APPLE VALLEY FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

Apple Valley Fire Protection District
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June 30, 2019

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Van Lant & Fankhanel, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Apple Valley Fire Protection District
Apple Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Apple Valley Fire Protection District (the "District"), as of and for the year ended June 30, 2019, 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 error or fraud.

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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Van Lant & Fankhanel, LLP
25901 Kellogg Street
Loma Linda, CA 92354

909.856.6879

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Apple Valley Fire Protection District, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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.

Van Lant + Fankhanel, LLP

December 31, 2019

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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, 2019. 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 $13,225,571 increased $923,440 or 7.5%, from the prior year due to property tax growth in the area as well as the 2% COLA increase in Measure A.
- The District's governmental expenditures of $12,067,085 increased by $1,753,297 or 17% from the prior year due to higher salaries and benefits and capital expenditures in 2019 due to aging fire stations.
- On a budgetary basis, General Fund actual revenues exceeded budget by $640,233. Actual expenditures were $259,000 lower than budgeted.
- At June 30, 2019, the ending balance of the District's General Fund, which includes the funds designated for future capital improvements, was $8,022,122.

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.

Under the command of 1 Fire Chief the District operates seven fire stations, five of which are staffed 24-hours. These personnel staff three (3) medic engines, an aerial ladder truck, a medic squad, an urban search and rescue unit, two (2) water tenders, two (2) patrols, and four (4) brush engines. At June 30, 2019, the District employed 55 full and 4 part-time personnel.

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

Revenue related to property valuations represents 50.1% of the District's overall revenue and comes from direct property tax receipts that are distributed from the County. Special assessments represented 39% of overall revenues in 2018-19. The 2016-17 special assessment, known as Measure V, ended in June 2018 and was replaced with a new special assessment known as Measure A, beginning in 2017-18. This special assessment does not have an end date and is 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.

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 Sheets to the Statement of Net Position – Government Funds
- Statement of Revenues, Expenditures and Changes in Fund Balances - 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 Fiduciary Net Position
- Notes to the Financial Statements
- Required Supplementary Information

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 Balances,*** 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, 2019, the District had total assets and deferred outflows of resources of $19,633,552 and total liabilities and deferred inflows of resources of $18,960,598 resulting in a net position of $672,954. This represents an increase of $912,873 in total net position from June 30, 2019, primarily due to the passage of Measure A.

Current Assets include cash, 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.

Deferred Outflows of Resources consists of pension and other post-employment benefit payments (OBEP) that will benefit future periods.

Current Liabilities include accounts payable and accrued payables. Long-term Liabilities include non-current liabilities due within one year and non-current liabilities due in more than one year. Non-current liabilities include the District's net pension liability.

Deferred Inflows of Resources include the difference between projected and actual performance of pension and OPEB assets. This is revenue that will be recognized in future periods.

The remaining *Net Position* is divided between capital assets, 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 is currently a deficit balance due to the long-term net pension liability determined according to GASB 68 and the long-term net OPEB liability determined according to GASB 75.

Net Position

	2019	2018	Increase (Decrease) 2019/2018
Assets			
Current Assets			
Cash and investments	$ 8,395,193	$ 7,077,756	$ 1,317,437
Receivables (net of allowance for uncollectibles)	309,689	330,813	(21,124)
Prepaid items	52,144	49,800	2,344
Total Current Assets	8,757,026	7,458,369	1,298,657
Non-Current Assets			-
Capital assets, net of accumulated depreciation	7,235,240	7,124,501	110,739
Total Non-Current Assets	7,235,240	7,124,501	110,739
Total Assets	15,992,266	14,582,870	1,409,396
Deferred outflows of Resources	3,641,286	3,956,973	(315,687)
Liabilities			
Current Liabilities			
Accrued payables	346,755	198,202	148,553
Deposits	500	500	-
Total Current Liabilities	347,255	198,702	148,553
Long Term Liabilities			
Due within one year	225,000	225,000	-
Due in more than one year	16,228,613	16,922,338	(693,725)
Total Long Term Liabilities	16,453,613	17,147,338	(693,725)
Total liabilitieis	16,800,868	17,346,040	(545,172)
Deferred Inflows of Resources	2,159,730	1,433,722	726,008
Net Position			
Invested in capital assets	7,235,240	7,124,501	110,739
Restricted - Development impact fees	295,186	127,433	167,753
Unrestricted	(6,857,472)	(7,491,853)	634,381
Total Net Position	$ 672,954	$ (239,919)	$ 912,873

The following ***Statement of Activities*** compares key elements in the change in net position during the fiscal years 2019 and 2018, as well as the District's revenues and expenditures for the same two periods:

