

**CHINO VALLEY  
INDEPENDENT FIRE DISTRICT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**CHINO VALLEY INDEPENDENT FIRE DISTRICT  
CHINO HILLS, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**TABLE OF CONTENTS**

	<i>PAGE</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – General Fund	12
Reconciliation of the Balance Sheet of the General Fund to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities	15
Notes to Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	35
Schedule of Funding Progress for Other Postemployment Benefit Plan	36
Notes to Required Supplementary Information	37



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Chino Valley Independent Fire District  
Chino Hills, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Chino Valley Independent Fire District (the District) as of and for the year ended June 30, 2013, 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.

### *Auditors' 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the general fund of the District as of June 30, 2013, and the respective change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, budgetary comparison schedule on page 34, and schedule of funding progress on page 35 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.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Rancho Cucamonga, California

December 16, 2013



## CHINO VALLEY INDEPENDENT FIRE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

This report presents our discussion and analysis of the Chino Valley Independent Fire District's (hereinafter "District") financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the *District's* financial statements, which follow.

#### District Highlights

Noteworthy District highlights for FY2012-13 included:

- Successfully completed final phases of the restructure of the District's postemployment health benefit plan, resulting in potentially significant cost savings to the District over time. Changes included the elimination of a postemployment health benefit allowance for all newly hired staff members. Since commencing participation in prefunding its postemployment health benefit liability in FY2007-08 through an irrevocable health trust, the District has fully funding its actuarially determined annual required contribution each year, including FY2012-13.
- The District received reaccreditation and recognition as a District of Distinction from the California Special Districts Association. The District was the first ever fire district to receive that accreditation in 2008. Districts must apply for reaccreditation every two years. The District of Distinction Accreditation is one of the most prestigious local government awards in California and recognizes the District's commitment to good governance, as well as ethical and sound operating practices.

#### Financial Highlights

- At the close of the fiscal year ended June 30, 2013, the assets of the District of \$33,805,362, exceeded liabilities by \$24,422,050 (net position). Of this amount, \$14,379,605 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's total net position decreased during the fiscal year by \$970,844. While this net decrease was attributable to a number of factors, most significantly, depreciation expense for capital assets amounted to about \$976,000.
- As of June 30, 2013, the District's General Fund reported an ending fund balance of about \$19,666,955 of which \$8,293,773, or about 42%, was unassigned. The unassigned portion of General Fund balance represented roughly 30% of FY2012-13 General Fund expenditures from operations.



## CHINO VALLEY INDEPENDENT FIRE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) General Fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide the reader with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between assets and liabilities representing *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. compensated absence expense).

**Fund financial statements.** The fund financial statements provide more detailed information about the District's specific sources of funding and spending for particular purposes. Like other governmental agencies, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has the following kind of funds: *Governmental funds* - Used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains one governmental fund: the General Fund. A Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance are presented for the General Fund.

Because the focus of the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the General Fund Balance Sheet and General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$24,422,050, at June 30, 2013.



**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

**Chino Valley Independent Fire District Net Position**

	<b>Governmental Activities June 30, 2013</b>	<b>Governmental Activities June 30, 2012</b>
Current assets	\$23,762,917	\$22,097,426
Capital assets (net)	10,042,445	10,939,846
<b>Total Assets</b>	<b>\$33,805,362</b>	<b>\$33,037,272</b>
Current liabilities	3,087,504	1,128,274
Other liabilities	6,295,808	6,516,104
<b>Total Liabilities</b>	<b>\$9,383,312</b>	<b>\$7,644,378</b>
Invested in capital assets	10,042,445	10,939,846
Unrestricted	14,379,605	14,453,048
<b>Total Net Position</b>	<b>\$24,422,050</b>	<b>\$25,392,894</b>

The unrestricted portion of net position, totaling \$14,379,605, may be used to meet the District's ongoing obligations.

**Government activities.** Governmental activities decreased the District's net position by \$970,844, during the fiscal year ended June 30, 2013.

**Chino Valley Independent Fire District Changes in Net Position**

	<b>Governmental Activities FYE June 30, 2013</b>	<b>Governmental Activities FYE June 30, 2012</b>
Program revenues:		
Charges for services	\$7,723,894	\$7,624,044
Operating grants and contributions	138,768	242,587
General revenues:		
Property taxes	19,985,776	20,076,881
Investment income	99,429	85,154
<b>Total revenues</b>	<b>\$27,947,867</b>	<b>\$28,028,666</b>
Special items:		
CalPERS side fund payment	-	(4,749,934)
<b>Total revenues and special items</b>	<b>\$27,947,867</b>	<b>\$23,278,732</b>
Expenses:		
Public Safety – Fire Protection	28,918,711	29,674,192
<b>Total expenses</b>	<b>\$28,918,711</b>	<b>\$29,674,192</b>
<b>Change in Net Position</b>	<b>(\$970,844)</b>	<b>(\$6,395,460)</b>
<b>Net Position, July 1,</b>	<b>\$25,392,894</b>	<b>\$31,788,354</b>
<b>Net Position, June 30,</b>	<b>\$24,422,050</b>	<b>\$25,392,894</b>



