

**LAKESIDE
FIRE PROTECTION DISTRICT
COUNTY OF SAN DIEGO
LAKESIDE, CALIFORNIA
AUDIT REPORT
JUNE 30, 2014**

**LAKESIDE FIRE PROTECTION DISTRICT
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JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lakeside Fire Protection District
Lakeside, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Lakeside Fire Protection District

Opinions

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

Other Matters

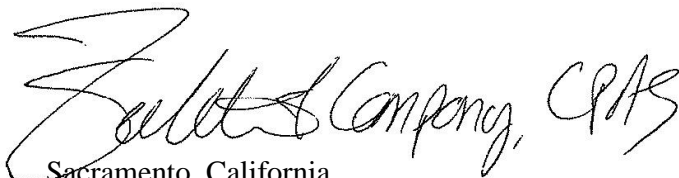
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment benefits and budgetary comparison information on pages 3-6 and 34-37 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeside Fire Protection District's basic financial statements. The accompanying financial and statistical information listed in the table of contents on pages 38-39, is presented for purposes of additional analysis and is not a required part of the financial statement of Lakeside Fire Protection District. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fechter & Company, Certified Public Accountants

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

Sacramento, California

September 30, 2014



LAKESIDE FIRE PROTECTION DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2014

As management of the Lakeside Fire Protection District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

Financial Highlights

- The District's ending total net asset balance was \$7,006,957.
- The total net assets increased by \$690,432.
- The District had operational revenue in excess of expenses in the General Fund in the amount of \$516,178 in the current year compared to \$337,329 in the previous year.
- This year the District had \$1,027,933 worth of additions to Capital Assets compared to \$599,284 last year.
- The District's General Fund Balance decreased by \$651,189 to \$8,233,993.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, and 3) findings and recommendations.

Basic Financial Statements

The basic financial statements include *Government-wide Financial Statements* and *Fund Financial Statements*. The two sets of statements are tied together by reconciliations showing why they differ.

The *Government-wide Financial Statements* provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

The *Fund Financial Statements* report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2014

The *Findings and Recommendations* section notes material weaknesses in the system and recommendations.

Government-wide Financial Analysis

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Statement of Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	FY 13/14	FY 12/13	\$ Change
Current and Other Assets	\$ 9,740,666	\$ 10,304,229	\$ (563,563)
Capital Assets (Net) & Bond issue costs	13,505,841	13,149,714	356,127
TOTAL ASSETS	\$ 23,246,507	\$ 23,453,943	\$ (207,436)
Current Liabilities	\$ 2,460,118	\$ 2,289,358	\$ 170,760
General Long-Term Debt	13,779,432	14,848,060	(1,068,628)
TOTAL LIABILITIES	\$ 16,239,550	\$ 17,137,418	\$ (897,868)
Net Position:			
Investment in Capital Assets	\$ 5,080,451	\$ 3,686,662	\$ 1,393,789
Fund Balance, Unrestricted	1,926,506	2,629,863	(703,357)
NET POSITION	\$ 7,006,957	\$ 6,316,525	\$ 690,432

Net assets may serve over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,006,957 as of June 30, 2014.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

The District's long-term debt consists of compensated leave due, OPEB liability, and bonds. The General Obligation Bond debt service payments are funded by the County of San Diego through a Cooperation Agreement for the construction of the River Park Fire Station and Administration Building. The Pension Obligation Bond to refinance the side fund reduced the cost of the side fund liability, and the final payment is due on July 15, 2016.



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2014

Significant Changes in Individual Funds

The District's target balance for the General Fund balance is 10% of operating revenue. Any excess fund balances are allocated based on the recommendation of the Budget Committee and is used to fund the Capital Plan, accrued leave benefits, post-retirement medical benefits, and other identified liabilities. Table 2 presents a summary of changes in the District fund balances.

