

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT**

**COUNTY OF SAN DIEGO
BONITA, CALIFORNIA
WITH
INDEPENDENT AUDITOR'S REPORT
THEREON
JUNE 30, 2016**

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

INTRODUCTORY SECTION

JUNE 30, 2016

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ANNUAL FINANCIAL REPORT
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**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of the Bonita-Sunnyside Fire Protection District as of and for the year ended June 30, 2016, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Bonita-Sunnyside Fire Protection District as of June 30, 2016, 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.

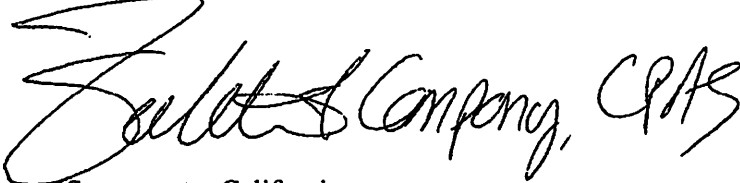
Board of Directors
Bonita - Sunnyside Fire Protection District
Bonita, California

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

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California
October 7, 2016

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 \$3,981,908.
- The Change in Net Position for the year was \$731,831.
- The District had revenues in excess of expenditures in the General Fund in the amount of \$431,536 in the current year.
- The District purchased one new vehicle this year as an addition 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 Basic Financial Statements are 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, 2016**

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 \$3,981,908 as of June 30, 2016, an increase of \$731,831 from the previous year.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$3,981,908 as of June 30, 2015.

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	2016	2015
Current Other Assets	\$ 7,068,083	\$ 7,702,729
Capital Assets, net	1,304,739	1,484,482
Total Assets and Deferred Outflows	\$ 8,372,822	\$ 9,187,211
Liabilities		
Current and Other Liabilities	\$ 20,165	\$ 74,430
Long-term Debt and other Deferred Inflows	4,370,749	4,853,986
Total Liabilities and Deferred Inflows	\$ 4,390,914	\$ 4,928,416
Net Position		
Invested in Capital Assets	\$ 1,304,739	\$ 1,484,482
Restricted	-	-
Unrestricted Net Position	2,677,169	2,774,313
Total Net Position	\$ 3,981,908	\$ 4,258,795

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2016 increased to \$2,852,607. Property taxes appeared to have stabilized after years of annual decreases and in fact increased by approximately 5% over the prior year.
- The District's total expenses decreased to \$2,094,920. This is primarily due to the adjustment of pension expense and its relation to the decreasing net pension liability.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

- The increase in Net Position was \$731,831.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2016:

**TABLE 2
Condensed Statement of Activities**

	2016	2015
General Revenues		
Property Taxes	\$ 2,562,596	\$ 2,434,038
Assessments	205,794	199,902
Use of Money and Property	47,106	55,226
Mitigation Fees	9,920	13,715
Reimbursements	-	24,180
Miscellaneous	27,191	38,341
Total Revenues	2,852,607	2,765,402
Total Expenditures	2,120,776	2,597,966
Increase in Net Position	\$ 731,831	\$ 167,436

Significant Changes in Individual Funds

There was an increase in revenue of approximately \$275,326 over budgeted amounts and a decrease in total expenses of General Fund Budget of approximately \$187,773 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 this individual category:

- Office Supplies - \$233

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

	Actual	June 30, 2016 Budget	Variance
Revenues	\$ 2,852,607	\$ 2,577,281	\$ 275,326
Operating Expenses	2,421,071	2,608,844	187,773
Net Increase (Decrease)	<u>\$ 431,536</u>	<u>\$ (31,563)</u>	<u>\$ 463,099</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District has net capital assets totaling \$1,304,739 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. None of the capital assets have 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.