## CHINO VALLEY INDEPENDENT FIRE DISTRICT

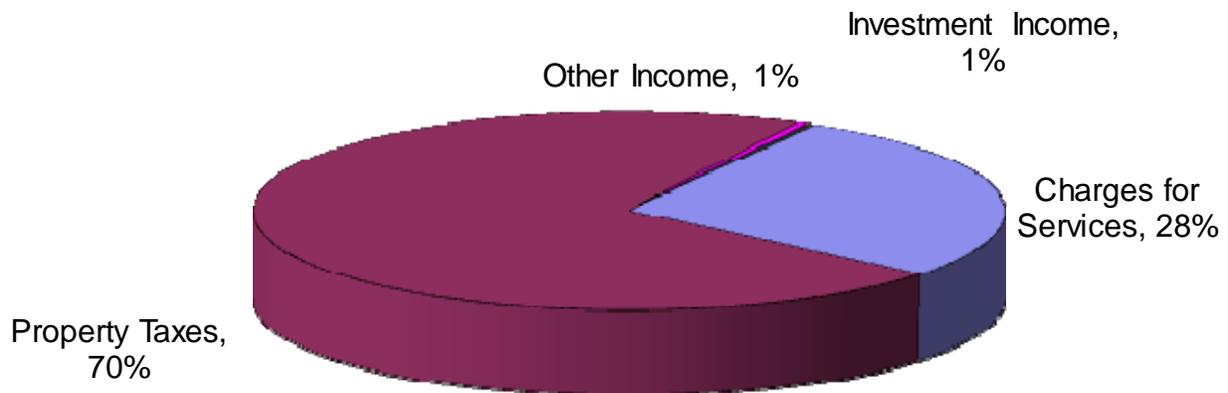
### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Key elements of the difference between fund balance of the General Fund and the net position of governmental activities are as follows:

- The difference in the method of accounting for net capital assets in the governmental funds versus the statement of activities accounts for an increase in the net position of governmental activities by approximately \$10.04 million.
- Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds, resulting in a decrease in net position of governmental activities of approximately \$6.12 million.
- The net Other Post Employment Benefit (OPEB) asset of approximately \$0.84 million is not available to pay for current period expenditures and is not reported in the general fund.

#### Revenue by Source - Governmental Activities





**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

As of June 30, 2013, the District's General Fund reported an ending fund balance of \$19,666,955, a decrease of \$30,763 over the prior year. As specified in the District’s Fund Balance Reporting Policy, in addition to the various commitments and assignments of Fund Balance outlined below, the District’s Board of Directors has also specified that a minimum unassigned fund balance equal to three months of General Fund expenditures be established for general contingency purposes.

As of June 30, 2013, the District's classifications of fund balance were as follows:

	<b>Classifications of Fund Balance June 30, 2013</b>
<b>Nonspendable:</b>	
Deposits and Prepaid Items	\$83,518
<b>Total Nonspendable Fund Balance</b>	<b>\$83,518</b>
<b>Committed:</b>	
Workers Compensation Reserve Fund	\$1,497,737
Equipment Replacement Fund	1,793,510
Facilities Acquisition and Maintenance Fund	1,080,682
Compensated Absences Fund	1,583,363
Emergency Contingency Fund	4,913,463
<b>Total Committed Fund Balance</b>	<b>\$10,868,755</b>
<b>Assigned:</b>	
Transfers Required to Balance Next Fiscal Year’s Budget	\$420,909
<b>Total Assigned Fund Balance</b>	<b>\$420,909</b>
<b>Unassigned:</b>	
Minimum Fund Balance for General Contingency Purposes	\$7,278,778
Available Fund Balance for Discretionary Use	1,014,995
<b>Total Unassigned Fund Balance</b>	<b>\$8,293,773</b>
<b>Total General Fund Balance</b>	<b>\$19,666,955</b>

**General Fund Budgetary Highlights**

Budgetary amendments of \$366,888 in additional net revenues were approved in the Final budget, including \$350,000 in additional revenues, and \$16,888 in corresponding net expenditures. The more significant changes from Original to Final budget included:

- A total of \$300,000 in net additional property tax-related revenues as a result of favorable changes in assessed property values.
- \$50,000 in projected increases in permit and inspection fees, primarily attributable to increased real estate development activities within the District.

FY2012-13 actual General Fund net revenues varied favorably from budget by about \$665,000, due primarily to favorable expenditure variances and the budget transfer of encumbrances from the FY2012-13 budget to the FY2013-14 budget.



**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

**Capital Asset and Debt Administration.**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2013, amounted to approximately \$10.04 million, net of accumulated depreciation. This investment in capital assets includes land, investment in joint venture, construction in progress, buildings, improvements other than buildings and equipment. During the fiscal year, the District's net investment in capital assets decreased by about \$897,000, due to depreciation charges in excess of capital asset acquisitions.

**Chino Valley Independent Fire District Capital Assets**

	<b>Governmental Activities June 30, 2013</b>	<b>Governmental Activities June 30, 2012</b>
Land	\$105,438	\$105,438
Investment in joint venture	222,452	221,230
Construction in progress	377,928	377,928
Buildings	6,878,690	6,878,690
Improvements other than buildings	800,505	783,425
Equipment	10,042,967	9,982,247
<b>Total capital assets</b>	<b>\$18,427,980</b>	<b>\$18,348,958</b>
Less: accumulated depreciation	(8,385,535)	(7,409,112)
<b>Total capital assets, net of accumulated depreciation</b>	<b>\$10,042,445</b>	<b>\$10,939,846</b>

**Chino Valley Independent Fire District Outstanding Debt**

**Long-term debt.** At the end of the fiscal year, the District's total outstanding debt amounted to approximately \$6.3 million.

