

**APPLE VALLEY  
FIRE PROTECTION DISTRICT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**APPLE VALLEY FIRE PROTECTION DISTRICT  
APPLE VALLEY, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Apple Valley Fire Protection District  
Apple Valley, CA

We have audited the accompanying financial statements of the governmental activities and each major fund of Apple Valley Fire Protection District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Apple Valley Fire Protection District as of June 30, 2014, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress for the agent retirement plan and other post-employment benefit plan on pages 3-13 and 38-39 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.

*Starbuck Walsh, LLP*

Starbuck Walsh, LLP  
Apple Valley, CA  
December 15, 2014

# APPLE VALLEY FIRE PROTECTION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

### Introduction

As management of the Apple Valley 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 Apple Valley Fire Protection District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the District's financial performance.

### Financial Highlights

- The District's governmental revenues of \$8,106,667 increased \$554,007 or 7.3%, from the prior year.
- The District's governmental expenditures of \$7,943,663 increased by \$419,538 or 5.6% from the prior year.
- On a budgetary basis, General Fund actual revenues recorded positive variances from the final budget of the year. Actual revenues were above budgeted revenues by \$320,319. Actual expenditures were \$123,525 more than what was budgeted to be spent.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,276,526, an increase of \$1,326,083 from the prior year.

### Profile of the Government

#### Government Entity

The Apple Valley Fire Protection District became self-governing on January 15, 1951. It covers approximately 206 square miles in the High Desert of San Bernardino County. The District serves a population of approximately 90,000 in the incorporated and unincorporated areas of Apple Valley.

The District operates seven (7) fire stations and an administrative office. Under the command of 1 Fire Chief and 1 Division Chief, 9 fire-fighting personnel are on duty at all times for immediate response. These personnel staff three (3) Medic Engines, 1 aerial ladder truck, a Medic Squad, an urban search and rescue unit, 2 water tenders, 2 patrols, and 4 brush engines. The District currently employs 42 full and 16 part-time personnel, with additional support of one (1) Reserve Fire Inspector.

#### Budgetary Control

The development of the budget is guided by the District's Master Plan, the goals established by the Board of Directors, the District's Financial Plan, and the desire to maintain high quality and cost effective fire protection and emergency services.

# APPLE VALLEY FIRE PROTECTION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Revenue related to property valuations represents approximately 60.3% of the District's overall revenue and comes from direct property tax receipts that are distributed from the County. Special assessment property taxes from specific properties represent 28.0% of overall revenues and are subject to an annual cost of living allowance (COLA) capped at 2.0%. Other revenue consists of fees and reimbursements for services, such as permits, inspection fees, interest and miscellaneous sources.

Expenditures are allocated in four major areas within the budget: Salaries and Benefits; Services and Supplies; Capital Outlay; and Debt Service.

### **Financial Highlights**

- The Statement of Net Position presents information on all of the District's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the District. At year-end, the assets of the District exceeded liabilities by \$9,950,953.
- Total Governmental Fund Balances increased by \$1,326,083 to \$3,276,526 at June 30, 2014.
- The Unrestricted Net Position at June 30, 2014 was \$1,383,146, representing 17.1% of district-wide expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Apple Valley Fire Protection District's basic financial statements, which consist of the following components:

- Statement of Net Position
- Statement of Activities
- Balance Sheet - Governmental Funds
- Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in General Fund Balance – Budget and Actual
- Notes to the Financial Statements

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

These statements help to illustrate the status of the District as a whole through the reporting of the year's activities. The *Statement of Net Position* and *Statement of Activities* report information about the District as a whole, and include all assets and liabilities, using the full accrual basis of accounting. Capital assets and long-term liabilities are included in these two statements. These statements report the District's net position and all of the current year's revenues and expenses.

The Fund Statements, which include the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*, are based on the modified accrual basis of accounting. These statements present only current assets and current liabilities and exclude capital assets and long-term liabilities.

The *Statement of Net Position* 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. As of June 30, 2014, the District had total assets of \$11,612,066 and total liabilities of \$1,661,113 resulting in total net position of \$9,950,953. This represents an increase of \$1,111,167 in total net position.

*Current Assets* include cash and investments and receivables. *Non-current Assets* include capital assets, net of related depreciation. The Apple Valley Fire Protection District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Apple Valley Fire Protection District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to pay off these liabilities.

*Current Liabilities* include accounts payable and accrued payables. Long-term Liabilities include non-current liabilities due with one year and non-current liabilities due in more than one year.

The remaining *Net Position* is divided between restricted and unrestricted net position. Restricted net position is the portion of net position that is restricted to uses specified by third parties. Unrestricted net position can be used to meet the District's ongoing obligations and to provide services to the community.

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

<i>Net Position</i>	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) 2014/2013</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 2,182,926	\$ 2,062,174	\$ 120,752
Receivables (net of allowance for uncollectibles)	281,867	216,049	65,818
Restricted cash and investments	1,176,030	13,404	1,162,626
<b>Total Current Assets</b>	<u>3,640,823</u>	<u>2,291,627</u>	<u>1,349,196</u>
<b>Non-Current Assets</b>			
Capital assets, net of accumulated depreciation	7,971,243	8,231,606	(260,363)
<b>Total Non-Current Assets</b>	<u>7,971,243</u>	<u>8,231,606</u>	<u>(260,363)</u>
<b>Total Assets</b>	<u>11,612,066</u>	<u>10,523,233</u>	<u>1,088,833</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accrued payables	363,647	340,684	22,963
Deposits	650	500	150
<b>Total Current Liabilities</b>	<u>364,297</u>	<u>341,184</u>	<u>23,113</u>
<b>Long Term Liabilities</b>			
Noncurrent Liabilities,			
Due within one year	227,373	229,222	(1,849)
Due in more than one year	1,069,443	1,113,041	(43,598)
<b>Total Long Term Liabilities</b>	<u>1,296,816</u>	<u>1,342,263</u>	<u>(45,447)</u>
<b>Total Liabilities</b>	<u>1,661,113</u>	<u>1,683,447</u>	<u>(22,334)</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	7,449,306	7,677,480	(228,174)
Restricted for capital projects – Jess Ranch	-	246	(246)
Restricted – Development impact fees	39,804	13,158	26,646
Restricted for capital projects – other	1,078,697	-	1,078,697
Unrestricted	1,383,146	1,148,902	234,244
<b>Total Net Position</b>	<u>\$ 9,950,953</u>	<u>\$ 8,839,786</u>	<u>\$ 1,111,167</u>



APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

The following *Statement of Activities* compares key elements in the change in net position during the fiscal years 2014 and 2013, as well as the District's revenues and expenditures for the same two periods:

	2014	2013
Net Position at Beginning of the Year	\$ <u>8,839,786</u>	\$ <u>9,063,942</u>
General Revenues		
Property taxes	4,884,446	4,708,252
Special assessments	2,267,905	2,189,090
Redevelopment funds-low/mod income	1,094,088	-
Use of property and money	222,058	194,628
Gain on sale of assets	4,010	6,975
Total General Revenues	<u>8,472,507</u>	<u>7,098,945</u>
Program Revenues		
Charges for services	536,028	398,653
Operating grants and contributions	35,235	58,131
Capital grants and contributions	160,995	26,982
Total Program Revenues	<u>732,258</u>	<u>483,766</u>
Total Revenues	9,204,765	7,582,711
Less: General Expenses	<u>(8,093,598)</u>	<u>(7,806,867)</u>
(Decrease) Increase in Net Position	<u>1,111,167</u>	<u>(224,156)</u>
Net Position at Year End	\$ <u>9,950,953</u>	\$ <u>8,839,786</u>

- Total revenues increased \$1,622,054, or 21.4%, from 2013 levels due primarily to the receipt of one-time-only redevelopment fund low-to-moderate income housing funds. In addition, the District changed its method of accounting for Office of Emergency Services (OES) and Public Agency Self-Insurance System (PASIS) reimbursements. In past years the District netted these reimbursements against the related labor expenses. Management is now including the reimbursements in charges for services, and recognizing the gross labor costs associated with the reimbursement revenues.
- General expenses increased \$286,731, or 3.7%, from 2013. Slightly more than half of this increase is attributable to the change in accounting for reimbursements as described in the preceding paragraph. The remaining increase is due to increases in services and supplies.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The Governmental Funds *Balance Sheet* presents the current assets, liabilities and fund balances of the District as of June 30, 2014. The Balance Sheet assets of \$2,291,627 exclude capital assets, net of accumulated depreciation. The assets presented on the Balance Sheet are as follows:

Total Assets from Statement of Net Position	\$ 11,612,066
Add: Interfund Receivable	57,530
Less: Capital Assets, net of Accumulated Depreciation	(7,971,243)
Assets Reported on Balance Sheet	<u>\$ 3,698,353</u>

The Balance Sheet liabilities exclude noncurrent liabilities of \$1,296,816. The liabilities presented on the Balance Sheet are as follows:

Total Liabilities from Statement of Net Position	\$ 1,661,113
Add: Interfund Payable	57,530
Less: Non-Current Liabilities: Due within One Year	(227,373)
Less: Non-Current Liabilities: Due in More than One Year	(1,069,443)
Liabilities Reported on Balance Sheet	<u>\$ 421,827</u>

The assets reported on the Balance Sheet equal liabilities and fund balance:

Assets reported on Balance Sheet	<u>\$ 3,698,353</u>
Liabilities Reported on Balance Sheet	421,827
Fund Balance	<u>3,276,526</u>
Total Liabilities and Fund Balance	<u>\$ 3,698,353</u>

The *Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position* reconciles the difference between the fund balance of governmental funds of \$3,276,526 and the much larger number representing the District's net position of \$9,950,953:

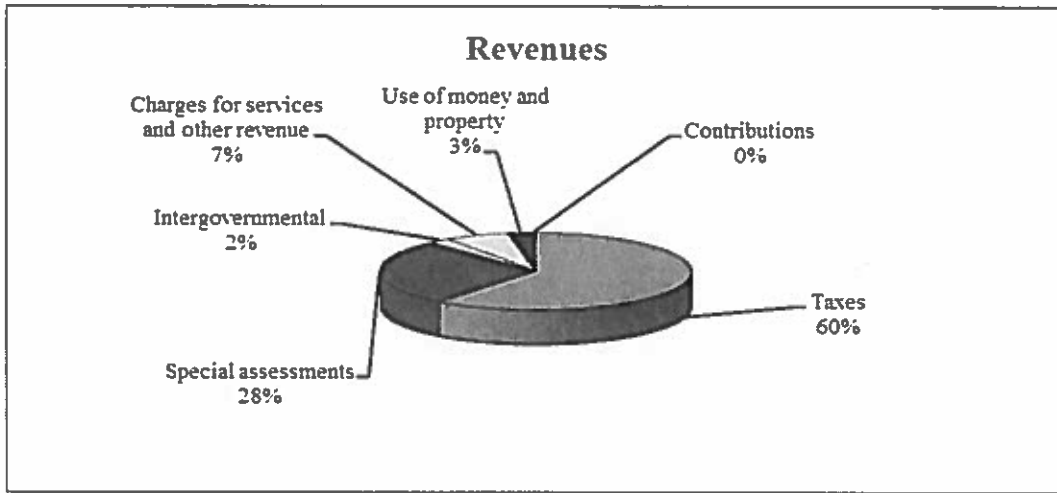
End of year fund balance – Governmental Funds	\$ 3,276,526
Capital Assets, Net of Accumulated Depreciation	7,971,243
Long Term Liabilities	
Due within one year	(227,373)
Due in more than one year	<u>(1,069,443)</u>
Net Position of Governmental Activities	<u>\$ 9,950,953</u>

**APPLE VALLEY FIRE PROTECTION DISTRICT**

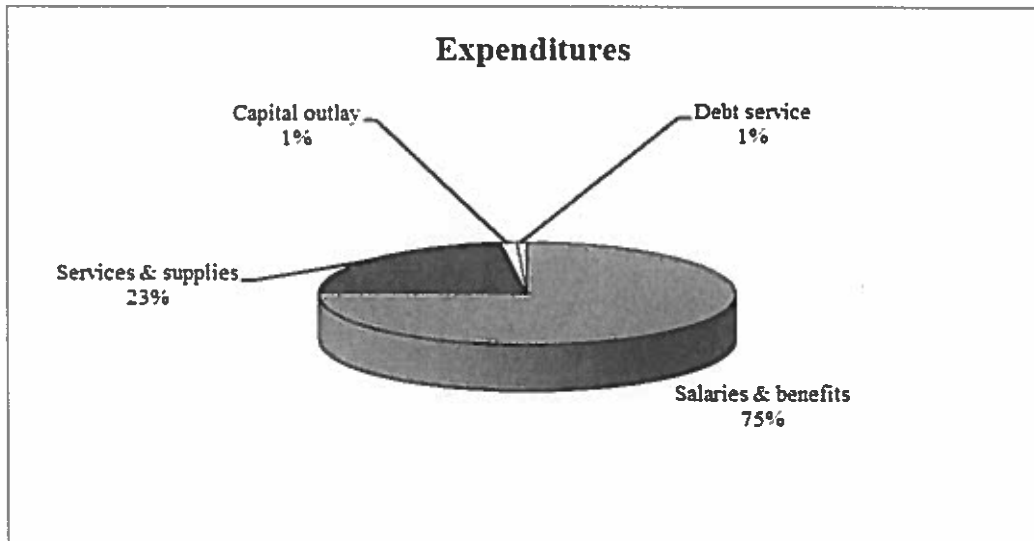
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