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, 2016

ASSETS

Cash and Investments	\$	6,189,499
Accounts receivable		214
Deposits		500,000
Capital assets, net		1,304,739

TOTAL ASSETS		7,994,452
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DEFERRED OUTFLOWS OF RESOURCES (NOTE I)

Deferred pension	\$	378,370
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LIABILITIES

Accounts payable and accrued expenses	\$	2,707
Accrued payroll		17,458
Long-term liabilities:		
Compensated absences		408,259
Due beyond one year		296,546
Net pension liability		3,335,508

TOTAL LIABILITIES		4,060,478
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DEFERRED INFLOWS OF RESOURCES (NOTE I)

Deferred pension		330,436
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NET POSITION

Invested in capital assets, net of related debt		1,304,739
Unrestricted		2,677,169

NET POSITION	\$	3,981,908
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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, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental Activities:					
Public Safety	\$ 2,120,776	\$ -	\$ -	\$ -	\$ (2,120,776)
Total Governmental Activities	<u>\$ 2,120,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,120,776)</u>

General Revenues

Property taxes	\$ 2,562,596
Special assessments	205,794
Use of money and property	47,106
Mitigation fees	9,920
Miscellaneous	<u>27,191</u>
Total general revenues	<u>2,852,607</u>
Change in net position	731,831
Net position at beginning of fiscal year	<u>4,258,795</u>
Prior period adjustment (Note J)	<u>(1,008,718)</u>
Net position at end of fiscal year	<u>\$ 3,981,908</u>

The accompanying notes are an integral part of these financial statements

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

ASSETS	<u>General Fund</u>
Cash and Investments	\$ 6,189,499
Accounts receivable	214
Deposits	<u>500,000</u>
TOTAL ASSETS	<u><u>\$ 6,689,713</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 2,707
Accrued payroll	<u>17,458</u>
Total liabilities	<u>20,165</u>
FUND BALANCES	
Fund balance:	
Non-spendable: Deposits	500,000
Unassigned	<u>6,169,548</u>
Total fund balance	<u>6,669,548</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,689,713</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, 2016**

Total fund balances - governmental funds		\$ 6,669,548
<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, net		1,304,739
Deferred outflows of resources are not reported in the Statement of Net Position		378,370
<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	(408,259)	
Other post employment benefits	(296,546)	
Deferred inflows of resources	(330,436)	
Net pension liability	<u>(3,335,508)</u>	<u>(4,370,749)</u>
Net position of governmental activities		<u>\$ 3,981,908</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, 2016**

	<u>General fund</u>
REVENUES	
Property taxes	\$ 2,562,596
Special assessments	205,794
Use of money and property	47,106
Mitigation fees	9,920
Miscellaneous	<u>27,191</u>
Total revenues	2,852,607
EXPENDITURES	
Salaries and benefits	2,039,161
Administrative	130,842
Insurance	52,973
Fire Prevention	305
Fuel and Oil	13,192
Hoses	2,728
Household expense	1,919
Maintenance	44,126
Office supplies	7,083
Protective gear	5,508
Professional services	25,662
Safety	12,168
Training	1,378
Utilities	34,315
Travel	7,025
Automobile	14,717
Capital outlay	<u>27,969</u>
Total expenditures	<u>2,421,071</u>
NET CHANGE IN FUND BALANCES	<u>431,536</u>
FUND BALANCES, BEGINNING OF YEAR	<u>7,246,730</u>
PRIOR PERIOD ADJUSTMENT (NOTE J)	<u>(1,008,718)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 6,669,548</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, 2016**

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	\$ 431,536
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>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.</p>	
Depreciation expense not reported in governmental funds	(207,712)
Current year capital outlay	27,969
<p>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):</p>	
Changed in net pension liability	488,006
Change in compensated absences	(13,380)
Change in other post employment benefits liability	5,412
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 731,831

The accompanying notes are an integral part of these financial statements

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016**

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, 2016

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, 2016, the District did not have any Deferred Revenue.

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

A. Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued)

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. 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 non-major 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.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

A. Significant Accounting Policies (Continued)

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 each year.

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, 2016.

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's 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, 2016**

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 Assignments

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- **Nonspendable Fund Balance** – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- **Committed Fund Balance** – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e. – fund balance designations passed by board resolution).

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

A. Significant Accounting Policies (Continued)

h. Fund Balance, Reserves, and Assignments (Continued)

- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

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.

