 30, 2014, the District did not have any Deferred Revenue.

c. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued)

c. Expenses/Expenditures (Continued)

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

5. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor funds as follows:

Major Governmental Funds:

- The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

6. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a tentative budget no later than June 30 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carryover from year to year.

7. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

8. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

The District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximate market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the year ended June 30, 2014.

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

<u>Asset Class</u>	<u>Estimated Useful Life In Years</u>
Buildings/Improvements	20-30
Vehicles	5
Equipment	5-20

c. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

The first 750 hours of each employee of accumulated sick leave benefits are recognized as liabilities of the District. The remaining hours over 750 are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

A. Significant Accounting Policies (Continued)

8. Assets, Liabilities, and Equity (Continued)

d. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred Revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

e. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

f. Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

h. Fund Balance Reserves and Designations

In the fund financial statements, fund balance reserves are those portions of the fund balance that are not available for appropriation or expenditure and/or are legally segregated for a specific future use.

Designations of unreserved fund balances in governmental fund financial statements indicate District management's tentative plans for use of financial resources in a future period. Such plans of intent are subject to change and have not been legally mandated.

i. Net Position

The government-wide financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

B. Significant Accounting Policies (Continued)

i. Net Position (Continued)

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. It is the District's policy to first apply restricted assets when an expenditure is incurred for purposes for which both restricted and unrestricted assets are available.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

j. 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.

9. Classification of Items

Certain items may have been classified differently from one year to another.

10. Implementation of New Accounting Standards

The District adopted the provisions of GASB Statement No. 63 (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2014.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

C. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions would be reported if there were any material violations. The District's management is not aware of any instances of non-compliance.

D. Cash and Investments

The District follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash and investments consist of the following at June 30, 2014:

Local Agency Investment Fund Pool (LAIF)	\$	406,176
Deposits held in financial institutions		843,352
Cash with County		5,107,339
Petty Cash		335
		6,357,202
	\$	6,357,202

Custodial Credit Risk

At June 30, 2014, the carrying amount of the deposits held at banks, was \$843,352. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

D. Cash and Investments (Continued)

The California Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement.

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

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. As of the year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

D. Cash and Investments (Continued)

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 LAIF does not have a rating provided by a nationally recognized statistical rating organization.

E. Capital Assets

Capital Asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 432,082	\$ -	\$ -	\$ 432,082
Total Capital Assets, Not Being Depreciated	<u>432,082</u>	<u>-</u>	<u>-</u>	<u>432,082</u>
Capital Assets, Being Depreciated:				
Structures & Improvements	1,903,844	-	-	1,903,844
Furniture & Fixtures	72,527	-	-	72,527
Equipment & Vehicles	1,408,840	18,605	-	1,427,445
Total Capital Assets, Being Depreciated	<u>3,385,211</u>	<u>18,605</u>	<u>-</u>	<u>3,403,816</u>
Total Accumulated Depreciation	<u>(1,909,360)</u>	<u>(221,620)</u>	<u>-</u>	<u>(2,130,980)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,475,851</u>	<u>(203,015)</u>	<u>-</u>	<u>1,272,836</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,907,933</u>	<u>\$(203,015)</u>	<u>\$ -</u>	<u>\$ 1,704,918</u>

Depreciation expense for the year-ended June 30, 2014 was \$221,620.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

F. Long-Term Liabilities

1. Long-Term Liabilities Activity

Long-term liabilities activities include debt and other long-term liabilities. Changes in long-term liabilities for the year ended June 30, 2014, are as follows:

	<u>Balance 7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/14</u>
OPEB liability	\$ 128,460	\$ 84,356	\$ -	\$ 212,816
Compensated absences	375,302	-	799	374,503
TOTALS	<u>\$ 503,762</u>	<u>\$ 84,356</u>	<u>\$ 799</u>	<u>\$ 587,319</u>

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

G. Employee Retirement Plans

1. California Public Employees' Retirement System (CalPERS)

Plan Description

The Bonita-Sunnyside Fire Protection District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 9% for safety employees and 7% for miscellaneous employees of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 15.685% for miscellaneous employees, and 26.149% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2014, the District's annual pension cost of \$420,532 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of services, and (c) 3.30% per year payroll growth adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was five years for prior service unfunded, and fifteen years for remaining unfunded.

THREE YEAR TREND INFORMATION FOR CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$ 420,532	100%	\$ -0-
06/30/13	\$ 387,518	100%	\$ -0-
06/30/12	\$ 355,858	100%	\$ -0-

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

G. Employee Retirement Plans (Continued)

1. California Public Employees' Retirement System (CalPERS) (Continued)

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/11	\$ 13,749,980	\$ 12,141,922	\$ 1,608,058	88.3%	\$ 1,084,786	148.24%
06/30/12	\$ 14,428,035	\$ 12,700,955	\$ 1,727,080	88.0%	\$ 1,109,431	155.67%

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/11	\$ 787,872	\$ 605,311	\$ 182,561	76.8%	\$ 57,893	315.53%
06/30/12	\$ 662,798	\$ 480,415	\$ 182,383	72.50%	\$ 79,008	230.84%

H. Joint Powers Agreements

1. Public Agencies Self Insurance System (PASIS)

The District entered into a Joint Powers Agreement (JPA) known as the "Public Agencies Self Insurance System" (PASIS), a self-insurance plan for workers' compensation insurance. The PASIS is governed by a board consisting of a representative from each member district. The board controls the operations of the PASIS, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the PASIS. The JPA is a separate entity which is independently audited.