	Governmental Activities	
	2019	2018
Revenues		
General Revenues		
Property taxes	6,621,412	6,263,121
Investment income	294,102	257,969
Gain on sale of assets	-	-
Program Revenues		
Charges for services	6,134,718	5,822,017
Operating Grants and Contributions	-	-
Capital grants and contributions	166,957	59,869
Total Revenues	13,217,189	12,402,976
Expenses		
Fire Protection	12,304,316	11,391,632
Total Expenses	12,304,316	11,391,632
Increase (Decrease) in Net Position	912,873	1,011,344
Total Net Position Beginning	(239,919)	(940,785)
Prior Period Adjustment	-	(310,478)
Net Position at Year End	672,954	(239,919)

- Net position increased by $912,873 due to net changes related to Other Post-Employment Benefits and Net Pension Liability as described in Note 12 and increased revenues due to the passage of Measure A.

- Revenues are identified as General Revenues or Program Revenues. The District's Special Tax revenues from Measure A are reported as Program Revenues to be consistent with the presentation for 2019.

- Total revenues increased $814,213 or 6.6%, from 2018. The greatest contributor to the increase is the passage of Measure A as well as increases in property tax due to growth in the area.

- General expenses increased $912,684 or 8% from 2018 due to Salaries and Benefits increases as well as rising in unfunded pension costs.

The ***Governmental Funds Balance Sheet*** presents the current assets, liabilities and fund balances of the District at June 30, 2019. The Balance Sheet assets of $8,757,026 exclude capital assets, net of accumulated depreciation. The assets presented on the Balance Sheet are as follows:

Total Assets from Statement of Net Position	$ 15,992,266
Less: Capital Assets, net of Accumulated Depreciation	(7,235,240)
Assets Reported on Governmental Funds Balance Sheet	$ 8,757,026

The Governmental Funds Balance Sheet excludes noncurrent liabilities of $16,453,613. The liabilities presented on the balance sheet are as follows:

Total liabilities from statement of net position	$ 16,800,868
Less: Non-Current Liabilities: Due within one year	(225,000)
Less: Non-Current Liabilities: Due in More than One Year	(16,228,613)
Total Liabilities from Governmental Funds Balance Sheet	$ 347,255

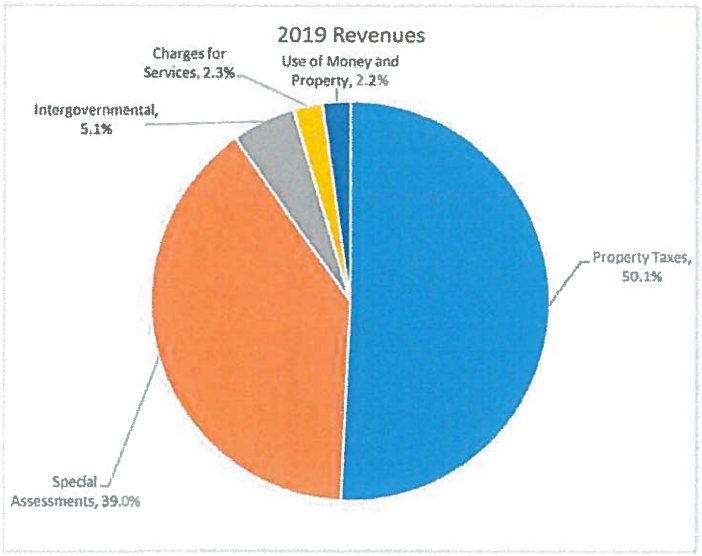
The assets reported on the Governmental Funds Balance Sheet equal liabilities and fund balance:

Assets reported on the Governmental Funds Balance Sheet	$ 8,757,026
Liabilities reported on the Governmental Funds Balance Sheet	347,255
Deferred Inflows of Resources on the Governmental Funds Balance Sheet	92,463
Fund Balance on the Governmental Funds Balance Sheet	8,317,308
Total Liabilities and Deferred Inflows and Fund Balance	$ 8,757,026

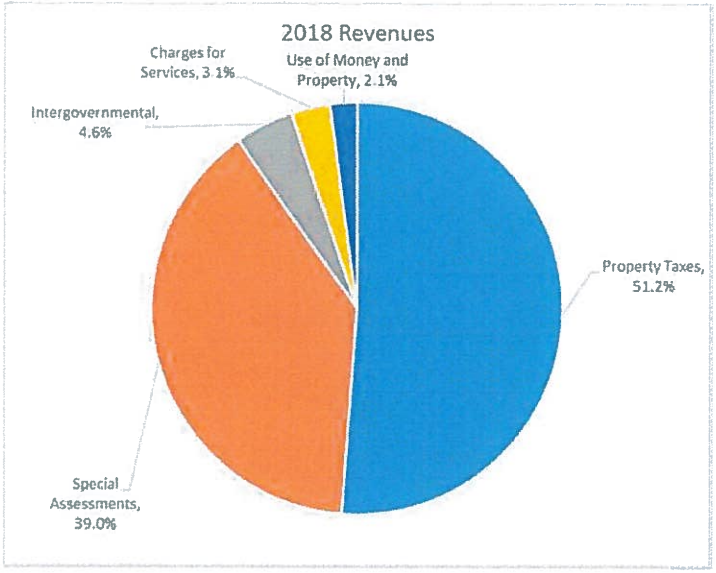
The ***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position*** reconciles the difference between the fund balance of governmental funds of $8,317,308 and the District's net position of ($672,954).