The revenues in the *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds* present the detail of Revenues and Expenditures for the District. Revenues total \$8,106,667 consist of the following:



The expenditures in the *Statement of Revenues, Expenditures and Changes in Fund Balance* total \$7,943,663 and consist of the following:



**APPLE VALLEY FIRE PROTECTION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

*The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds – to the Statement of Activities* is necessary because amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balance differ for several reasons to those shown in the Statement of Activities:

Net Change in Fund Balance	\$	1,326,083
Add principal portion of debt service payment		32,188
Add the cost of assets capitalized		101,486
Less depreciation expense		(361,849)
Add decrease in compensated absences reported in the Government-wide Statement of Activities which did not affect current financial Resources.		<u>13,259</u>
Change in Net Position in Governmental Activities	\$	<u>1,111,167</u>

## APPLE VALLEY FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The *Notes to the Financial Statements* present additional information and disclosures about the amounts reported in the financial statements.

- Note 1: Provides a **Summary of Significant Accounting Policies**, including the following:

The **Description of Reporting Entity** highlights the District's formation and governing structure of a five-member board.

The **Description of Funds** outlines the Governmental Fund Type for Apple Valley Fire Protection District, which includes the General Fund where all resources are accounted for in their entirety for reporting purposes, a Special Revenue Fund, and a Capital Projects Fund.

The **Basis of Accounting/Measurement Focus** outlines the various statements presented in the audit. The government-wide statements are presented on the accrual basis of accounting and are based on the "economic resource" measurement focus, while the fund financial statements are presented on the modified accrual basis and the "flow of resources" measurement focus.

**Claims and Judgments** outlines the manner in which liability of claims, judgments and litigation will be accounted for. Said liabilities will be accounted for in the year that the liability has incurred, including the probable amount of loss, when it can be reasonably estimated.

**Capital Assets**, by District policy, maintain the threshold for capitalizing assets of \$5,000 per item. Such assets are recorded at historical cost and are depreciated annually.

**Budgetary Practice** includes the process in which the annual budget is adopted. The annual budget is adopted by the Board of directors after holding a series of committee meetings, workshops and public hearings.

**Deferred Compensation Plan** describes the deferred compensation plan utilized by the District.

**Investments** outline the requirement of GASB 31 and how the investments are classified on the Balance Sheet.

**Estimates** explain the use of estimates in the report and that actual results could differ from the estimates.

**Use of Restricted Resources** defines the manner in which the District utilizes assets. Unrestricted assets are those assets that do not have restrictions imposed by third parties.

**Restricted Assets** provides a definition of what constitutes restrictions on assets and which of the District's assets are restricted.

**Compensated Absences** policies are described here. These are the District's policies governing sick and vacation time.

**Accounts Receivable and Allowance for Bad Debt** describes the District's policies for receivables and uncollectible amounts.

## APPLE VALLEY FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

**Fund Balance** describes the District's policies for establishing and rescinding restricted, committed and assigned fund balances, including stabilization funds.

The District considers restricted amounts (see Note #7) to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Excluding amounts held for economic uncertainties, assigned and unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Regarding reserve levels for funds held for economic uncertainty, the District's Board of Directors through resolution, has a specific reserve policy goal of maintaining funds held in reserve for economic uncertainty to be ten percent (10%) of the total current fiscal year budgeted expenditures less planned capital expenditures for the same fiscal year, with a minimum amount not less than seven percent (7%) for the same fiscal year.

**Net Position** is the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

- Note 2: **Cash and Investments** at June 30, 2014 include cash demand deposits of \$1,464,942 and investments in the Local Agency Investment Fund (LAIF) of \$1,894,014.
- Note 3: **Property Taxes** are received by the District in two installments, December and April, and are recognized when levied to the extent that they result in current receivables.
- Note 4: **Capital Assets and Depreciation** includes the reportable capital assets and calculated depreciation. The District does not depreciate land or investments. Buildings, improvements and equipment are depreciated annually.
- Note 5: **Risk Management** identifies the providers for Workers' Compensation Insurance and General Liability Insurance. The District is self-insured for Workers' Compensation. General Liability Insurance is covered through the Special Districts Risk Management Authority (SDRMA), which is a JPA.
- Note 6: **Long-Term Debt** includes compensated absences of \$774,879 consisting of \$261,051 in accrued vacation and \$513,828 in accrued sick leave, and installment debt of \$521,937.
- Note 7: **Classifications of Net Position and Fund Balance** provides an explanation of how net position are classified for the purposes of reporting, in three categories: Invested in Capital Assets, Restricted Net position, Unrestricted Net Position.
- Note 8: **Retirement Plan** includes a Plan Description and Funding Policy. The District provides retirement through the California Public Employees Retirement System (CalPERS). The Safety employees' plan provides for 3% @ 55 retirement and the Miscellaneous (Non-Safety) employees are provided 2.7% @ 55. Effective August 25, 2012, the District adopted a second tier for new members into CalPERS. The Safety employees' plan will now provide 2% @ 55 and the Miscellaneous employees' plan will now provide 2% @ 60.

## APPLE VALLEY FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

- Note 9: **Other Postemployment Benefits** includes the District's policies and plans for providing health insurance for its retirees.
- Note 10: **Interfund Activities** describes the amount and nature of transfers between funds.
- Note 11: **Short-Term Financing** reports the borrowing activity for debt with a maturity of twelve months or less, including debt that the District borrowed and repaid in entirety during the year.
- Note 12: **Contingencies** are inherent to financial statements. Redevelopment Agencies (RDAs) were mandated by the State of California to be dissolved in 2012. Due to the pass-through nature of its participation in local RDAs, coupled with no litigation with the State of California, District management estimates any lost property tax revenues would be immaterial.
- Note 13: **Future Accounting Pronouncements** identify and describe accounting standards that will affect upcoming financial reporting.

