BONITA-SUNNYSIDE
FIRE PROTECTION DISTRICT

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2018

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT

Management Report
For the Year Ended June 30, 2018

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FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

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, 2018, 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

Fechter & Company, CPAs

September 11, 2018
Sacramento, California

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

As stated in our engagement letter dated July 2, 2018, 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. 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. 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.

- 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.

California Government Code Section 12422.5 required the State Controller's office to develop internal control guidelines applicable to each local agency by January 1, 2016. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. To this end, the State Controller's Office has produced a draft of control guidelines for local Agencies. As the District contemplates changes to its system of internal control, we advise in utilizing these guidelines when developing internal procedures to assist with your internal control processes.

The State Controller's office has defined internal controls into five components that work together in an integrated framework. Their guidelines were adopted from the definitions and descriptions contained in *Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The objective of *control environment* is the set of standards, processes, and structures that provided the basis for carrying out internal control across the entity. The governing board and management establish the "tone at the top" regarding the importance of internal control, including expected standards of conduct which then cascade down through the various levels of the organization and have a strong effect on the overall system of internal control.

A District's *Risk Assessment* process includes how management identifies risks (including fraud risk) relevant to the preparation and fair presentation of the financial statements in accordance with the District's applicable financial reporting framework. In addition, this would also involve areas of business and operational risk which could potentially affect the District's finances on an ongoing basis.

The District's risk assessment process is an extremely important activity the board and management should undertake on an ongoing basis. Every organization, public or private, faces business risks consistently. Identifying those risks and then acting on them in a timely manner may mitigate the problems those risks could pose.

Management should consistently attempt to identify risks that exist and then present those risks to the board for action. It is impossible for us to identify every potential risk that exists but either way, management and the board should proactively attempt to identify risks that could adversely affect the District's operations.

Control Activities are in reference to establishing policies and procedures that achieve management directives and respond to identified risks in the internal control system. These are specific procedures designed to perform a secondary review of internal processes that will allow for segregation of duties and a management level review of processed transactions.

Information and Communication are the District's methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions. It also is in reference to the District's internal processes of gathering and summarizing that information.

Monitoring involves evaluating the effectiveness of controls on an on-going basis and taking remedial actions when necessary when identified by the other control procedures in place. On-going monitoring activities often are built into the normal recurring activities of a local government and include regular management and supervisory activities.

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
- Recording of all GASB 68 adjustments
- Adjustment to remove balances that had been paid to the state of CA CERBT for the post-employment benefit plan.
- Recording the newly implemented GASB 75 adjustments.

The District is presently recording its OPEB contributions as contributions to an asset account and increases in account value as interest. Contributions to an irrevocable trust should not be reported on your financial statements, neither should increases to asset balances inside the trust accounts be reported as "interest". This is consistent with the treatment of assets inside of the CalPERS retirement accounts or deferred compensation plan.

The last adjustment was to remove activity related to the OPEB trust account.

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

ANNUAL FINANCIAL REPORT

WITH
INDEPENDENT AUDITOR'S REPORT THEREON
JUNE 30, 2018

BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2018

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BONITA - SUNNYSIDE
FIRE PROTECTION DISTRICT

FINANCIAL SECTION

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

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, 2018, 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, 2018, 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.

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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.

Implementation of New Accounting Standards

As disclosed in Note 1 of the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, during fiscal year 2018. Our opinion is not modified with respect to this matter.

Fechter & Company,
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
September 30, 2018

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. 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 $4,072,568.
- The Change in Net Position for the year was $1,051,445.
- The District had revenues in excess of expenditures in the General Fund in the amount of $453,893 in the current year.

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.

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 S*upplementary 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 $4,072,568 as of June 30, 2018, an increase of $1,051,445 from the previous year.

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 $4,072,568 as of June 30, 2018.