	<b>Governmental Activities June 30, 2013</b>	<b>Governmental Activities June 30, 2012</b>
Compensated absences	\$4,798,071	\$5,081,407
Worker's Compensation claims	1,497,737	1,434,697
<b>Total outstanding debt</b>	<b>\$6,295,808</b>	<b>\$6,516,104</b>

Approximately \$473,000 of the total debt amount is due in FY2012-13.



# CHINO VALLEY INDEPENDENT FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

### Economic Factors and Next Year's Budgets and Rates

- Local property values remains relatively stable within the District's service area and projected to increase next fiscal year. Increases in assessed property values in the District are generally anticipated from a recovering real estate market. Property tax related revenues are projected to increase in the range of about 2% over FY2012-13 figures.
- Other revenues are projected to increase by about \$520,000, or about 52%, primarily as a result of a Federal Emergency Management Association grant awarded to the District for the purchase of replacement breathing apparatus.
- Budgeted expenditures for FY2013-14, excluding capital purchases, have been projected relatively flat, and are expected to decrease by about \$110,000 or 0.4%.
- Additional investment in capital assets will result in capital expenditures of about \$1.06 million in FY2013-14, compared with about \$442,000 in capital purchases in FY2012-13.
- The District's preliminary Budget for FY2013-14, approved in September, projects a modest deficit of about \$421,000.
- The District has assigned a sufficient amount of fund balance to offset the budgeted expenditures in excess of revenues in the FY2013-14 budget, while continuing to maintain adequate levels of fund balance to provide for economic uncertainties and temporary downturns in the foreseeable future.
- The District also projects and forecasts long-range revenues and expenditures for longer-term, financial, operating and strategic planning purposes, and anticipates general continuing improvement in its financial condition over the next two to three years.
- These and other factors were considered in the preparation of the District's budget for FY2013-14.

### Chino Valley Independent Fire District Operating Budget Summary

	General Fund Budget June 30, 2014	General Fund Budget June 30, 2013
Property tax revenue	\$20,728,513	\$21,013,406
Contract revenue	7,336,965	6,790,744
Other revenue	1,496,652	980,623
<b>Total revenue</b>	<b>\$29,562,130</b>	<b>\$28,784,773</b>
Salaries and benefits	\$24,476,716	\$24,584,478
Services and supplies	4,451,215	4,453,867
Capital outlay	1,055,108	442,430
<b>Total operating &amp; capital expenditures</b>	<b>\$29,983,039</b>	<b>\$29,480,775</b>
<b>Net revenue (transfer from fund balance)</b>	<b>(\$420,909)</b>	<b>(\$696,002)</b>

### Requests for Information

This financial report is designed to provide a general overview of the financial position of the Chino Valley Independent Fire District for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chino Valley Independent Fire District, Attn.: Finance Manager, 14011 City Center Drive, Chino Hills, California 91709.

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**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 22,116,390
Accounts receivable	642,966
Taxes receivable	50,033
Accrued interest receivable	5,838
Note receivable	28,329
Deposits with other agencies	25,000
Prepaid costs	58,518
Net OPEB asset	835,843
Capital assets, net of accumulated depreciation	<u>10,042,445</u>
Total Assets	<u>33,805,362</u>
<b>LIABILITIES</b>	
Accounts payable	657,768
Accrued payroll	966,527
Unearned revenue	1,463,209
Noncurrent liabilities:	
Due within one year	472,615
Due in more than one year	<u>5,823,193</u>
Total Liabilities	<u>9,383,312</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,042,445
Unrestricted	<u>14,379,605</u>
Total Net Position	<u>\$ 24,422,050</u>

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

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Program Revenues</u>			<u>(Expenses) Revenues and change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Public safety - fire protection	\$ 28,918,711	\$ 7,723,894	\$ 138,768	\$ (21,056,049)
Total Governmental Activities	<u>\$ 28,918,711</u>	<u>\$ 7,723,894</u>	<u>\$ 138,768</u>	<u>(21,056,049)</u>
General Revenues:				
Taxes:				
Property taxes				19,985,776
Investment income				<u>99,429</u>
Total General Revenues				<u>20,085,205</u>
Change in Net Position				(970,844)
Net Position at Beginning of Year				<u>25,392,894</u>
Net Position at End of Year				<u>\$ 24,422,050</u>

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

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2013**

**ASSETS**

Cash and investments	\$ 22,116,390
Accounts receivable	642,966
Taxes receivable	50,033
Accrued interest receivable	5,838
Note receivable	28,329
Deposits with other agencies	25,000
Prepaid items	58,518
	<hr/>
Total Assets	\$ 22,927,074

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 657,768
Accrued payroll	966,527
Unearned revenue	1,463,209
Current claims payable	172,615
	<hr/>
Total Liabilities	3,260,119

**FUND BALANCE**

Nonspendable	83,518
Committed	10,868,755
Assigned	420,909
Unassigned	8,293,773
	<hr/>
Total Fund Balance	19,666,955
	<hr/>
Total Liabilities and and Fund Balance	\$ 22,927,074