#### **Currently Known Facts, Decisions, and Conditions**

- Management remains committed to increasing the funded status of its Other Post-Employment Benefits (OPEB) liability. By engaging actuaries to calculate needed contributions levels, the district has gone from 0% to 60.5% funded in 6 years.
- In November 1997, Measure V, a 20-year special tax to restore fire protection and emergency medical services, was passed by a two-thirds vote of the people. With Measure V set to sunset in 2017-2018, a June 2014 ballot initiative to renew the 20-year term was unsuccessful. With approximately 28% of the District's annual revenue at risk, the District's Board of Directors are determined to return to the ballot box within the next 4 years for renewal purposes.

#### **Requests for Information**

This financial report is designed to provide a general overview of the financial position of the Apple Valley Fire Protection District for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, 22400 Headquarters Drive, Apple Valley, California 92307.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,285,499
Taxes receivable	192,407
Accrued interest receivable	869
Other receivables	54,428
Grants receivable	34,163
Restricted cash and cash equivalents	73,457
Capital assets, net of accumulated depreciation	<u>7,971,243</u>
Total Assets	<u>11,612,066</u>
<b>LIABILITIES</b>	
Accrued payables	363,647
Deposits	650
Noncurrent liabilities	
Due within one year	227,373
Due in more than one year	<u>1,069,443</u>
Total Liabilities	<u>1,661,113</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	7,449,306
Restricted - Development impact fees	39,804
Unrestricted	<u>2,461,843</u>
Total Net Position	<u>\$ 9,950,953</u>

The accompanying notes are an integral part of these financial statements.



**APPLE VALLEY FIRE PROTECTION DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>
Governmental Activities					
Public safety	\$ 8,093,598	\$ 536,028	\$ 35,235	\$ 160,995	\$ (7,361,340)
Total Governmental Activities	<u>\$ 8,093,598</u>	<u>\$ 536,028</u>	<u>\$ 35,235</u>	<u>\$ 160,995</u>	<u>(7,361,340)</u>
General Revenues					
Property taxes					7,152,351
Redevelopment fees					1,094,088
Investment income					222,058
Gain on disposition of assets					<u>4,010</u>
Total General Revenues					<u>8,472,507</u>
Change in Net Position					1,111,167
Net Position at Beginning of Year					<u>8,839,786</u>
Net Position at End of Year					<u>\$ 9,950,953</u>

The accompanying notes are an integral part of the financial statements.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

ASSETS	General Fund	Other Governmental Funds	Totals
Cash and investments	\$ 2,182,926	\$ -	\$ 2,182,926
Receivables			
Taxes receivable	192,407	-	192,407
Accrued permits and fees	4,671	-	4,671
Accrued interest receivable	869	-	869
Other receivables	49,757	-	49,757
Due from other governments	34,163	-	34,163
Interfund receivable	57,530	-	57,530
Restricted cash and investments	-	1,176,030	1,176,030
<b>Total Assets</b>	<b>\$ 2,522,323</b>	<b>\$ 1,176,030</b>	<b>\$ 3,698,353</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 363,647	\$ -	\$ 363,647
Interfund payable	-	57,530	57,530
Deposits	650	-	650
<b>Total Liabilities</b>	<b>364,297</b>	<b>57,530</b>	<b>421,827</b>
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	33,653	-	33,653
Facilities and equipment	-	39,804	39,804
Committed to:			
Held for economic uncertainties	784,203	-	784,203
Petty cash and revolving cash	2,250	-	2,250
Assigned to:			
Facilities and equipment	829,404	1,078,696	1,908,100
Unpaid sick and vacation benefits	287,330	-	287,330
Unassigned:	221,186	-	221,186
<b>Total Fund Balances</b>	<b>2,158,026</b>	<b>1,118,500</b>	<b>3,276,526</b>
<b>Total Liabilities and     and Fund Balances</b>	<b>\$ 2,522,323</b>	<b>\$ 1,176,030</b>	<b>\$ 3,698,353</b>

The accompanying notes are an integral part of the financial statements.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Fund Balance of the Governmental funds	\$ 3,276,526
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	7,971,243
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,296,816)</u>
Net Position of Governmental Activities	<u>\$ 9,950,953</u>

The accompanying notes are an integral part of the financial statements.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Other Governmental Funds	Total
<b>REVENUES</b>			
Property taxes	\$ 4,884,446	\$ -	\$ 4,884,446
Special assessments	2,267,905	-	2,267,905
Intergovernmental	53,379	127,476	180,855
Charges for current services	536,028	-	536,028
Use of money and property	220,870	1,188	222,058
Contributions	375	15,000	15,375
<b>Total Revenues</b>	<b>7,963,003</b>	<b>143,664</b>	<b>8,106,667</b>
<b>EXPENDITURES</b>			
Salaries and benefits	5,987,676	-	5,987,676
Services and supplies	1,793,510	152	1,793,662
Capital outlay	-	101,486	101,486
Debt service			
Principal	32,189	-	32,189
Interest and fiscal charges	28,650	-	28,650
<b>Total Expenditures</b>	<b>7,842,025</b>	<b>101,638</b>	<b>7,943,663</b>
Excess of Revenues Over (Under) Expenditures	120,978	42,026	163,004
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	56,766	1,093,902	1,150,668
Operating transfers out	(1,093,902)	(56,766)	(1,150,668)
Proceeds from sale of assets	4,010	-	4,010
Redevelopment fees: low/mod housing	1,093,902	-	1,093,902
Proceeds from insured loss	39,233	25,934	65,167
<b>Total Other Financing Sources</b>	<b>100,009</b>	<b>1,063,070</b>	<b>1,163,079</b>
Net Change in Fund Balance	220,987	1,105,096	1,326,083
FUND BALANCE, Beginning of Year	1,937,039	13,404	1,950,443
FUND BALANCE, End of Year	<b>\$ 2,158,026</b>	<b>\$ 1,118,500</b>	<b>\$ 3,276,526</b>

The accompanying notes are an integral part of the financial statements.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance - Governmental Funds \$ 1,326,083

Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:

Governmental funds report principal payments on debt as debt service expenditures. Only the interest portion of debt service payments is expensed in the Statement of Activities. 32,188