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	2018	2017
Current Other Assets	$ 10,152,828	$ 8,119,259
Capital Assets, net	968,661	1,132,884
Total Assets and Deferred Outflows	$ 11,121,489	$ 9,252,143
Liabilities		
Current and Other Liabilities	$ 88,888	$ 45,995
Long-term Debt and other Deferred Inflows	6,960,033	5,816,173
Total Liabilities and Deferred Inflows	$ 7,048,921	$ 5,862,168
Net Position		
Invested in Capital Assets	$ 968,661	$ 1,132,884
Unrestricted Net Position	3,103,907	2,257,091
Total Net Position	$ 4,072,568	$ 3,389,975

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2018 increased to $3,292,495. Property taxes appeared to have stabilized after years of annual decreases and in fact increased by approximately 6% over the prior year.
- The District's total expenses decreased to $2,241,050. This is primarily due to the adjustment of pension expense and its relation to the increasing net pension liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities (Continued)

- The increase in Net Position was $1,051,445.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2018:

TABLE 2
Condensed Statement of Activities

	2018	2017
General Revenues		
Property Taxes	$ 2,856,473	$ 2,707,207
Assessments	217,751	212,034
Use of Money and Property	66,969	52,136
Mitigation Fees	10,972	22,140
Reimbursements	74,734	63,874
Miscellaneous	65,596	50,991
Total Revenues	3,292,495	3,108,382
Total Expenditures	2,241,050	3,700,315
Increase (decrease) in Net Position	$ 1,051,445	$ (591,933)

Significant Changes in Individual Funds

There was an increase in revenue of approximately $642,555 over budgeted amounts and a decrease in total expenses of General Fund Budget of approximately $61,394 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 these individual categories:

- Salaries & Benefits - $19,059
- Insurance - $8,446
- Fuel and oil - $1,659
- Automobile - $6,410

TABLE 3

ANALYSIS OF SIGNIFICANT BUDGET-TO-ACTUAL VARIATIONS

	June 30, 2018		
	Actual	Budget	Variance
Revenues	$ 3,292,495	$ 2,649,940	$ 642,555
Operating Expenses	2,838,602	2,899,996	61,394
Net Increase (Decrease)	$ 453,893	$ (250,056)	$ 703,949

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District has net capital assets totaling $968,661 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, 2018

ASSETS		
Cash and Investments	$	6,995,618
Accounts receivable		3,184
Deposits		500,000
Capital assets, net		968,661
TOTAL ASSETS		8,467,463
DEFERRED OUTFLOWS OF RESOURCES (NOTE I)		
Deferred pension	$	2,654,026
LIABILITIES		
Accounts payable and accrued expenses	$	2,159
Accrued payroll		86,729
Long-term liabilities:		
Compensated absences		440,244
OPEB liability		758,533
Net pension liability		5,602,032
TOTAL LIABILITIES		6,889,697
DEFERRED INFLOWS OF RESOURCES (NOTE I)		
Deferred pension		159,224
NET POSITION		
Invested in capital assets, net of related debt		968,661
Unrestricted		3,103,907
NET POSITION	$	4,072,568

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, 2018

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Net (Expense) Revenue and Change in Net Position
Governmental Activities:					
Public Safety	$ 2,241,050	$ -	$ -	$ -	$ (2,241,050)
Total Governmental Activities	$ 2,241,050	$ -	$ -	$ -	(2,241,050)
		General Revenues			
		Property taxes			$ 2,856,473
		Special assessments			217,751
		Use of money and property			66,969
		Reimbursements			74,734
		Mitigation fees			10,972
		Miscellaneous			65,596
		Total general revenues			3,292,495
		Change in net position			1,051,445
		Net position at beginning of fiscal year			3,389,975
		Prior period adjustment (Note J)			(368,852)
		Net position at end of fiscal year			$ 4,072,568

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund
ASSETS	
Cash and Investments	$ 6,995,618
Accounts receivable	3,184
Deposits	500,000
TOTAL ASSETS	$ 7,498,802
LIABILITIES	
Accounts payable and accrued expenses	$ 2,159
Accrued payroll	86,729
Total liabilities	88,888
FUND BALANCES	
Fund balance:	
Non-spendable: Deposits	500,000
Unassigned	6,909,914
Total fund balance	7,409,914
TOTAL LIABILITIES AND FUND BALANCES	$ 7,498,802