The revenues in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance* represent the detail of Revenues and Expenditures for the District.

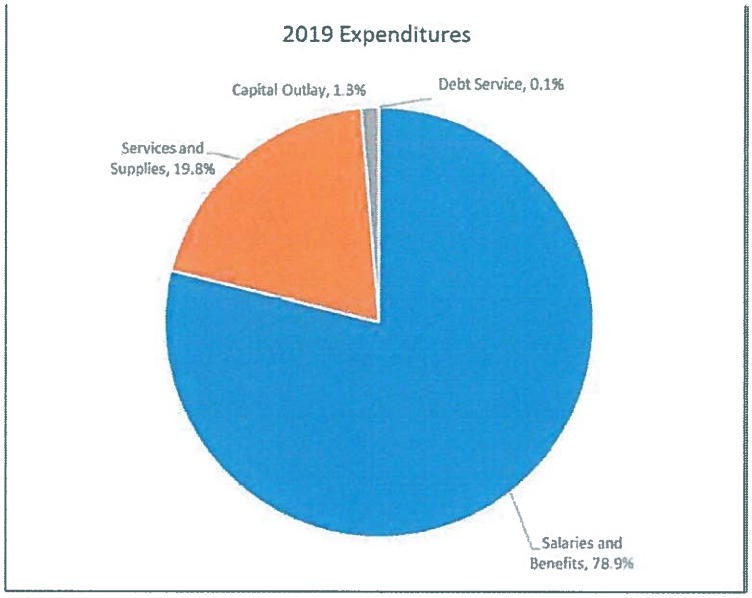
2019 revenues and other financing sources total $13,225,571 and consist of the following:



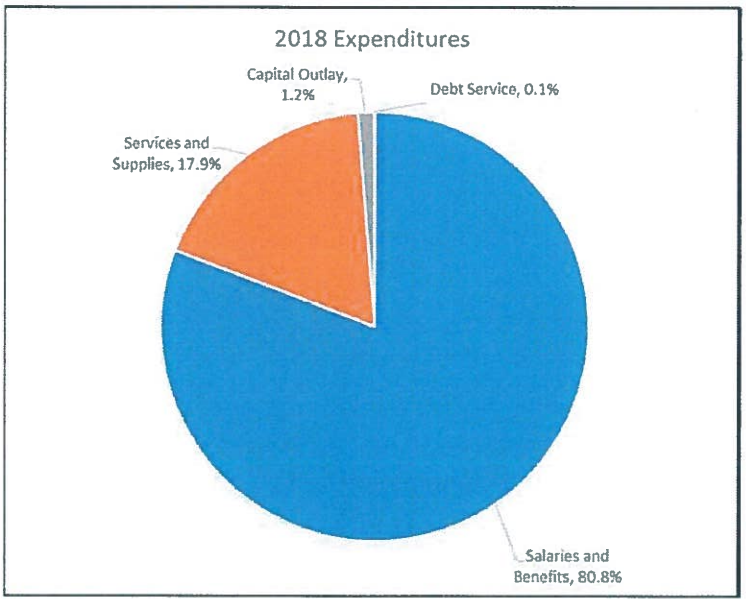
2018 revenues and other financing sources totaled $12,302,131 and consisted of the following:



The expenditures in the 2019 ***Statement of Revenues, Expenditures and Changes in Fund Balance*** total $12,067,085 and consist of the following:



2018 Expenditures amounted to $10,313,788 and consist of the following:



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

- Note 3: **Capital Assets and Depreciation** includes the reportable capital assets and calculated depreciation. Capital assets other than land are depreciated over their estimated useful life according to the table below:

buildings	40 years
equipment	3 years
vehicles - new	7 years
vehicles - used	3 years
apparatus - new	15 years
apparatus - used	7 years

- Note 5: **Long-Term Liabilities** provides a summary roll forward of the Districts long-term liabilities from 2018 to 2019.

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 Officer, 22400 Headquarters Drive, Apple Valley, California 92307.