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	101,486
Depreciation expense	(361,849)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability. 13,259

Change in Net Position of Governmental Activities \$ 1,111,167

The accompanying notes are an integral part of the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN GENERAL FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Increase (Decrease)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 4,673,094	\$ 4,666,316	\$ 4,884,446	\$ 218,130
Special assessments	2,211,288	2,230,208	2,267,905	37,697
Grants	50,736	64,408	53,379	(11,029)
Charges for current services	464,142	464,619	536,028	71,409
Use of money and property	198,133	198,133	220,870	22,737
Contributions	10,500	19,000	375	(18,625)
<b>Total Revenues</b>	<b>7,607,893</b>	<b>7,642,684</b>	<b>7,963,003</b>	<b>320,319</b>
<b>EXPENDITURES</b>				
Salaries and benefits	5,836,412	5,866,814	5,987,676	120,862
Services and supplies	1,677,328	1,743,047	1,793,510	50,463
Capital assets	71,000	30,000	-	(30,000)
Debt service				
Principal	32,189	32,189	32,189	-
Interest and fiscal charges	36,450	36,450	28,650	(7,800)
Contingencies	10,000	10,000	-	(10,000)
<b>Total Expenditures</b>	<b>7,663,379</b>	<b>7,718,500</b>	<b>7,842,025</b>	<b>123,525</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(55,486)</b>	<b>(75,816)</b>	<b>120,978</b>	<b>196,794</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	20,500	4,010	(16,490)
Other financing sources	-	-	1,133,135	1,133,135
Transfers (net)	56,766	56,766	(1,037,136)	(1,093,902)
<b>Total Other Financing Sources</b>	<b>56,766</b>	<b>77,266</b>	<b>100,009</b>	<b>22,743</b>
<b>Net Change in Fund Balance</b>	<b>1,280</b>	<b>1,450</b>	<b>220,987</b>	<b>219,537</b>
<b>FUND BALANCE, Beginning of Year</b>	<b>1,937,039</b>	<b>1,937,039</b>	<b>1,937,039</b>	<b>-</b>
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,938,319</b>	<b>\$ 1,938,489</b>	<b>\$ 2,158,026</b>	<b>\$ 219,537</b>

The accompanying notes are an integral part of the financial statements.

# APPLE VALLEY FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the Apple Valley Fire Protection District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

#### A. Description of the Reporting Entity

The Apple Valley Fire Protection District (the District) was formed on January 15, 1951, pursuant to the provisions of Section 13800 of the California Health and Safety Code. The purpose of the District is to provide fire protection services to the Town of Apple Valley and surrounding area. The District is a self-governed fire protection District organized entirely within the County of San Bernardino. The District, covering 206 square miles within its boundaries, is governed by a five-member Board of Directors elected by the citizens of the Town of Apple Valley.

The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

#### B. Description of Funds

The accounts of the District are organized in three funds, which are considered separate accounting entities. The operations of the funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following types of funds are used:

##### Governmental Fund Type

- *General Fund* – Because the District provides only fire protection services all resources, except as noted below, are accounted for in this fund.
- *Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of a specific revenue source that is legally restricted to expenditures for a specified purpose. Development Impact Fees revenues are allocated to the District from fees collected from new development within the Town of Apple Valley's boundaries.
- *Capital Projects Fund* – The Capital Projects Fund is used to account for funds intended for property and equipment expenditures. The District's Capital Project Fund was established with the receipt of one-time-only redevelopment funds passed through the County of San Bernardino.

# APPLE VALLEY FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

#### C. Basis of Accounting/Measurement Focus

##### **Government – Wide Financial Statements**

Activities. These statements present summaries of Governmental Activities for the District.

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as long-term debt, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

##### **Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance for the General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.



**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**D. Claims and Judgments**

In accordance with Governmental Accounting Standards Board (GASB) Code Section C50.110, the District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

**E. Capital Assets**

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the District as all land, buildings, vehicles, computers, equipment, and improvements, with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings	40 years
Improvements other than buildings	5-50 years
Machinery and Equipment	3-20 years

**F. Budgetary Practice**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The annual budget is adopted by the Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
- 2) The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Sec. 2400.109) covers District expenditures in the General Funds. Budget figures used in the accompanying financial statements are the final adjusted amounts.
- 3) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Also, unencumbered appropriations lapse at year-end.
- 4) The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures have been adjusted for comparison with related budgeted amounts in the financial statements.
- 5) The District is not required to adopt a budget for its Special Revenue and Capital Project Funds; therefore, budgetary comparison information is not presented for those funds.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**G. Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Management believes that the District has no fiduciary role under the plan, and plan funds are not available to the District's general creditors. Accordingly, the District has not reported plan assets in the accompanying financial statements.

**H. Investments**

The foremost objective of the District's investment policy is safety of capital. The following are authorized and suitable investments of District funds: Local Agency Investment Fund (LAIF), a State of California managed investment pool; time deposits with maturities not exceeding two years; repurchase agreements not exceeding 90 days in maturities; and Money Market Funds having a weighted average maturity of 90 days and meeting the criteria contained in Government Codes Sections 53601(k).

Investments are included within the financial statement classifications of "Cash and investments" and are stated at fair value, unless fair value reasonably approximates cost, in which case cost is used.

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Use of Restricted Resources**

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

**K. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash and cash equivalents represents development impact fees collected by the Town of Apple Valley and remitted to the District for capital expenditures, and the low-to-moderate income housing portion of redevelopment fees distributed to the District.

**L. Compensated Absences**

The District's policy is to pay for a variable scale of 60% to 100% of sick time accrued upon retirement, death or resignation of an employee after five years continuous service with the District. The accrual rate is 96 hours per year for 40-hour employees, and 144 hours per year for 24-hour and shift employees based on longevity with the District.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

M. Accounts Receivable and Allowance for Bad Debts

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

N. Fund Balance – Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District had no nonspendable funds as of June 30, 2014.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board, which is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

O. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources to report at June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District had no deferred inflows of resources to report at June 30, 2014.

***NOTE #2 – CASH AND INVESTMENTS***

**Authorized Investments**

In accordance with Section 53601 of the California Government Code, the District's Board of Directors has directed the District to invest in the following:

- Local Agency Investment Fund (State Pool)
- Other investments which are expressly permitted by the District's Board of Directors

The California Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to \$50,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with the LAIF are secured by the full faith and credit of the state of California.