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		$ 7,409,914
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost, net		968,661
Deferred outflows of resources are not reported in the Statement of Net Position		2,654,026
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	(440,244)	
Other post employment benefits	(758,533)	
Deferred inflows of resources	(159,224)	
Net pension liability	(5,602,032)	(6,960,033)
Net position of governmental activities		$ 4,072,568

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, 2018

	General fund
REVENUES	
Property taxes	$ 2,856,473
Special assessments	217,751
Use of money and property	66,969
Reimbursements	74,734
Mitigation fees	10,972
Miscellaneous	65,596
Total revenues	3,292,495
EXPENDITURES	
Current:	
Salaries and benefits	2,423,982
Administrative	138,475
Insurance	69,475
Fire Prevention	956
Fuel and Oil	21,859
Hoses	2,944
Household expense	2,232
Maintenance	41,648
Office & medical supplies	10,431
Protective gear	5,654
Professional services	29,523
Safety	4,934
Training	2,012
Utilities	39,053
Travel	13,464
Automobile	31,960
Total expenditures	2,838,602
NET CHANGE IN FUND BALANCES	453,893
FUND BALANCES, BEGINNING OF YEAR	6,956,021
FUND BALANCE, END OF YEAR	$ 7,409,914

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, 2018

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	$	453,893
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.		
Depreciation expense not reported in governmental funds		(164,223)
Current year capital outlay		-
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):		
Changed in net pension liability		617,718
Change in compensated absences		(7,014)
Change in other post employment benefits liabiIity		151,071
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	1,051,445

The accompanying notes are an integral part of these financial statements

BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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.

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.

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.

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.

Asset Class	Estimated Useful Life In Years
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.

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).

A. Significant Accounting Policies (Continued)

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

- Assigned Fund Balance – this fund balance classification represents 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.

10. Change in Accounting Principles

During the fiscal year ended June 30, 2018, the District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires the Agency recognize in its financial statements the total OPEB liability for the health benefits provided to retirees, less the amounts held in an irrevocable trust account. Due to the implementation of this Statement, total liability increased by $1,428,868 and total net position decreased by $1,428,868 as of July 1, 2017.

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.

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, 2017:

Local Agency Investment Fund Pool (LAIF)	$	416,155
Deposits held in financial institutions		612,515
Cash with County		5,966,857
Petty Cash		91
	$	6,995,618

Custodial Credit Risk
At June 30, 2018, the carrying amount of the deposits held at banks was $612,515. 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

C. Cash and Investments (Continued)

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.

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.

D. Capital Assets

Capital Asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	$ 432,082	$ -	$ -	$ 432,082
Total Capital Assets, Not Being Depreciated	432,082	-	-	432,082
Capital Assets, Being Depreciated:				
Structures & Improvements	1,915,816	-	-	1,915,816
Furniture & Fixtures	72,527	-	-	72,527
Equipment & Vehicles	1,455,414	-	-	1,455,414
Total Capital Assets, Being Depreciated	3,443,757	-	-	3,443,757
Total Accumulated Depreciation	(2,742,956)	(164,222)	-	(2,907,178)
Total Capital Assets, Being Depreciated, Net	700,801	(164,222)	-	536,579
Governmental Activities Capital Assets, Net	$ 1,132,884	$(164,222)	$ -	$ 968,662

Depreciation expense for the year-ended June 30, 2018, was $164,222 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, 2018 are as follows:

	Balance 7/1/17	**Additions**	**Deletions**	**Balance 6/30/18**
OPEB liability	$ 300,285	$ 458,248	$ -	$ 758,533
Net pension liability	4,873,875	728,157	-	5,602,032
Compensated absences	433,230	-	-	433,230
TOTALS	$ 5,607,390	$1,186,405	$ -	$ 6,793,795

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 the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration. The contribution requirements of plan members and the District are established and may be amended by PERS.