BASIC FINANCIAL STATEMENTS

Apple Valley Fire Protection District
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and Investments	$ 8,395,193
Receivables:	
Taxes	274,415
Interest	9,682
Other	25,592
Prepaid items	52,144
Capital Assets, Not Being Depreciated	2,587,533
Capital Assets, Depreciated, Net	4,647,707
Total Assets	15,992,266
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Amounts	3,641,286
Total Deferred Outflows of Resources	3,641,286
LIABILITIES	
Accounts Payable	196,782
Accrued Salaries and Benefits	149,973
Deposits	500
Noncurrent Liabilities:	
Due within one year	225,000
Due in more than one year	16,228,613
Total Liabilities	16,800,868
DEFERRED INFLOWS OF RESOURCES	
Pension Related Amounts	860,850
OPEB Related Amounts	1,298,880
Total Deferred Inflows of Resources	2,159,730
NET POSITION	
Investment in Capital Assets	7,235,240
Restricted - Development Impact Fees	295,186
Unrestricted	(6,857,472)
Total Net Position	$ 672,954

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Governmental Activities Net (Expenses) Revenues: Governmental Activities
Governmental Activities:					
Public Safety	$ 12,295,761	$ 6,134,718	$ -	$ 166,957	$ (5,994,086)
Interest on long-term Debt	8,555	-	-	-	(8,555)
Total Governmental Activities	$ 12,304,316	$ 6,134,718	$ -	$ 166,957	(6,002,641)
General Revenues:					
Property Taxes					6,621,412
Investment Income					294,102
Total General Revenues					6,915,514
Change in Net Position					912,873
Net Position - Beginning of Year					(239,919)
Net Position - End of Year					$ 672,954

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Nonmajor Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	$ 8,100,007	$ 295,186	$ 8,395,193
Receivables:			
Taxes	274,415	-	274,415
Interest	9,682	-	9,682
Other	25,592	-	25,592
Prepaid items	52,144	-	52,144
Total Assets	$ 8,461,840	$ 295,186	$ 8,757,026
LIABILITIES			
Accounts Payable	$ 196,782	$ -	$ 196,782
Accrued Salaries and Benefits	149,973	-	149,973
Deposits	500	-	500
Total Liabilities	347,255	-	347,255
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Charges for Services	92,463	-	92,463
Total Deferred Inflows of Resources	92,463	-	92,463
FUND BALANCES			
Nonspendable	52,144	-	52,144
Restricted	-	295,186	295,186
Assigned	3,007,127	-	3,007,127
Unassigned	4,962,851	-	4,962,851
Total Fund Balances	8,022,122	295,186	8,317,308
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,461,840	$ 295,186	$ 8,757,026

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2019

Fund balances - total governmental funds	$ 8,317,308
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the fund financial statements.	
Capital Assets	14,068,491
Less: Accumulated Depreciation	(6,833,251)
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported as available revenues in the funds.	92,463
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated Absences	(948,210)
Net OPEB Liability	(1,286,904)
Net Pension Liability	(13,959,294)
Claims Liabilities	(259,205)
Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability and Net OPEB Liability are not reported in the funds.	
Deferred Outflows Related to Pensions	3,641,286
Deferred Inflows Related to Pensions	(860,850)
Deferred Inflows Related to OPEB	(1,298,880)
Net Position of Governmental Activities	$ 672,954

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General	Nonmajor Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Taxes	$ 6,621,412	$ -	$ 6,621,412
Special Assessments	5,154,893	-	5,154,893
Intergovernmental	678,609	-	678,609
Charges for Services	309,598	-	309,598
Development Fees	-	166,957	166,957
Use of Money and Property	293,306	796	294,102
Total Revenues	13,057,818	167,753	13,225,571
EXPENDITURES			
Current:			
Salaries and Benefits	9,515,722	-	9,515,722
Services and Supplies	2,383,287	-	2,383,287
Capital Outlay	159,521	-	159,521
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	8,555	-	8,555
Total Expenditures	12,067,085	-	12,067,085
Excess (Deficiency) of Revenues Over Expenditures	990,733	167,753	1,158,486
Net Change in Fund Balances	990,733	167,753	1,158,486
Fund Balances, Beginning of Year	7,031,389	127,433	7,158,822
Fund Balances, End of Year	$ 8,022,122	$ 295,186	$ 8,317,308

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances - governmental funds	$ 1,158,486
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Expenditures	418,965
Depreciation Expense	(308,226)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(8,382)
The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):	
Compensated Absences	(85,880)
Net OPEB Liability	1,006,203
Net Pension Liability	(276,125)
Claims Liabilities	49,527
Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability and Net OPEB Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to net pension liability and net OPEB liability.	
Deferred Outflows Related to Pensions	(315,687)
Deferred Inflows Related to Pensions	222,481
Deferred Inflows Related to OPEB	(948,489)
Change in net position of governmental activities	$ 912,873

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	OPEB Trust Fund
ASSETS	
Cash and Investments	$ 2,900,638
Total Assets	2,900,638
LIABILITIES	
Accounts Payable	-
Total Liabilities	-
NET POSITION	
Held in Trust	2,900,638
Total Net Position	$ 2,900,638

The accompanying notes are an integral part of this statement.