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

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**GENERAL FUND**

**RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Fund Balance of the General Fund	\$ 19,666,955
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	10,042,445
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,123,193)
The net OPEB asset is not available to pay for current period expenditures and is not reported in the governmental funds.	835,843
Net Position of Governmental Activities	<u>\$ 24,422,050</u>

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

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	
Taxes	\$ 19,985,776
Licenses and permits	689,906
Charges for current services	7,033,988
Use of money and property	99,429
Other	138,768
Total Revenues	<u>27,947,867</u>
EXPENDITURES	
Current:	
Salaries and benefits	24,144,335
Services and supplies	3,756,495
Capital outlay	77,800
Total Expenditures	<u>27,978,630</u>
Excess (deficiency) of revenues over expenditures	<u>(30,763)</u>
FUND BALANCE, Beginning of Year	<u>19,697,718</u>
FUND BALANCE, End of Year	<u>\$ 19,666,955</u>

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

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GENERAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balance - General Fund	\$ (30,763)
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are 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:</p>	
Cost of purchased assets capitalized	77,800
Depreciation expense	(976,423)
Increase in joint venture	1,222
<p>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.</p>	
	283,336
<p>Worker's compensation claims that are estimated to have been incurred and not reported (IBNR) 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 Worker's Compensation IBNR liability.</p>	
	(332,053)
<p>The excess funding over the annual required contributions (ARC) during the fiscal year for other postemployment benefits was recorded as an expenditure in the governmental funds. However, the difference between the ARC and the amount funded is recorded as a an asset in the statement of net position.</p>	
	<u>6,037</u>
Change in Net Position of Governmental Activities	<u><u>\$ (970,844)</u></u>

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

# CHINO VALLEY INDEPENDENT FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The accounting policies of the Chino Valley Independent Fire 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 Chino Valley Independent Fire District (the "District") was formed in 1932 by the County of San Bernardino to provide fire protection services to the unincorporated areas of the Chino Valley area. The District was consolidated with the Chino Valley Fire Department in 1972 and became self-governing in November 1990. The District is now governed by a five-member Board of Directors elected by the citizens of the District. No other governmental units are a part of the reporting entity.

The District serves the City of Chino, the City of Chino Hills and unincorporated areas of San Bernardino County within its boundaries.

#### B. Accounting and Reporting Policies

The District conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

#### C. New Accounting Pronouncements

##### Effective in Current Fiscal Year

**GASB Statement No. 60** - In November of 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*. This Statement provides guidance on reporting and disclosure of service concession agreements. . The District implemented this statement effective July 1, 2012. This statement did not have a material impact on the District's financial statements.

**GASB Statement No. 61** - In November of 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This Statement will update existing standards pertaining to financial reporting for which significant issues have been identified in practice. . The District implemented this statement effective July 1, 2012. This statement did not have a material impact on the District's financial statements.

**GASB Statement No. 62** – In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates FASB and AICPA pronouncements into the GASB's authoritative literature containing certain accounting and financial reporting guidance. . The District implemented this statement effective July 1, 2012. This statement did not have a material impact on the District's financial statements.

**GASB Statement No. 63** – In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*. This statement provides financial reporting guidance on deferred outflows of resources and deferred inflows of resources. The District implemented this statement effective July 1, 2012.

# CHINO VALLEY INDEPENDENT FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

#### C. New Accounting Pronouncements, (Continued)

##### Effective in Future Fiscal Years

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement provides guidance on proper classification of certain items previously reported as assets and liabilities as deferred outflows or inflows of resources. This Statement also provides guidance on recognition of certain items that were previously reported as assets and liabilities as outflows or inflows of resources. This statement is effective as of July 1, 2013. The District has not determined the effect on the financial statements.

**GASB Statement No. 66** – In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective as of July 1, 2013. The District has not determined the effect on the financial statements.

**GASB Statement No. 67** – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability). This Statement is effective as of July 1, 2013. The District has not determined the effect on the financial statements.

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 67, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective as of July 1, 2014. The District has not determined the effect on the financial statements.

**GASB Statement No. 69** – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective as of July 1, 2014. The District has not determined the effect on the financial statements.

# CHINO VALLEY INDEPENDENT FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

#### C. New Accounting Pronouncements, (Continued)

##### Effective in Future Fiscal Years, (Continued)

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is effective as of July 1, 2014. The District has not determined the effect on the financial statements.

#### D. Description of Fund

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

##### Governmental Fund Type

*General Fund* – Because the District provides only fire protection services all resources are accounted for in this fund.

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

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

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of 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 District's only function is fire protection. 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.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

E. Basis of Accounting/Measurement Focus, (Continued)

**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 long-term debt, which is recognized when due.

F. Claims and Judgments

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.

G. 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	30 years
Improvements other than buildings	30 years
Equipment	5 to 15 years

# CHINO VALLEY INDEPENDENT FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

#### H. 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 covers District expenditures in the General Fund. Budget figures used in the accompanying financial statements present both original and final budget.
- 3) Formal budgetary integration at the fund level 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).

#### I. 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.

The District has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. Management believes that the District has no fiduciary role under the revised 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.

#### J. Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Accordingly, the District has adjusted certain investments to fair value (when material).

Investments are included within the financial statement classifications of "Cash and investments" and are stated at fair value.