The employer contributions rates of annual covered payroll are as follows:

Tier	Safety	Non-Safety
Tier 1	19.723%	-
Tier 2	-	8.921%
PEPRA	11.990%	-

In addition, the District also makes unfunded liability payments annually to help make up for the shortfall in the pension plan. This is also actuarially determined. The following represents the unfunded liability payments made during the 2018 fiscal year:

Tier	Safety	Non-Safety
Tier 1	$ 222,555	$ 10,807
Tier 2		$ 1,007
PEPRA	-	-

Funding Status and Progress

At June 30, 2018, the District reported a liability of $5,602,032 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, 2017 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.

F. Employee Retirement Plans (Continued)

1. California Public Employees' Retirement System (CalPERS)

Funding status and Progress (Continued)

For the fiscal year ended June 30, 2018, the District recognized pension expenses of $(128,007) 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, 2017 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 - up to 3%
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2015.

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	51.0%	5.71%
Global Fixed Income	20.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	10.0%	6.95%
Real Estate	12.0%	5.13%
Liquidity	1.0%	(1.05)%

F. Employee Retirement Plans (Continued)

2. California Public Employees' Retirement System (CalPERS)

Actuarial Assumptions (Continued)

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.

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	$ 8,369,932	$ 5,602,032	$ 3,337,840

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.

G. Joint Powers Agreements (Continued)

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

Condensed financial information from PASIS' audited financial statements at June 30, 2018 (the most recent information available), is as follows:

	District's Share	Total PASIS
Assets	$ 513,739	$ 3,436,822
Liabilities and Fund Balance		
Liabilities	$ -	$ -
Fund Balance (Deficit)	513,739	3,436,822
Total Liabilities and Fund Balance	$ 513,739	$ 3,436,822

	Total PASIS
Revenues	$ 39,885
Expenditures	-
Capital Contributions (Distributions)	-
Net Income (Loss)	$ 39,885

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.

G. Joint Powers Agreements (Continued)

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

The most recent condensed financial information from FAIRA's audited financial statements at June 30, 2017, are as follows:

	Total FAIRA
Assets	$ 3,212,773
Liabilities and Fund Equity	
Liabilities	$ 62,441
Net Position	3,150,332
Total Liabilities and Net Position	$ 3,212,773

	Total FAIRA
Operating Revenues	$ 2,493,455
Expenditures	(2,476,393)
Operating Income (Loss)	17,062
Non-operating Revenue Investments (Net)	18,910
Net Income (Loss)	$ 35,972

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.

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.

Benefits provided

For the year ended June 30, 2017, 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, 2017, 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, 2017, the District made a total contribution of $213,082. This included premiums paid on behalf of retirees and a contribution to the OPEB trust.

Employees covered by benefit terms

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

- Retired employees – 13
- Active employees – 15

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Medical cost trend	5-9% increases
Discount rate	6%

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

		2018
Total OPEB liability- 6/30/2017	$	882,219
Service Cost		36,952
Interest		121,200
Benefit payments		(235,150)
Investment earnings		(46,688)
Net change in total OPEB liability		(123,686)
Total OPEB liability - ending	$	758,533

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 5%	Discount Rate 6%	1% Increase 7%
District's proportionate share of the net OPEB plan liability	$ 1,010,632	$ 758,533	$ 546,073

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension plan liability	$ 707,982	$ 758,533	$ 812,188

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of $68,425. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions.

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

At June 30, 2018 the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings	$ 20,637	$ -
Contributions subsequent to measurement date	219,830	-
	$ 240,467	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ 5,159
2020	5,159
2021	5,159
2022	5,160
Total	$ 20,637

J. 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 that are the PERS premiums for the 2018 fiscal year which will be recognized in a subsequent reporting period. The total for this is $488,585. These were the employer contributions for the 2018 fiscal year.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions and differences between the employer's contributions and their proportionate share of contributions. The sum total of these amounts at year-end were $1,924,974 and they will be amortized over a 3.8 year period.