Apple Valley Fire Protection District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

	OPEB Trust Fund
ADDITIONS	
Investment Income	$ 155,367
Contributions	408,001
Total Additions	563,368
DEDUCTIONS	
Benefit Payments	214,639
Administrative Expenses	14,820
Total Deductions	229,459
Changes in Fiduciary Net Position	333,909
Net Position, Beginning of Year	2,566,729
Net Position, End of Year	$ 2,900,638

The accompanying notes are an integral part of this statement.

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 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 District Boundaries.

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 Types

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. Included in this fund are Development Impact Fees, which are revenues allocated to the District from fees collected from new development within the Town of Apple Valley's boundaries.

Fiduciary Fund Types

Additionally, the District reports the following fund types:

OPEB Trust Fund – Used to account for the funding and payment of post-employment benefits other than pensions.

C) Basis of Accounting/ Measurement Focus

Government -Wide Financial Statements

The Government-wide financial statements (i.e, the Statement of Net Position and Statement of Activities) report information on all nonfiduciary activities of the primary government.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, the District's assets, deferred outflows, liabilities and deferred inflows, including capital assets and 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 and the Nonmajor Special Revenue 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 at year-end, and amounts not received within the 60-day availability period are reported as unavailable 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.

D) Claims and Judgements

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

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) 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 Code Section 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.

G) Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

H) Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted cash and cash equivalents represent development impact fees collected by the Town of Apple Valley and remitted to the District for capital expenditures. 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.

I) 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 shift employees based on longevity with the District.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Accounts Receivable and Allowance for Bad Debts

Accounts receivable is recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts for mobile home billings was $139,336 as of June 30, 2019.

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.

K) 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.

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. The Board of Directors can make assignments of fund balance.

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.

L) 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 investment in capital assets consists 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M) 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.

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.

N) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the California Public Employees Retirement System (CalPERS) and additions to/deductions from CalPERS fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

O) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

P) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting requirements in the future:

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement is effective for reporting periods beginning after December 15, 2018.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 87 - Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 90 - Majority Equity Interests: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB 91 - Conduit Debt Obligations: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 consist of the following:

Statement of Net Position:		
Cash and Investments	$	8,395,193
Statement of Fiduciary Net Postion:		
Cash and Investments		2,900,638
Total Cash and Investments	$	11,295,831

Cash on Hand	$	250
Deposits with Financial Insitutions		6,880,017
Investments		4,415,564
Total Cash and Investments	$	11,295,831

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 - LAIF)
- Other investments which are expressly permitted by the District's Board of Directors

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than money market and external investment pools).

2) CASH AND INVESTMENTS - Continued

Investment Type	Total	Minimum Legal Rating	Not Required to be Rated
Local Agency Investment Fund	$ 1,514,926	N/A	$ 1,514,926
Money Market Mutual Funds	2,900,638	N/A	2,900,638
Total	$ 4,415,564		$ 4,415,564

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. None of the District's investments as of June 30, 2019 are subject to the fair value hierarchy measurements (LAIF and money market investments only).

Investment in State Investment Pool

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 $65,000,000 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.

The management of the State of California Pooled Money Investment Account has indicated to the District that as of June 30, 2019, the carrying amount of the pool was $105,325,060,682 and the estimated market value of the pool (including accrued interest) was $106,046,486,872. The District's proportionate share of that value is $1,514,926. 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.

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.

2) CASH AND INVESTMENTS - Continued

OPEB Trust Investment Program

Investments of funds held in the OPEB Trust Investment Program are authorized by an agreement between the District and an investment advisor. The funds may be invested in an asset allocation model portfolio. As of June 30, 2019, the District's OPEB investment trust has investments in money market mutual funds with a fair value of $2,900,638.

3) 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, 2019.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 2,571,933	$ 15,600	$ -	$ 2,587,533
Total Capital Assets Not Depreciated	2,571,933	15,600	-	2,587,533
Depreciable capital assets:				
Buildings and Other Improvements	6,395,999	90,844	-	6,486,843
Equipment and Vehicles	4,720,762	312,521	(39,168)	4,994,115
Total Cost of Depreciable Capital Assets	11,116,761	403,365	(39,168)	11,480,958
Less accumulated depreciation for				
Buildings and Other Improvements	2,613,866	160,966	-	2,774,832
Equipment and Vehicles	3,950,327	147,260	(39,168)	4,058,419
Total Accumulated Depreciation	6,564,193	308,226	(39,168)	6,833,251
Depreciable capital assets, net	4,552,568	95,139	-	4,647,707
Total Capital assets, net	$ 7,124,501	$ 110,739	$ -	$ 7,235,240

Depreciation expense in the amount of $308,226 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2019.