**Pooled Deposits/Credit Risk**

The District may waive collateral requirements for deposits which are fully insured by federal depository insurance.

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with security held by the pledging financial institution or by its trust department or agent but not in the District's name.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE #2 – CASH AND INVESTMENTS (Continued)**

Credit Risk, Carrying Amount, and Market Value of Investments

The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follow:

Category 1: Insured or registered, with securities held by the District or by its agent in the District's name.

Category 2: Uninsured and unregistered, with securities held by the pledging financial institution's or counterparty's trust department or agent in the District's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Amount</u>
Cash in banks	\$ 250,000	\$ -	\$ 1,307,648	\$ 1,557,648	\$ 1,467,692
Pooled investments:					
*Local Agency					
Investment Fund				<u>1,894,014</u>	<u>1,894,014</u>
				<u>\$ 3,451,662</u>	<u>\$ 3,358,706</u>

\* Not subject to categorization.

\*\* The management of the State of California Pooled Money Investment Account has indicated to the District that as of June 30, 2014, the carrying amount of the pool was \$64,846,169,129 and the estimated market value of the pool (including accrued interest) was \$64,896,335,761. The District's proportionate share of that value is \$1,894,014. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Fair Value of Investments

GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and County Treasury investment pools); investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statements.

The State Treasurer's Local Agency Investment Fund 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 officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's Office. It is the District's understanding that the values of shares in the LAIF pool reflect "fair value." The District is a voluntary participant in the investment pool.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE #3 – PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and distributes them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

**NOTE #4 – CAPITAL ASSETS AND DEPRECIATION**

The District has reported all capital assets in the Government-Wide Statement of Net position. The following table presents the capital assets activity for the year ended June 30, 2014.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 2,571,933	\$ -	\$ -	\$ 2,571,933
<b>Total Capital Assets Not Being Depreciated</b>	<u>2,571,933</u>	<u>-</u>	<u>-</u>	<u>2,571,933</u>
Capital Assets Being Depreciated				
Buildings and other improvements	6,241,967	25,551	-	6,267,518
Equipment and vehicles	4,439,677	75,935	227,999	4,287,613
<b>Total Capital Assets Being Depreciated</b>	<u>10,681,644</u>	<u>101,486</u>	<u>227,999</u>	<u>10,555,131</u>
<i>Less Accumulated Depreciation For</i>				
<i>Buildings and other improvements</i>	<i>1,834,257</i>	<i>153,570</i>	<i>-</i>	<i>1,987,827</i>
<i>Equipment and vehicles</i>	<i>3,187,714</i>	<i>208,279</i>	<i>227,999</i>	<i>3,167,994</i>
<b>Total Accumulated Depreciation</b>	<u>5,021,971</u>	<u>361,849</u>	<u>227,999</u>	<u>5,155,821</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>5,659,673</u>	<u>(260,363)</u>	<u>-</u>	<u>5,399,310</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 8,231,606</u>	<u>\$ (260,363)</u>	<u>\$ -</u>	<u>\$ 7,971,243</u>

Depreciation expense in the amount of \$361,849 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2014.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE #5 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

Workers' Compensation

The District is a member of the Public Agency Self Insurance System of San Bernardino County (PASIS). PASIS provides workers' compensation insurance services. PASIS is set up as a banking system where the members share the expenses, and each member is responsible for its own losses up to a \$300,000 per occurrence self-insured retention. Losses above the self-insured retention are covered by reinsurance, purchased by PASIS. The District makes an annual contribution based on past and projected future claims. Projections of future ultimate losses are inherently uncertain because of the random nature of claims occurrences. Therefore, future loss rates are projected judgmentally based on the historical rates.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses do not include an estimate of claims that have been incurred but not reported. At June 30, 2014, the amount of potential outstanding claims liability is estimated to be \$2,879,549. The District is able to access its accumulated balance with PASIS. Funds available as of June 30, 2014 in excess of the \$75,000 minimum required deposit were \$1,023,934.

*Three Year Trend Information of Funding for PASIS*

Year Ending June 30,	Cash Balance Beginning of Year	Premiums and Interest Earned	Claims and Payments	Cash Balance End of Year	Potential Outstanding Claims Liability at End of Year
2012	\$ 1,264,780	\$ 290,900	\$ 494,924	\$1,060,756	\$ 2,313,710
2013	\$ 1,060,756	\$ 298,021	\$ 250,006	\$1,108,771	\$ 2,174,291
2014	\$ 1,108,771	\$ 304,057	\$ 313,894	\$1,098,934	\$ 2,879,549

**NOTE #6 – LONG-TERM DEBT**

Change in long-term debt activity is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due In 2014-2015
Installment loan	\$ 554,125	\$ -	\$ 32,188	\$ 521,937	\$ 33,653
Compensated absences	788,138	195,732	208,991	774,879	193,720
	<u>\$ 1,342,263</u>	<u>\$ 195,732</u>	<u>\$ 241,179</u>	<u>\$ 1,296,816</u>	<u>\$ 227,373</u>

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

***NOTE #6 – LONG-TERM DEBT (Continued)***

**Installment Loan**

In June 2011 the District secured a loan from Municipal Finance Corporation in the amount of \$614,360 to finance the purchase of two new fire engines. Terms of the loan require semi-annual payments of principal and interest of \$28,383 through December 2020 and one payment of \$280,033 in June 2021. The loan bears interest at 4.5% per annum.

Future maturities are as follows:

Public Safety: Year(s) ended June 30,	Principal	Interest	Total
2015	\$ 33,653	\$ 23,113	\$ 56,766
2016	35,185	21,581	56,766
2017	36,786	19,980	56,766
2018	38,460	18,306	56,766
2019	40,210	16,556	56,766
2020-2021	337,643	27,539	365,182
<b>Total</b>	<b>\$ 521,937</b>	<b>\$ 127,075</b>	<b>\$ 649,012</b>

**Compensated Absences**

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$774,879 (\$261,051 vacation and \$513,828 sick leave) at June 30, 2014. Vacation benefits will be recorded as an expenditure in the governmental funds when the related current liability is incurred. The long term portion of this liability, along with sick leave, will be recorded as an expenditure upon retirement.

**Workers Compensation**

An actuarial study performed as of June 30, 2013 for PASIS estimated potential future outstanding claims liability for the District as of June 30, 2014 to be \$2,879,549.



APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE #7 - CLASSIFICATIONS OF NET POSITION AND FUND BALANCE**

In the Government-Wide financial statements net position is classified as follows:

Invested in Capital Assets Net of Related Debt

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the District that are not externally restricted for any project or other purpose.