- 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 and 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.

B. 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.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

C. 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, 2016:

Local Agency Investment Fund Pool (LAIF)	\$	408,634
Deposits held in financial institutions		656,217
Cash with County		5,124,375
Petty Cash		273
		6,189,499
	\$	6,189,499

Custodial Credit Risk

At June 30, 2016, the carrying amount of the deposits held at banks was \$656,217. 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 to 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.

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

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

C. Cash and Investments (Continued)

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.

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.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

D. Capital Assets

Capital Asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
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	1,427,445	27,969	-	1,455,414
Total Capital Assets, Being Depreciated	<u>3,403,816</u>	<u>27,969</u>	<u>-</u>	<u>3,431,785</u>
 Total Accumulated Depreciation	 (2,351,417)	 (207,712)	 -	 (2,559,129)
 Total Capital Assets, Being Depreciated, Net	 <u>1,052,400</u>	 <u>(179,743)</u>	 <u>-</u>	 <u>872,656</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 1,484,482</u>	 <u>\$(179,743)</u>	 <u>\$ -</u>	 <u>\$ 1,304,739</u>

Depreciation expense for the year-ended June 30, 2016, was \$207,712 and was charged to the public safety function.

E. 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, 2016 are as follows:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>
OPEB liability	\$ 301,958	\$ -	\$ 5,412	\$ 296,546
Net pension liability	3,207,774	127,734	-	3,335,508
Compensated absences	394,879	13,380	-	408,259
 TOTALS	 <u>\$ 3,904,611</u>	 <u>\$ 141,114</u>	 <u>\$ 5,412</u>	 <u>\$ 4,040,313</u>

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

F. 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 8.512% for miscellaneous employees, and 18.524% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

At June 30, 2016, the District reported a liability of \$3,335,508 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2016, the District recognized negative pension expenses of \$(109,636) in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

F. Employee Retirement Plans (Continued)

1. California Public Employees' Retirement System (CalPERS)

Actuarial Assumptions (Continued)

- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (Expected returns, net of pension 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 following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05)%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

F. Employee Retirement Plans (Continued)

1. California Public Employees' Retirement System (CalPERS)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension plan liability	\$ 5,359,804	\$ 3,335,508	\$ 1,675,010

Detailed information about the pension fund's fiduciary net position is available in the separately issued CALPERS comprehensive annual financial report which may be obtained by contacting PERS.

G. 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.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

G. Joint Powers Agreements (Continued)

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

Condensed financial information from PASIS' audited financial statements at June 30, 2016, is as follows:

	District's Share	Total PASIS
Assets	\$ 504,573	\$ 3,370,523
Liabilities and Fund Balance		
Liabilities	\$ -	\$ -
Fund Balance (Deficit)	504,573	3,370,523
Total Liabilities and Fund Balance	\$ 504,573	\$ 3,370,523
		Total PASIS
Revenues		\$ 19,075
Expenditures		-
Capital Contributions (Distributions)		(403,396)
Net Income (Loss)		\$ (384,321)

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.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

G. Joint Powers Agreements (Continued)

2. Fire Agencies Insurance Risk Authority (FAIRA) (Continued)

The most recent condensed financial information from FAIRA's unaudited financial statements at June 30, 2015, are as follows:

	Total FAIRA
Assets	\$ 3,215,464
Liabilities and Fund Equity	
Liabilities	\$ 103,390
Net Position	3,112,074
Total Liabilities and Net Position	\$ 3,215,464
	Total FAIRA
Operating Revenues	\$ 2,835,744
Expenditures	(2,851,817)
Operating Income (Loss)	(16,073)
Non-operating Revenue Investments (Net)	11,653
Net Income (Loss)	\$ (4,420)

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, 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, 2016**

H. 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, 2016, 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, 2015, expenditures of \$132,381 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, 2016, the District made a total contribution of \$132,381. During the 2015 fiscal year, the District contributed over a million dollars to a dedicated trust 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	\$ 126,969
Contributions made	<u>(132,381)</u>
Increase in net OPEB obligation	(5,412)
Net OPEB obligation – beginning of year	<u>301,958</u>
Net OPEB obligation – end of year	<u>\$ 296,546</u>

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

H. 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, 2016, 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, 2016	\$ 126,969	100%	\$ 296,546

Funded Status and Funding Process

As of July 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,600,828. As of that date the District had set aside \$1,009,665 so the total unfunded liability at that date was \$1,591,163. 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 234 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, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.12 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 between 5 and 7 percent. An inflation rate of 2.75% 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, 2016, was twenty-five years.