4) 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 and General Liability

The District was previously a member of the Public Agency Self Insurance System of San Bernardino County (PASIS). On October 20, 2015, the District's board passed a resolution to dissolve PASIS. The District is responsible for the remaining claims from PASIS that were within their self-insured retention requirement.

On July 1, 2015, the District became a participating member of SDRMA, a joint powers authority offering comprehensive risk management programs. The District's purchased insurance coverage from SDRMA provides coverage for general liability, employment practices, errors and omissions, auto liability, property and

4) RISK MANAGEMENT - Continued

workers' compensation. SDRMA pays 100% of the claims up to the per occurrence limits. The following schedule represents workers' compensation and general liability claims for the past two fiscal years.

Fiscal Year	Beginning of Year Liability	Current Year Claims	Claims Payments	Beginning of Year Liability
2017-18	$ 224,429	$ 84,303	$ -	$ 308,732
2018-19	308,732	-	(49,527)	259,205

5) LONG-TERM LIABILITIES

Change in long-term debt balances are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in one year
Net Pension Liability	$ 13,683,169	$ 276,125	$ -	$ 13,959,294	$ -
Net OPEB Liability	2,293,107	-	1,006,203	1,286,904	-
Claims Liabilities	308,732	-	49,527	259,205	-
Compensated Absences	862,330	85,880	-	948,210	225,000
Total Governmental Activities	$ 17,147,338	$ 362,005	$ 1,055,730	$ 16,453,613	$ 225,000

Compensated Absences

For governmental funds, accumulated vacation and sick leave benefits payable to the District employees amounted to $948,210 ($340,565 vacation, $539,317 sick leave, and $68,328 comp time) at June 30, 2019. 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.

6) CLASSIFICATION OF NET POSITION & FUND BALANCE

In the government-wide financial statements net position is classified as follows:

Net Investment in Capital Assets

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.

6) CLASSIFICATION OF NET POSITION & FUND BALANCE – Continued

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.

As of June 30, 2019, fund balances in governmental funds are classified as follows:

	General	Nonmajor Special Revenue Fund	Total Governmental Funds
Nonspendable:			
Prepaid Items	$ 52,144	$ -	$ 52,144
Restricted:			
Development Impact Projects	-	295,186	295,186
Assigned:			
Equipment Replacement	1,544,797	-	1,544,797
Other Purposes:			
Compensated Absences	862,330	-	862,330
Workers' Compensation Reserves	600,000	-	600,000
Unassigned	4,962,851	-	4,962,851
Total Fund Balance (Deficit)	$ 8,022,122	$ 295,186	$ 8,317,308

Included in the $4,962,851 fund balance of the General Fund is the Board of Directors approved economic security of $1,181,759.

7) RETIREMENT PLAN

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

7) RETIREMENT PLAN - Continued

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

	Miscellaneous		
Hire date	Prior to August 25, 2012	Between 8/25/12 and 12/31/12	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average	3-year average
Required employee contribution rates	8%	7%	6.50%
Required employer contribution rates	13.074% + $77,529	8.346% + $1,586	7.266% + $370

	Safety		
Hire date	Prior to August 25, 2012	Between 8/25/12 and 12/31/12	On or after January 1, 2013
Benefit formula	3% @ 55	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	57
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average	3-year average
Required employee contribution rates	9%	7%	10.25%
Required employer contribution rates	20.416% + $531,651	14.159% + $160	10.548% + $577

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was $611,873 in fiscal year 2019.

The District's contributions to the plan for the year ended June 30, 2019 were $1,421,918.

7) RETIREMENT PLAN - Continued

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

As of June 30, 2019, the District reported a liability of $13,959,294 for its proportionate share of the net pension liability. The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.13797%
Proportion - June 30, 2018	0.14486%
Change - Increase (Decrease)	0.00689%

For the year ended June 30, 2019, the District recognized pension expense of $1,791,248. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,421,918	$ -
Differences between actual and expected experience	304,231	-
Changes in assumptions	1,186,505	-
Change in employer's proportion	636,661	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	860,850
Net differences between projected and actual earnings on plan investments	91,971	-
Total	$ 3,641,286	$ 860,850

$1,421,918 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2020	$ 1,120,643
2021	656,775
2022	(319,336)
2023	(99,564)
2024	-
Thereafter	-

7) RETIREMENT PLAN - Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments 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. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

(1) An expected inflation of 2.0% used for this period.

(2) An expected inflation of 2.92% used for this period.