#### K. 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.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

L. 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.

***NOTE #2 – 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 #3 – CASH AND INVESTMENTS***

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Cash and investments	<u><u>\$ 22,116,390</u></u>
Cash and investments as of June 30, 2013, consist of the following:	
Petty cash	\$ 500
Cash demand deposits	<u>934,289</u>
Total Cash	<u>934,789</u>
Overnight Repurchase Agreements Sweep Account	2,987,719
Federal Farm Credit Bank (FFCB) Securities	995,000
Medium Term Corporate Notes	3,272,951
JPA Beneficial Interest Shares - CalTRUST	4,003,014
Pooled investments - Local Agency Investment Fund (LAIF)	<u>9,922,917</u>
Total Investments	<u>21,181,601</u>
Total Cash and Investments	<u><u>\$ 22,116,390</u></u>

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)***

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's policy, where more restrictive. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Money Market Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
State of California Treasury Obligations	2 years	25%	None
Bankers Acceptances	180 days	30%	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	2 years	30%	None
Repurchase Agreements	90 days	25%	None
Time deposits	2 years	25%	None
Beneficial Interest Shares	N/A	15%	None
JPA Beneficial Interest Shares - CalTRUST	N/A	None	None
Medium Term Corporate Notes	5 years	30%	15%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments held by the district is less than one year.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity:

Investment Type	Total Amount	12 Months or Less	13 to 24 Months	25 to 60 Months
Overnight Repurchase Agreements Sweep Account	\$ 2,987,719	\$ 2,987,719		
Federal Farm Credit Bank (FFCB) Securities	995,000			\$ 995,000
Medium Term Corporate Notes	3,272,951	1,000,000		2,272,951
JPA Beneficial Interest Shares - CalTRUST	4,003,014	4,003,014		
Pooled investments - Local Agency Investment Fund (LAIF)	9,922,917	9,922,917		
Total Investments	<u>\$ 21,181,601</u>	<u>\$ 17,913,650</u>	<u>\$ -</u>	<u>\$ 3,267,951</u>

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)***

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and CalTRUST do not have ratings provided by a nationally recognized statistical rating organization. The amounts invested in the Overnight Repurchase Agreement Sweep account are collateralized by a pool comprised of direct obligations of the United States, Federal Agency or Government Sponsored Enterprises pursuant to the Master Repurchase Agreement. However, the pool is unrated. As of June 30, 2013, the District's investments in FFCB securities and Medium Term Corporate Notes were rated AA+ by Standard & Poors.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2013, the District had investments with the following issuers that were greater than 5 percent of the pool:

<u>Investment Type</u>	<u>Total Amount</u>
Medium Term Corporate Notes - General Electric	\$ 2,256,952

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 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2013, \$881,862 of the District's deposits with financial institutions was held in excess of FDIC limits in accounts collateralized by the pledging institution as described above.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and CalTRUST). Pursuant to the Master Repurchase Agreement the amounts in the Overnight Repurchase Agreement Sweep Account are collateralized at 102 percent with the collateral held by the financial institutions custodian but not in the District's name.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)***

Investment in Investment Pools

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

In addition, the District is a voluntary participant in CalTRUST, an investment pool administered by California State Association of Counties (CSAC) Finance Corporation. CalTRUST was established under the provisions of the California Joint Exercise of Powers Act in accordance with California Government Code. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's fair value per share provided by CalTRUST applied to the number of shares held by the District. The balance available for withdrawal is based on the accounting records maintained for CalTRUST by Nottingham Shareholder Services.

***NOTE #4 – PREPAID COSTS***

Prepaid costs in the amount of \$58,518 were primarily comprised \$24,827 of employee benefit pre-payments and \$15,791 of OPEB retiree benefit pre-payments pertaining to the fiscal year 2013-2014.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE #5 – CAPITAL ASSETS AND DEPRECIATION**

The following table presents the capital assets activity for the year ended June 30, 2013.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 105,438			\$ 105,438
Investment in joint venture (Note #12)	221,230	\$ 1,222		222,452
Construction in Progress	377,928		\$ 377,928	-
Total Capital Assets Not Being Depreciated	<u>704,596</u>	<u>1,222</u>	<u>377,928</u>	<u>327,890</u>
Capital Assets, Being Depreciated:				
Buildings	6,878,690			6,878,690
Improvements other than buildings	783,425	13,126		796,551
Equipment	9,982,247	442,602		10,424,849
Total Capital Assets Being Depreciated	<u>17,644,362</u>	<u>455,728</u>	<u>-</u>	<u>18,100,090</u>
Less Accumulated Depreciation For:				
Buildings	723,690	223,551		947,241
Improvements other than buildings	217,071	27,221		244,292
Equipment	6,468,351	725,651		7,194,002
Total Accumulated Depreciation	<u>7,409,112</u>	<u>976,423</u>	<u>-</u>	<u>8,385,535</u>
Total Capital Assets, Being Depreciated, Net	<u>10,235,250</u>	<u>(520,695)</u>		<u>9,714,555</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,939,846</u>	<u>\$ (519,473)</u>	<u>\$ 377,928</u>	<u>\$ 10,042,445</u>

Depreciation expense in the amount of \$976,423 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2013.