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

I. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions. The total is \$378,370.

The District also recognized deferral inflows of resources in the government-wide financial statements. This is an acquisition of net position by the District that is applicable to a future reporting period. The District has one item related to pensions that is captured as a deferred inflow of resources. The total at year-end was \$330,436.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period.

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$378,370 was reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-end June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 155,987
2017	155,987
2018	139,403
2019	(120,941)
Total	<u>\$ 330,436</u>

J. Prior Period Adjustment

A prior period adjustment was recorded in the Government-Wide financial statements in an amount totaling \$1,008,718 to decrease the beginning net position. The adjustment was to reflect the funds forwarded to the state to establish the OPEB trust.

K. Subsequent Events

Events have been reviewed through October 7, 2016, the date the financial statements were available for issuance.

**BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**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, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 2,528,281	\$ 2,528,281	\$ 2,562,596	\$ 34,315
Special assessments	-	-	205,794	205,794
Use of money and property	36,000	36,000	47,106	11,106
Reimbursements	13,000	13,000	-	(13,000)
Mitigation fees	-	-	9,920	9,920
Miscellaneous	-	-	27,191	27,191
	<u>2,577,281</u>	<u>2,577,281</u>	<u>2,852,607</u>	<u>275,326</u>
EXPENDITURES				
Current:				
Salaries and benefits	2,128,678	2,128,678	2,039,161	89,517
Administrative	139,719	139,719	130,842	8,877
Insurance	58,211	58,211	52,973	5,238
Fire Prevention	2,895	2,895	305	2,590
Fuel and Oil	20,000	20,000	13,192	6,808
Hoses	8,000	8,000	2,728	5,272
Household expense	5,000	5,000	1,919	3,081
Maintenance	99,395	99,395	44,126	55,269
Office supplies	6,850	6,850	7,083	(233)
Protective gear	9,200	9,200	5,508	3,692
Professional services	47,290	47,290	25,662	21,628
Safety	29,016	29,016	12,168	16,848
Training	4,850	4,850	1,378	3,472
Utilities	38,840	38,840	34,315	4,525
Travel	10,900	10,900	7,025	3,875
Automobile	-	-	14,717	(14,717)
Capital outlay	-	-	27,969	(27,969)
	<u>2,608,844</u>	<u>2,608,844</u>	<u>2,421,071</u>	<u>187,773</u>
Excess of revenues over expenditures			<u>\$ 431,536</u>	

See notes to required supplementary information

**BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

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%	\$1,110,845	227%
7/1/2015	\$1,009,665	\$2,600,828	\$1,591,163	38.82%	\$1,110,845	143%

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.

**BONITA-SUNNYWIDE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
JUNE 30, 2015**

Bonita-Sunnyside Fire Protection District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal years*:

	<u>FY 2014</u>	<u>FY 2015</u>
District’s proportion of the net pension liability	Varies by plan	Varies by plan
District’s proportionate share of the net pension liability	\$ 3,207,774	\$ 3,335,508
District’s covered employee payroll	1,227,218	1,272,914
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.39%	262.04%
Plan Fiduciary net position as a percentage of the total pension liability	81.50%	80.73%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

CALPERS - Schedule of District contributions

Last 10 Fiscal Years*:

	<u>FY 2014</u>	<u>FY 2015</u>
Actuarially determined contribution	\$ 310,601	\$ 320,625
Total actual contributions	(310,601)	(320,625)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District’s covered-employee payroll	\$ 1,227,218	\$ 1,272,914
Contributions as a percentage of covered employee payroll	25.31%	25.19%