The District also recognized deferral inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer's contributions and the District's proportionate share of contributions. This amount total $189,705 and will be amortized over a 3.8 year period.

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

K. Deferred Outflows and Inflows of Resources (Continued)

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.

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

Year Ending June 30,	Amount
2019	$ 1,062,076
2020	487,342
2021	293,055
2022	(107,204)
Total	$ 1,735,269

L. Prior Period Adjustment

A prior period adjustment of $368,852 was recorded to reflect the impact of implementation of GASB 75.

M. Subsequent Events

Events have been reviewed through October 15, 2018, 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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
REVENUES	Original	Final	Actual	(Negative)
Property taxes	$ 2,600,440	$ 2,600,440	$ 2,856,473	$ 256,033
Special assessments	-	-	217,751	217,751
Use of money and property	36,000	36,000	66,969	30,969
Reimbursements	13,500	13,500	74,734	61,234
Mitigation fees	-	-	10,972	10,972
Miscellaneous	-	-	65,596	65,596
Total revenues	2,649,940	2,649,940	3,292,495	642,555
EXPENDITURES				
Current:				
Salaries and benefits	2,404,923	2,404,923	2,423,982	(19,059)
Administrative	156,953	156,953	138,475	18,478
Insurance	61,029	61,029	69,475	(8,446)
Fire Prevention	11,370	11,370	956	10,414
Fuel and Oil	20,200	20,200	21,859	(1,659)
Hoses	8,000	8,000	2,944	5,056
Household expense	5,000	5,000	2,232	2,768
Maintenance	49,600	49,600	41,648	7,952
Office & medical supplies	22,267	22,267	10,431	11,836
Protective gear	16,314	16,314	5,654	10,660
Professional services	39,100	39,100	29,523	9,577
Safety	9,450	9,450	4,934	4,516
Training	12,250	12,250	2,012	10,238
Utilities	39,990	39,990	39,053	937
Travel	18,000	18,000	13,464	4,536
Automobile	25,550	25,550	31,960	(6,410)
Total expenditures	2,899,996	2,899,996	2,838,602	61,394
Excess of revenues over expenditures			$ 453,893	

See notes to required supplementary information

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, 2018

	2018
Total OPEB liability- 6/30/2017	$ 882,219
Service Cost	36,952
Interest	121,200
Benefit payments	(235,150)
Investment earnings	(46,688)
Net change in total OPEB liability	(123,686)
	$ 758,533
Covered-employee payroll	$ -
Total OPEB liability as a percentage of covered payroll	
Plan fiduciary net position as a percentage of the total OPEB liability	63.62%
Measurement date	6/30/2017

BONITA-SUNNYWIDE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
JUNE 30, 2018

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

Last 10 Fiscal years*:

	FY 2014	FY 2015	FY 2016	FY 2017
District's proportion of the net pension liability	Varies by plan	Varies by plan	.05633%	.05649%
District's proportionate share of the net pension liability	$ 3,207,774	$ 3,335,508	$ 4,873,875	$ 5,602,032
District's covered employee payroll	1,227,218	1,272,914	1,384,668	1,246,980
District's proportionate share of the net pension liability as a percentage of its its covered-employee payroll	261.39%	262.04%	351.99%	449.25%
Plan Fiduciary net position as a percentage of the total pension liability	81.50%	80.73%	72.64%	71.84%

*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*:

	FY 2014	FY 2015	FY 2016	FY 2017
Actuarially determined contribution	$ 310,601	$ 320,625	$ 378,370	$ 427,813
Total actual contributions	(310,601)	(320,625)	(378,370)	(427,813)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,227,218	$ 1,272,914	$ 1,384,668	$ 1,246,980
Contributions as a percentage of covered employee payroll	25.31%	25.19%	27.33%	34.31%