**NOTE #6 – RISK MANAGEMENT**

Special District Risk Management Authority (SDRMA)

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Sections 6500 et seq and established in 1986. The Authority provides property, liability and worker's compensation coverage protection and risk management services statewide exclusively for California special districts, joint power authorities and other public agencies. The District has various policies of coverage with SDRMA and mainly including the following:

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #6 – RISK MANAGEMENT, (CONTINUED)***

Workers' Compensation Coverage and Employer's Liability

The District is self-insured up to the first \$250,000 per claim and is protected up to \$5 million per occurrence for Workers' Compensation and \$5 million per occurrence for Employer Liability, after the initial self-retention. Annual contributed premiums are to be paid annually based on estimated wages and subject to adjustment at the end of each year.

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. As of June 30, 2013, the total liability of \$1,497,737 consists of open claims of \$1,382,952 and estimated incurred but not reported (IBNR) claims of \$114,785. This liability is the District's best estimate based on available information provided by the third party claims administrator and analysis of prior claims history. Changes in the reported liability at June 30, 2013, resulted from the following.

<u>Year</u>	<u>Liability Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Payments</u>	<u>Liability End of Year</u>
2012	\$ 1,261,484	\$ 828,029	\$ (654,816)	\$ 1,434,697
2013	1,434,697	234,269	(171,229)	1,497,737

General Liability

The District is protected for general liability, Public Officials' and Employees' Errors and Omission and Employment Practices Liability up to \$5 million per occurrence with a combined single limit of \$2.5 million and deductibles of \$500 per occurrence. The District does not have a self-insured retention level for its general and vehicle liability coverage; accordingly no liability has been recorded. The Auto Liability policy has a single limit of \$5 million; with a deductible of \$1,000.

Property Loss

The District is covered per occurrence up to and a combined total of \$1 billion, subject to a \$2,000 deductible per occurrence.

Settlements have not exceeded coverages for each of the past three years.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #7 – LONG-TERM DEBT***

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due In 2013-14
Compensated absences	\$ 5,081,407	\$ 436,565	\$ 719,901	\$ 4,798,071	\$ 300,000
Workers' compensation claims	1,434,697	234,269	171,229	1,497,737	172,615
	<u>\$ 6,516,104</u>	<u>\$ 670,834</u>	<u>\$ 891,130</u>	6,295,808	<u>\$ 472,615</u>
Less amount due in 2013-14				<u>(472,615)</u>	
Total amount due in more than one year				<u>\$ 5,823,193</u>	

Compensated Absences

Accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$4,798,071 (\$1,531,716 vacation and \$3,266,355 sick leave and holiday time) at June 30, 2013. Vacation and sick leave benefits will be recorded as an expenditure in the governmental funds when the related current liability is incurred. Based on past experience an estimate of \$300,000 has been set up as the amount due during fiscal year 2013-2014.

Workers' Compensation Claims

The workers' compensation claims liability of \$1,497,737, as of June 30, 2013, consists of open claims of \$1,382,952 and estimated incurred but not reported (IBNR) claims of \$114,785. The open claims liability is based on claims activity reports provided by the District's third party claims administrator. The estimate for IBNR claims is based on prior claims history and is estimated as a percentage of open claims.

***NOTE #8 – CLASSIFICATIONS OF NET POSITION AND FUND BALANCE***

In the Government-Wide financial statements net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, into one component of net position. Accumulated depreciation on these assets reduces this category.

Unrestricted Net Position

This category represents the net position of the District that is not externally restricted for any project or other purpose classified into the other two categories.

## CHINO VALLEY INDEPENDENT FIRE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### *NOTE #8 – CLASSIFICATIONS OF NET POSITION AND FUND BALANCE, (CONTINUED)*

District fund balance is classified in accordance with GASB issued Statement No. 54, which classifies fund balance into five different components. The components are nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – resources that are not in spendable form or required to be maintained intact such as deposits on file with other agencies.
- *Restricted* – resources are subject to externally enforceable legal restrictions; these restrictions are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources are constrained to specific purposes by a formal action of the District Board such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the District Board. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- *Assigned* – amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The Board has delegated the authority to assign amounts, for specific purposes to the Fire Chief or designee in accordance with its Fund Balance Policy. At June 30, 2013, assigned fund balance includes the use of fund balance to cover expenditures in excess of revenues in the amount of \$420,909 identified in next fiscal year's approved budget.
- *Unassigned* – any residual positive net resources of the General Fund in excess of those portions of fund balance classified in one of the other four categories of fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance are available, the District's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #8 – CLASSIFICATIONS OF NET POSITION AND FUND BALANCE, (CONTINUED)***

The District's governmental funds at June 30, 2013 are presented below:

Fund Balance	
Nonspendable:	
Deposits with other agencies	\$ 25,000
Prepaid items	58,518
Total Nonspendable	<u>83,518</u>
Committed:	
Workers compensation reserve fund	1,497,737
Equipment replacement fund	1,793,510
Facilities acquisition and maintenance fund	1,080,682
Compensated absences fund	1,583,363
Emergency contingency fund	4,913,463
Total Committed	<u>10,868,755</u>
Assigned:	
Projected budgetary deficit in next fiscal year's approved budget	<u>420,909</u>
Unassigned:	<u>8,293,773</u>
Total Fund Balance	<u><u>\$ 19,666,955</u></u>

On June 8, 2011, the Board approved resolution 2011-05 creating an Emergency Contingency Fund representing two months of the District's approved expenditure budget to be used for in the event of a declaration of a local, state or federal state of emergency.