Condensed financial information from PASIS' audited financial statements at June 30, 2014, is as follows:

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

H. Joint Powers Agreements (Continued)

1. Public Agencies Self Insurance System (PASIS) (Continued)

	District's Share	Total PASIS
Assets	\$ 499,608	\$ 4,056,002
Liabilities and Fund Balance		
Liabilities	\$ -	\$ -
Fund Balance (Deficit)	499,608	4,056,002
Total Liabilities and Fund Balance	\$ 499,608	\$ 4,056,002
		Total PASIS
Revenues		\$ 12,590
Expenditures		-
Capital Contributions (Distributions)		(189,950)
Net Income (Loss)		\$ (177,360)

2. Fire Agencies Insurance Risk Authority (FAIRA)

The District entered into a Joint Powers Agreement (JPA) known as the "Fire Agencies Insurance Risk Authority" (FAIRA), a self-insurance plan for general liability insurance. The FAIRA is governed by a board consisting of a representative from each member district. The board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited.

The most recent condensed financial information from FAIRA's unaudited financial statements at June 30, 2014, are as follows:

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

- I. Joint Powers Agreements (Continued)
2. Fire Agencies Insurance Risk Authority (FAIRA) (Continued)

	Total FAIRA
Assets	\$ 3,248,917
Liabilities and Fund Equity	
Liabilities	\$ 132,423
Net Position	3,116,494
Total Liabilities and Net Position	\$ 3,248,917
	Total FAIRA
Operating Revenues	\$ 2,869,960
Expenditures	(2,888,207)
Operating Income (Loss)	(18,247)
Non-operating Revenue Investments (Net)	79,830
Net Income (Loss)	\$ 61,583

3. Heartland Communications Facility Authority (HCFA)

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Communications Facility Authority” (HCFA), the purpose of which is to acquire, construct, equip, and maintain and operate a communications facility. The HCFA is governed by a commission consisting of a representative from each public agency. The commission controls the operations of the HCFA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the commission. Each public agency pays a premium based on the ratio of mobile radios and uniformed personnel of that public agency to the total number of mobile radios and uniformed personnel of all members of the JPA. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA are not included in this report.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

J. Post-Employment Benefits Other Than Pension Benefits

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have completed a minimum of 5 years of employment with the District.

For the year ended June 30, 2014, 13 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2014, expenditures of \$93,621 were recognized for post-employment health care benefits.

Funding Policy.

The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2014, the District contributed only for pay-as-you-go in the amount of \$93,621. In addition, the District has a reserve fund maintained in the County of San Diego for the purposes of funding OPEB benefits. The District allocated an additional \$189,950 to this fund.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 183,128
Contributions made	<u>(98,772)</u>
Increase in net OPEB obligation	84,356
Net OPEB obligation – beginning of year	<u>128,480</u>
Net OPEB obligation – end of year	<u>\$ 212,836</u>

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

K. Post-Employment Benefits Other Than Pension Benefits (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 183,128	53.94%	\$ 212,836

Funded Status and Funding Process

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,787,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,110,845 and the ratio of the UAAL to the covered payroll was 227 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 3 percent initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was twenty-seven years.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

L. Subsequent Events

Events have been reviewed through October 31, 2014, the date the financial statements were available for issuance.

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2014

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 2,317,824	\$ 2,317,824	\$ 2,308,383	\$ (9,441)
Special assessments	-		193,938	193,938
Use of money and property	23,000	23,000	58,078	35,078
Reimbursements	11,000	11,000	5,184	(5,816)
Mitigation fees	-	-	23,232	23,232
Miscellaneous	-	-	27,553	27,553
Total revenues	<u>2,351,824</u>	<u>2,351,824</u>	<u>2,616,368</u>	<u>264,544</u>
EXPENDITURES				
Current:				
Salaries and benefits	1,937,165	1,937,165	1,897,290	39,875
Administrative	232,196	232,196	120,670	111,526
Insurance	61,361	61,361	56,557	4,804
Fire Prevention	2,395	2,395	1,018	1,377
Fuel and Oil	23,900	23,900	23,434	466
Hoses	7,900	7,900	3,534	4,366
Household expense	3,450	3,450	3,610	(160)
Maintenance	98,855	98,855	47,971	50,884
Office supplies	21,425	21,425	11,342	10,083
Protective gear	21,740	21,740	21,640	100
Professional services	17,277	17,277	14,263	3,014
Safety	3,200	3,200	3,892	(692)
Training	5,500	5,500	2,390	3,110
Utilities	42,474	42,474	37,411	5,063
Travel	1,200	1,200	1,298	(98)
Automobile	-	-	12,695	(12,695)
Capital outlay	-	-	18,605	(18,605)
Total expenditures	<u>2,480,038</u>	<u>2,480,038</u>	<u>2,277,620</u>	<u>202,418</u>
Excess of revenues over (under) expenditures			<u>\$ 338,748</u>	

See notes to required supplementary information

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures and encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$2,386,615	\$2,386,615	0.0%	\$1,049,064	227%
7/1/2013	\$ -	\$2,787,000	\$2,787,000	0.0%	-	-

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.