In the Fund Financial Statements the District has established "reserves" to segregate portions of fund balance which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" are established to indicate tentative plans for financial resource utilization of unreserved fund balance in a future period. The District's governmental funds reserves and designations at June 30, 2014 are presented below:

Fund Balance	
Restricted	\$ 73,457
Committed	
Reserve for economic uncertainty	784,203
Petty cash and revolving cash	2,250
Total Committed	<u>786,453</u>
Assigned	
Facilities and equipment	1,908,100
Unpaid sick and vacation benefits	287,330
Total Assigned	<u>2,195,430</u>
Unassigned	<u>220,986</u>
Total Fund Balance	<u>\$ 3,276,326</u>

## APPLE VALLEY FIRE PROTECTION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

#### *NOTE #7 - CLASSIFICATIONS OF NET POSITION AND FUND BALANCE (Continued)*

Fund reserved for economic uncertainty were committed by formal action of the District's Board of Directors. The fund was established to commit 10-15% of the District's annual operating expenditures, exclusive of capital outlay. In 2014 the District has committed 10% of qualifying operating expenditures. The policy requires additions to the fund if it falls below 7% of qualifying expenditures, and allows for additions up to 15%. Funds may be spent on qualifying expenditures to the extent that the balance remains within 7% to 15%.

#### *NOTE #8 - RETIREMENT PLAN*

##### Plan Description

The District's defined benefit pension plans, The Safety and Miscellaneous Plans of the Apple Valley Fire Protection District (the "Plans"), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street, Sacramento, California 95814.

##### Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 8 percent, respectively, of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2013-2014 were 26.474% and 18.363% for safety employees under the 3.0% at 55 and 2.0% at 55 plans, respectively, and 19.307% and 9.887% for miscellaneous employees under the 2.7% at 55 and 2.0% at 60 plans, respectively. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

##### Annual Pension Cost

For fiscal year 2013-2014, the District's annual pension cost was \$736,469, and was equal to the District's required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2012 actuarial valuation using mandated risk pooling for all employers with retirement plans with fewer than 100 members. The actuarial assumptions included (a) 7.75 % investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over 15 years. Additionally, at the time of joining the risk pool, a Side Fund was created to account for the difference between the unfunded status of the pool and funded status of our plan. The initial side fund amortization period was 14 years as of June 30, 2005.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE #8 – RETIREMENT PLAN (Continued)**

Funded Status of Safety Plan-3.0% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
06/30/11	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
06/30/12	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%

Funded Status of Safety Plan-2% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 80,550,533	\$ 69,069,025	\$ 11,481,508	85.7%	\$ 21,754,150	52.8%
06/30/11	\$ 87,234,077	\$ 74,508,206	\$ 12,725,871	85.4%	\$ 21,957,452	58.0%
06/30/12	\$ 84,829,856	\$ 75,003,561	\$ 9,826,295	88.4%	\$ 21,079,631	46.6%

Funded Status of Miscellaneous Plan-2.7% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
06/30/11	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
06/30/12	\$ 2,680,181,441	\$ 2,178,799,790	\$ 501,381,651	81.3%	\$ 417,600,034	120.1%

Funded Status of Miscellaneous Plan-2.0% at 60

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 624,423,437	\$ 594,492,164	\$ 29,931,273	95.2%	\$ 186,777,830	16.0%
06/30/11	\$ 682,375,804	\$ 639,237,247	\$ 43,138,557	93.7%	\$ 193,877,169	22.3%
06/30/12	\$ 736,231,913	\$ 701,224,211	\$ 35,007,702	95.2%	\$ 208,517,122	16.8%

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE #8 – RETIREMENT PLAN (Continued)**

**Three Year Trend**

Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,008,929	100%	-
2012	\$ 817,984	100%	-
2013	\$ 721,964	100%	-

**NOTE #9 - OTHER POST EMPLOYMENT BENEFITS**

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of June 30, 2007 for the postemployment healthcare benefits provided by the District.

Plan Description

The District has established a single-employer trust, “The Apple Valley Fire Protection District Retiree Health Reimbursement Arrangement,” (“the HRA”) with US Bank National Association (“the Bank”) to administer its postemployment healthcare plan. The District’s plan provides retiree healthcare benefits in the form of premium payments for employees who retire from the District. Eligible retirees may elect coverage through the District’s contract with CalPERS healthcare benefits. The plan benefits are established and may be amended by the Apple Valley Fire Protection District’s Board of Directors.

Under the HRA, retirees are classified into two groups. The first group, current retirees and spouses and active employees hired before January 1, 2003, receives \$400 per month (\$550 for retiree and spouse) in District-paid premiums called Supplemental Benefit Contribution (SBC). This group also has the option of electing coverage through the District’s contract with CalPERS healthcare benefits. Retirees who elect that coverage also receive the benefit of District-paid premiums for the Minimum Required Contribution (MRC) required by PERS. At June 30, 2014 the MRC was \$115 per month. The second group, active employees hired after January 1, 2003, will receive only the minimum required contribution.

The financial report for The Apple Valley Fire Protection District Retiree Health Reimbursement Arrangement can be obtained from the finance department of the Apple Valley Fire Protection District at 22400 Headquarters Drive, Apple Valley, CA 92307.

Funding Policy

The contribution requirements of the HRA are established and may be amended by the District’s Board. The minimum contributions by the District are based on actuarially determined rates described as the Annual Required Contribution (ARC). For the fiscal year ending June 30, 2014, the District’s ARC represented a contribution of \$360,367 to the HRA, based on the amortization of the accrued liability to be 100% funded within 6 years.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE #9 - OTHER POST EMPLOYMENT BENEFITS (Continued)**

Annual OPEB Cost

For the fiscal year ended June 30, 2014, the District's annual OPEB cost (expense) of \$396,600 exceeded the ARC of \$360,367 by \$36,233. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the HRA, and the net OPEB obligation since adoption of GASB No. 45 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/09	\$ 262,021	100%	-
06/30/10	\$ 277,742	100%	-
06/30/11	\$ 221,900	100%	-
06/30/12	\$ 244,000	100%	-
06/30/13	\$ 286,600	100%	-
06/30/14	\$ 396,600	100%	-