In addition, the Board approved a minimum fund balance policy whereby the District desires a general contingency reserve equal to three months approved budgeted expenditures. At June 30, 2013, the amount of \$7,278,778 was maintained pursuant to the policy and classified as part of unassigned fund balance.

***NOTE #9 – AGREEMENT***

**Revised Fire Protection Services Agreement with the City Of Chino**

Effective May 1, 1996, the District and the City of Chino (the City) entered into a revised fire protection services agreement. The District and the City agreed to replace the funding method set forth in the adopted LAFCO conditions when the District became self-governing in 1990. The method change provided additional funding to the District, which is more consistent with the level of funding received from areas outside the City limits. The City has agreed to pay the District an amount equal to the dispatch service cost incurred by the District.

## CHINO VALLEY INDEPENDENT FIRE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### *NOTE #9 – AGREEMENT, (CONTINUED)*

Effective June 2, 2009, the District revised the fire protection services agreement in the following manner:

Elimination of Dispatch Service Payments – The City and District agreed to eliminate the requirement of the City to pay or reimburse the District for dispatch services beginning with the first full month following the City's issuance of a certificate of occupancy for the first fire station completed. Dispatch reimbursement terminated in August 2011.

Payments Under 1996 Agreement – Effective February 1, 2012, California State Assembly Bill AB x1 26 dissolved redevelopment agencies in California, and provided for the creation of successor agencies for winding down the affairs of former redevelopment agencies. Pass-through tax increment value payment obligations previously made by the City's Redevelopment Agency (RDA) to the District, are now being paid by the Successor Agency for the former Chino RDA, into a property tax trust fund administered by the County of San Bernardino. The District now receives these pass-through payments from the County property tax trust fund.

The dissolution of the former redevelopment agency has resulted in changes in the calculation of the City of Chino's contribution and the amounts received by the District through the property tax allocations from the County of San Bernardino. As a result, the City and the District are amending the terms of the 1996 Agreement. While the process is ongoing, the District has deferred revenue recognition on the portion of property taxes subject to the changes from the redevelopment dissolution. The revenue will be recorded subject to the outcome of the negotiations with the City, when known. The District has recorded unearned revenue for the funds received as a result of the changed calculation until a new agreement is executed. As of June 30, 2013, the amount recorded as unearned revenue is \$1,463,209.

#### *NOTE #10 – RETIREMENT PLAN*

##### Plan Description

The District's defined benefit pension plans, The Safety and Miscellaneous Plans of the Chino Valley Independent Fire 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), a cost-sharing 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 are 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 (other local methods). 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, which the District pays on their behalf. 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 2012-2013 were 22.744 percent for safety employees and 13.914 percent for miscellaneous employees. 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.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #10 – RETIREMENT PLAN, (CONTINUED)***

Annual Pension Cost

For fiscal year 2012-2013, the District's annual pension cost was \$3,214,094 for both safety and miscellaneous members, and was equal to the District's required and actual contributions.

Three-Year Trend Information for the Plans

<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2011	\$ 2,774,246	100%
2012	3,421,658	100%
2013	3,214,094	100%

The funded status of the pooled plan may be obtained from the CalPERS Executive Office.

***NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS***

Plan Description

The District offers a post retirement defined benefit allowance to plan members. Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between the District, its management and confidential employees and collective bargaining groups representing other full-time District employees.

Plan members include current retirees of the District. Eligible plan members are District employees who have retired from active employment with the District on or after the November 1990 date of formation and are receiving a retirement allowance from CalPERS. Employees covered under the Safety MOU, hired on or after January 1, 2007, as well as management employees, must complete five years of service in order to qualify for the benefit allowance. In addition, a Post Employment Health Plan (PEHP) was established for Safety MOU members with Nationwide Retirement Solutions (Nationwide) as of April 18, 2012. Eligible employees retiring on or after the date the Nationwide plan was established receive the benefit allowance under the terms of the Nationwide plan.

The benefit allowance provides a lifetime allowance to eligible plan members and their surviving spouses, if applicable. The benefit allowance is provided in conjunction with the MOU terms allowing retirees to continue their current health insurance which also covers active members. Employees covered under the Safety MOU and hired on or after April 18, 2012, are not eligible for the PEHP benefit.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS, (CONTINUED)***

Funding Policy

The contribution requirements of the District are established and may be amended by the District's Board of Directors. For eligible plan members, the District provides a monthly benefit allowance of \$500 per month for management and safety members. For confidential and miscellaneous members, the monthly allowance is based on the years of District service as follows:

<u>Between 5 and 10 Years</u>	<u>More than 10 Years</u>
\$250 per month	\$500 per month

Any and all insurance premium costs incurred by retirees above the monthly benefit allowance are borne by the retiree. In addition, for retirees who retired prior to October 1, 2006, the District contributes an additional \$17.86 towards the CalPERS retiree health plan, for those eligible plan members.

Eligible plan members retiring on or after the establishment of the Nationwide plan will receive the monthly benefit in an amount equal to the difference between the \$500 lifetime benefit and CalPERS minimum health plan contributions under government code section 22892(c). Those members not enrolled in a CalPERS health plan will receive the minimum health plan contribution under government code section 22892(c).