7) RETIREMENT PLAN - Continued

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease		6.15%
Net Pension Liability	$	21,972,335
Current Discount Rate		7.15%
Net Pension Liability	$	13,959,294
1% Increase		8.15%
Net Pension Liability	$	7,389,425

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

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

8) OTHER POST EMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description – The District has established a single-employer trust, "The Apple Valley Fire Protection District Retiree Health Reimbursement Arrangement, (the "HRA") with Administrative Services Corporation d/b/a Genesis Employee Benefits to administer its postemployment healthcare plan. The District's plan provides retiree funds for health care benefits for eligible employees who retire from the District. Eligible retirees may elect coverage through the District's contract with CalPERS for health care benefits. The plan benefits are established and may be amended by the Apple Valley Fire Protection District's Board of Directors.

Benefits Provided – Under the HRA, retirees are classified into two groups. The first group, retirees and surviving spouses who retired from the District on or before November 30, 2007, receive a Supplemental Benefit Contribution (SBC) of $400 per month for life ($550 for retiree and spouse) which can be used for qualified medical expenses. The second group, retirees who retired from the District on or after December 1, 2007, may receive a percentage (ranging from 0% to 100%) of the $400 SBC, up to age 65 or for the retiree's lifetime based on a combination of hire date, position and cumulative full-time service as of November 30, 2007, as defined by four vesting schedules. Both groups also have the option of electing coverage through the District's contract with CalPERS for healthcare benefits.

8) OTHER POST EMPLOYMENT BENEFITS - Continued

Retirees and eligible surviving spouses who elect that coverage also receive the benefit of District-paid premiums for the Minimum Required Contribution (MRC) required by CalPERS. At June 30, 2019, the MRC was $136 per month. The Apple Valley Fire Protection District's Actuarial Valuation of Post-Retirement Medical Benefits as of June 30, 2019, can be obtained from the district at 22400 Headquarters Drive, Apple Valley, CA 92307.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Retirees or spouses of retirees currently receiving benefits	36
Active employees	54
	90

Contributions – Annual contributions are budgeted in the District's annually adopted budget and are based on pay-as-you-go costs and additional contributions to the trust as determined by the District's budget. For the year ended June 30, 2019, the District's contribution to the plan was $408,001. Employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability of $1,286,904 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Mortality	RP 2014 Mortality Table. Blended tables for males and females (50%/50%).
Age at Retirement	Later of Age 60 or age +1 if eligible to retire.
Health Care Trend Rate	MRC (PEMHCA) 3.00%. SBC fixed at $400 or $550
Inflation Rate	3.00%
Salary Changes	N/A – benefit is not based on salaries
Discount Rate	6.00%

The long-term expected rate of return on OPEB plan investments was determined based on a long-term assumed rate of return of 20 to 30 years. 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. 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 Rate of Return	Weighted Rate
Equities	60%	7.5%	4.5%
Fixed Income	40%	3.75%	1.5%
		Total	6%

8) OTHER POST EMPLOYMENT BENEFITS - Continued

Discount Rate – The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2018	$ 4,859,836	$ 2,566,729	$ 2,293,107
Changes in the year:			
Service cost	105,188	-	105,188
Interest on the total OPEB liability	291,590	-	291,590
Differences between expected and actual earnings on investments	(125,623)	-	(125,623)
Changes in assumptions	(728,810)	-	(728,810)
Contributions from the employer	-	408,001	(408,001)
Net investment income	-	155,367	(155,367)
Benefit payments, including refunds	(214,639)	(214,639)	-
Administrative expense	-	(14,820)	14,820
Net changes	(672,294)	333,909	(1,006,203)
Balance at June 30, 2019	$ 4,187,542	$ 2,900,638	$ 1,286,904

The plans fiduciary net position as a percentage of the total OPEB liability at June 30, 2019 is 69.27%.

Sensitivity of the Net OPEB Liability to changes in the Discount Rate - The following presents the net OPEB liability of the District, as well as what the District's Net OPEB 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%)
Net OPEB liability (asset)	$ 1,922,962	$ 1,286,904	$ 886,862

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the District, as well as what the District's Net OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (2%)	Trend - No Change (3%)	1% Increase (4%)
Net OPEB liability (asset)	$ 1,070,762	$ 1,286,904	$ 1,664,062

8) OTHER POST EMPLOYMENT BENEFITS - Continued

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

For the year ended June 30, 2019, the District recognized OPEB expense of $535,633. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 1,176,946
Net differences between projected and actual earnings on plan investments	-	121,934
Total	$ -	$ 1,298,880

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

Year Ending June 30,	
2020	$ 176,110
2021	176,110
2022	170,139
2023	156,460
2024	150,800
Thereafter	469,261

9) SHORT-TERM FINANCING

In the 2018-19 fiscal year, the District borrowed $1,234,278 from the County of San Bernardino under the Temporary Transfer of Funds (TTF) program. The funds were borrowed to provide funding for operations prior to the first property tax payment from the County. The District paid $8,555 in interest on the amounts borrowed. No amounts were outstanding to be paid as of June 30, 2019. Subsequent to June 30, 2019, the District borrowed $1,694,705 from the County under this program, for the 2019-20 fiscal year.