Funded Status and Funding Progress

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
06/30/09	\$ 429,743	\$ 2,448,970	\$ 2,019,227	17.5%	\$ 4,336,425	46.6%
06/30/10	\$ 706,149	\$ 2,448,970	\$ 1,742,821	28.8%	\$ 4,622,446	37.7%
06/30/11	\$ 865,741	\$ 2,570,097	\$ 1,704,356	33.7%	\$ 3,895,347	43.8%
06/30/12	\$ 1,015,544	\$ 2,570,097	\$ 1,554,553	39.5%	\$ 3,940,591	39.4%
06/30/13	\$ 1,198,288	\$ 2,573,281	\$ 1,374,993	46.6%	\$ 3,504,472	39.2%
06/30/14	\$ 1,555,592	\$ 2,573,281	\$ 1,017,689	60.5%	\$ 3,563,750	28.6%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the HRA and include the types of benefits provided at the time of each valuation. In the June 30, 2013 actuarial valuation, the frozen attained age actuarial cost method was used. In this method, the frozen actuarial accrued liability is determined using the projected unit credit actuarial cost method and spread in level dollars over 30 years. Normal cost is determined on the basis of total benefit present value in excess of the sum of the actuarial accrued liability plus assets with the balance spread in level dollars over the expected future working lifetime of active employees.

Assumptions include a 6.0% discount rate and an annual healthcare cost trend rate of 3% for the MRC for all years.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE #10 – INTERFUND ACTIVITIES**

Interfund activities were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers Out
General Fund	\$ 57,530	\$ -	\$ 56,766	\$ 1,093,902
Special Revenue Funds:				
Development Impact Fees	-	-	-	101,103
Jess Ranch	-	-	-	186
Capital Projects Fund:				
Capital Improvement Plan	-	57,530	1,138,425	-
	<u>\$ 57,530</u>	<u>\$ 57,530</u>	<u>\$ 1,195,191</u>	<u>\$ 1,195,191</u>

Transfers were made (1) to move revenues from the Development Impact Fees Fund to both the General Fund and the Capital Improvement Plan Fund to reimburse specific development fees incurred, and (2) to use unrestricted revenues collected in the General Fund to finance various programs account for in the Capital Improvement Plan Fund, in accordance with budgetary authorizations.

**NOTE #11 – SHORT-TERM FINANCING**

The District has a line of credit with Desert Community Bank in anticipation of upcoming tax revenues. The available funds are \$1,400,000 at 4.0% per annum with an original maturity date of April 30, 2014. The District repaid the line of credit with 2013-2014 tax revenues.

Balance Beginning of Year	Additions	Deletions	Balance End of Year
\$ -	\$ 900,000	\$ 900,000	\$ -

Interest expense of \$4,072 was charged to the public safety function in the Statement of Activities.

**NOTE #12 – CONTINGENCIES**

To the best of the District’s knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the District, which is likely to have a material adverse effect on the financial condition of the District.

**NOTE #13 – FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the District to record net pension obligation on the government-wide statement of net position. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB 69 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB 68 will be effective for the District for the year ending June 30, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – AGENT RETIREMENT PLANS (CALPERS)  
JUNE 30, 2014**

**RETIREMENT PLAN**

The funded status of the plans as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow:

Funded Status of Safety Plan-3.0% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
06/30/11	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
06/30/12	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%

Funded Status of Safety Plan-2% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 80,550,533	\$ 69,069,025	\$ 11,481,508	85.7%	\$ 21,754,150	52.8%
06/30/11	\$ 87,234,077	\$ 74,508,206	\$ 12,725,871	85.4%	\$ 21,957,452	58.0%
06/30/12	\$ 84,829,856	\$ 75,003,561	\$ 9,826,295	88.4%	\$ 21,079,631	46.6%

Funded Status of Miscellaneous Plan-2.7% at 55

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
06/30/11	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
06/30/12	\$ 2,680,181,441	\$ 2,178,799,790	\$ 501,381,651	81.3%	\$ 417,600,034	120.1%

Funded Status of Miscellaneous Plan-2.0% at 60

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	Normal Accrued Liability					
06/30/10	\$ 624,423,437	\$ 594,492,164	\$ 29,931,273	95.2%	\$ 186,777,830	16.0%
06/30/11	\$ 682,375,804	\$ 639,237,247	\$ 43,138,557	93.7%	\$ 193,877,169	22.3%
06/30/12	\$ 736,231,913	\$ 701,224,211	\$ 35,007,702	95.2%	\$ 208,517,122	16.8%



**APPLE VALLEY FIRE PROTECTION DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – AGENT RETIREMENT PLANS (CALPERS)  
JUNE 30, 2014**

Actuarial Assumptions and Methods

The actuarial assumptions included (a) 7.75 % investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over 15 years. Additionally, at the time of joining the risk pool, a Side Fund was created to account for the difference between the unfunded status of the pool and funded status of our plan. The initial side fund amortization period was 14 years as of June 30, 2005.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS  
JUNE 30, 2014**

**THE APPLE VALLEY FIRE PROTECTION DISTRICT RETIREE HEALTH REIMBURSEMENT  
ARRANGEMENT**

The funded status of the plan as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods follow:

Funded Status and Funding Progress

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
06/30/09	\$ 429,743	\$ 2,448,970	\$ 2,019,227	17.5%	\$ 4,336,425	46.6%
06/30/10	\$ 706,149	\$ 2,448,970	\$ 1,742,821	28.8%	\$ 4,622,446	37.7%
06/30/11	\$ 865,741	\$ 2,570,097	\$ 1,704,356	33.7%	\$ 3,895,347	43.8%
06/30/12	\$ 1,015,544	\$ 2,570,097	\$ 1,554,553	39.5%	\$ 3,940,591	39.4%
06/30/13	\$ 1,198,288	\$ 2,573,281	\$ 1,374,993	46.6%	\$ 3,504,472	39.2%
06/30/14	\$ 1,555,592	\$ 2,573,281	\$ 1,017,689	60.5%	\$ 3,563,750	28.6%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the HRA and include the types of benefits provided at the time of each valuation. In the June 30, 2013 actuarial valuation, the frozen attained age actuarial cost method was used. In this method, the frozen actuarial accrued liability is determined using the projected unit credit actuarial cost method and spread in level dollars over 30 years. Normal cost is determined on the basis of total benefit present value in excess of the sum of the actuarial accrued liability plus assets with the balance spread in level dollars over the expected future working lifetime of active employees.

Assumptions include a 6.0% discount rate and an annual healthcare cost trend rate of 3% for the MRC for all years.