The District has established an irrevocable trust in accordance with the parameters of GASB Statement No. 45. Amounts contributed to the Trust for the fiscal year ended June 30, 2013 were \$377,000.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's ARC requirement for the fiscal year ended June 30, 2013 was \$377,000. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual Required Contribution (ARC)	\$ 377,000
Interest on net OPEB asset	(64,310)
Adjustment to ARC	58,273
Annual OPEB Cost	<u>370,963</u>
Contributions made	<u>(377,000)</u>
(Increase)/decrease in net OPEB asset	(6,037)
Net OPEB obligation (asset) - beginning of year	(829,806)
Net OPEB obligation (asset) - end of year	<u><u>\$ (835,843)</u></u>

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #11 – OTHER POSTEMPLOYMENT BENEFITS, (CONTINUED)***

The District's annual OPEB cost, the percentage of the annual cost contributed toward the plan members' benefit allowances, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended:	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/13	\$ 370,963	\$ 377,000	101.63%	\$ (835,843)
6/30/12	360,787	377,024	104.50%	(829,806)
6/30/11	375,741	596,082	158.64%	(813,569)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 36.9 percent funded. The actuarial accrued liability was \$5,280,000 and the actuarial value of assets was \$1,947,000, resulting in an unfunded actuarial accrual liability of \$3,333,000. The covered payroll (annual payroll of the active plan members) was \$13,301,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.1 percent.

Actuarial valuations of an ongoing plan such as the District's benefit allowance program, involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on the District's own investments in the Irrevocable Trust, and an annual healthcare cost trend rate of 4.5 percent. Both rates included a 3.0 percent inflation assumption.

The Unfunded Actuarially Accrued Liability (UAAL) is being amortized on a closed basis over 30 years as a level percentage of projected payroll. The remaining amortization period as of June 30, 2013 was 23 years.

The benefit allowance was deemed a community rated plan and therefore, no implicit rate subsidy was determined in the actuarial valuation.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE #12 – JOINT VENTURE***

West End Fire and Emergency Response Commission

The District is a member of the West End Fire and Emergency Response Commission (FERC), which was created under a joint powers agreement. It was formed to operate a hazardous materials response team serving the Cities of Montclair, Ontario, Upland, Rancho Cucamonga, and the Chino Valley Independent Fire District. The FERC governing board is comprised of one representative from each member agency.

Members of FERC share equally (20 percent each) in the Commission's assets, to be distributed upon termination of the joint venture agreement. The members have no share of the Commission's debts, liabilities, and obligations.

The District's share of equity in FERC has been accounted for as a joint venture in accordance with GASB Statement No. 14, as amended by GASB Statement No. 61; accordingly, 20 percent of FERC's equity has been included as a capital asset of the District (see Note #5).

Summarized unaudited financial information for FERC at June 30, 2013, is presented below:

<b>Balance Sheet</b>	
Assets	\$ 1,112,260
Liabilities	\$ 16
Equity	1,112,244
Total Liabilities and Equity	\$ 1,112,260
<b>Revenues and Expenditures</b>	
Revenues	\$ 50,748
Expenditures	44,638
Excess of revenues over (under) expenditures	\$ 6,110

***NOTE #13 – SUBSEQUENT EVENT***

On November 29, 2013, the Board approved a new Memorandum of Understanding (MOU) between the District and the Chino Valley Professional Firefighters, Local 5322. The MOU is effective for a three and one half year term beginning January 1, 2014.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 20,341,845	\$ 21,013,406	\$ 19,985,776	\$ (1,027,630)
Licenses and permits	400,000	450,000	689,906	239,906
Charges for current services	7,237,305	6,865,744	7,033,988	168,244
Use of money and property	120,000	120,000	99,429	(20,571)
Other	335,623	335,623	138,768	(196,855)
<b>Total Revenues</b>	<b>28,434,773</b>	<b>28,784,773</b>	<b>27,947,867</b>	<b>(836,906)</b>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	24,285,478	24,584,478	24,144,335	440,143
Services and supplies	4,444,755	4,453,867	3,756,495	697,372
Capital outlay	767,430	442,430	77,800	364,630
<b>Total Expenditures</b>	<b>29,497,663</b>	<b>29,480,775</b>	<b>27,978,630</b>	<b>1,502,145</b>
Excess (deficiency) of revenues over expenditures	(1,062,890)	(696,002)	(30,763)	665,239
<b>FUND BALANCE, Beginning of Year</b>	<b>19,697,718</b>	<b>19,697,718</b>	<b>19,697,718</b>	
<b>FUND BALANCE, End of Year</b>	<b>\$ 18,634,828</b>	<b>\$ 19,001,716</b>	<b>\$ 19,666,955</b>	<b>\$ 665,239</b>

See accompanying notes to required supplementary information.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2013**

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
6/30/2011	\$ 5,280,000	\$ 1,947,000	\$ 3,333,000	36.9%	\$ 13,301,000	25.1%
6/30/2010	4,652,000	1,435,000	3,217,000	30.8%	12,715,000	25.3%
6/30/2008	4,203,000	673,000	3,530,000	16.0%	11,895,000	29.7%

See accompanying notes to required supplementary information.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

***NOTE #1 – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL***

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

***NOTE #2 – SCHEDULES OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN***

The Schedules of Funding Progress for Other Postemployment Benefits shows the District's actuarial value of assets, accrued liability, and their relationship of the unfunded actuarially accrued liability (UAAL) to payroll for the Safety and Miscellaneous Plans in accordance with GASB Statement No. 45.