	Beginning Balance	Additions	Deletions	Ending Balance
TTF San Bernardino County	$ -	$ 1,234,278	$ 1,234,278	$ -

10) 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.

REQUIRED SUPPLEMENTARY INFORMATION

Apple Valley Fire Protection District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	$ 6,379,896	$ 6,442,813	$ 6,621,412	$ 178,599
Special Assessments	4,760,086	4,965,729	5,154,893	189,164
Intergovernmental	300,000	300,000	678,609	378,609
Charges for Services	418,315	419,895	309,598	(110,297)
Use of Money and Property	268,494	289,148	293,306	4,158
Total Revenues	12,126,791	12,417,585	13,057,818	640,233
EXPENDITURES				
Current:				
Salaries and Benefits	9,574,980	9,680,636	9,515,722	164,914
Services and Supplies	2,030,449	2,115,587	2,383,287	(267,700)
Capital Outlay	455,500	518,500	159,521	358,979
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	11,362	11,362	8,555	2,807
Total Expenditures	12,072,291	12,326,085	12,067,085	259,000
Excess (Deficiency) of Revenues Over Expenditures	54,500	91,500	990,733	899,233
Net Change in Fund Balances	54,500	91,500	990,733	899,233
Fund Balance, Beginning of Year	7,031,389	7,031,389	7,031,389	
Fund Balance, End of Year	$ 7,085,889	$ 7,122,889	$ 8,022,122	

Apple Valley Fire Protection District
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	Measurement Period		
	2019	2018	2017
Total OPEB Liability			
Service cost	$ 105,188	$ 120,213	$ 90,067
Interest on total OPEB liability	291,590	268,234	268,854
Changes in assumptions	(728,810)	71,922	204,016
Differences between expected and actual earnings on investments	(125,623)	38,816	-
Benefit payments, including refunds	(214,639)	(216,663)	(211,980)
Net change in total OPEB liability	(672,294)	282,522	350,957
Total OPEB liability - beginning	4,859,836	4,577,314	4,226,357
Total OPEB liability - ending (a)	$ 4,187,542	$ 4,859,836	$ 4,577,314
Plan Fiduciary Net Position			
Contributions - employer	$ 408,001	$ 408,002	$ 408,000
Net investment income	155,367	133,870	261,026
Benefit payments	(214,639)	(216,663)	(211,980)
Administrative Expense	(14,820)	(21,708)	(88,448)
Net change in plan fiduciary net position	333,909	303,501	368,598
Plan fiduciary net position - beginning	2,566,729	2,263,228	1,894,630
Plan fiduciary net position - ending (b)	$ 2,900,638	$ 2,566,729	$ 2,263,228
Net OPEB liability - ending (a) - (b)	$ 1,286,904	$ 2,293,107	$ 2,314,086
Plan fiduciary net position as a percentage of the total OPEB liability	69.27%	52.82%	49.44%
Covered - employee payroll	$ 4,756,380	$ 4,398,922	$ 3,577,181
Net OPEB liability as a percentage of covered-employee payroll	27.06%	52.13%	64.69%

Notes to the Schedule of the District's Proportionate Share of the Net OPEB Liability

Benefit Changes: None

Changes in Assumptions: None

*Fiscal year 2018 was the first year of implementation, therefore, not all 10 years of information is available.

Apple Valley Fire Protection District
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2018	0.14486%	$ 13,959,294	$ 4,398,922	317.33%	76.03%
2017	0.13797%	13,683,169	3,577,181	382.51%	75.63%
2016	0.13440%	11,629,487	3,616,554	321.56%	76.99%
2015	0.12250%	8,408,180	3,715,720	226.29%	82.51%
2014	0.23140%	8,156,393	3,655,008	223.16%	76.35%

Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Apple Valley Fire Protection District
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2019	$ 1,421,918	$ (1,421,918)	$ -	$ 4,938,346	28.79%
2018	1,159,421	(1,159,421)	-	4,398,922	26.36%
2017	938,124	(938,124)	-	3,577,181	26.23%
2016	850,615	(850,615)	-	3,616,554	23.52%
2015	754,632	(754,632)	-	3,715,720	20.31%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/13, 6/30/14, 6/30/15, 6/30/16, 6/30/17

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Apple Valley Fire Protection District
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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.

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 Fund; therefore, budgetary comparison information is not presented for this fund.