TABLE 2
COMPARISON OF FUND BALANCES

	Fund Balance	Fund Balance	Increase
	June 30, 2014	June 30, 2013	(Decrease)
Emergency Reserve	\$ 1,845,993	\$ 900,000	\$ 945,993
Capital Reserve	1,815,000	1,559,400	255,600
Leave Reserve	1,100,000	1,025,000	75,000
OPEB Reserve	1,957,000	2,268,000	(311,000)
HCFA JPA Reserve	980,000	-	980,000
SDG&E Mitigation	536,000	546,000	(10,000)
Unassigned	-	2,586,782	(2,586,782)
Total	\$ 8,233,993	\$ 8,885,182	\$ (651,189)

Capital Assets

The District finalized the purchases of the following assets during the year:

1. Fire Engine at a cost of \$498,388.
2. Medic Unit Re-chassis at a cost of \$99,799.
3. Document Management System at a cost of \$21,795.
4. Multifunction copier for at a cost of \$6,106.
5. Fourteen emergency radios at a cost of \$76,011.
6. Eleven defibrillators at a cost of \$311,331.
7. Two gurneys at a cost of \$14,503.

The District disposed of two engines and three staff vehicles by auction for net proceeds of \$11,625.

In compliance with GASB Statement No. 34 the District reports the net book value of its capital assets. (Historical cost less accumulated depreciation. The detail on capital assets can be found in Note 1.K.1 and Note 4 of the Notes to Basic Financial Statements.)



LAKESIDE FIRE PROTECTION DISTRICT **MANAGEMENT DISCUSSION AND ANALYSIS**

Fiscal Year Ending June 30, 2014

Debt Administration

The District has long term debt of \$14,920,822 made up of the following balances.

- \$1,239,275 for Compensated absences.
- \$5,256,157 for Other Post-Employment Benefits (OPEB).
- \$6,265,000 remaining on 2010 Capital Improvement Financing C.O.P. for the construction of a fire station, which is serviced by a cooperation agreement with the County of San Diego.
- \$2,108,000 Pension Obligation Bond liability for the side fund refinance at a lower rate for 5 years.
- \$52,390 for accrued interest related to the Bonds.

Economic Factors Bearing on the District's Financial Future

The District considers economic developments when preparing the annual budget, including statewide and national political developments that may affect the District.

- The District derives the majority of its revenue from the ad valorem property tax; therefore, management pays particular attention to the developments of the state economic factors that threaten the property tax revenue source. The District has lost more than \$18 million in tax revenue since 1993 due to the current Educational Revenue Augmentation Fund (ERAF) shift.
- Prior to the 2008 financial crisis the District was averaging 5% property tax revenue growth annually. Since then the District property tax revenue has decreased by 7% and is projected to average 2-3% annually over the next five years. These modest revenue increases will need to cover pension and capital funding costs are expected to rise over the next four to five years.
- The District issued Pension Obligation Bonds to pay off the CalPERS side fund which saved the District approximately \$200,000 in interest costs. The debt will be fully paid in 2017 at which time the District will use the debt service to fund the OPEB obligation.
- The District relies on a cooperation agreement between the County of San Diego and the District to service the long-term debt related to the recently completed River Park Fire Station. The cooperation agreement requires that the County of San Diego pay \$550,000 annually for 20 years from the Upper San Diego River Improvement Project (USD RIP) tax increment.
- These and other factors are taken into consideration when preparing the District's annual budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lakeside Fire Protection District, Administrative Services Manager, and 12216 Lakeside Avenue, Lakeside, CA 92040.

BASIC FINANCIAL STATEMENTS

LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Cash and investments	\$	8,413,384
Cash with fiscal agent		575,417
Interest receivable		8,538
Due from other governments		555,382
Capital assets, net		13,505,841
Bond issuance costs, net		187,945
		23,246,507
TOTAL ASSETS		23,246,507

LIABILITIES

Accounts payable	\$	112,245
Accrued payroll		606,181
PASIS claim liability		600,302
Accrued interest		52,390
Current portion of long-term debt		1,089,000
Long-term liabilities:		
Compensated absences		1,239,275
OPEB liability		5,256,157
Long-term debt		7,284,000
		16,239,550
TOTAL LIABILITIES		16,239,550

NET POSITION

Invested in capital assets, net of related debt		5,080,451
Unrestricted		1,926,506
		7,006,957
NET POSITION	\$	7,006,957

The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Safety	\$ 12,474,449	\$ 2,811,254	\$ -	\$ 624,543	\$ (9,038,652)
Total Governmental Activities	<u>\$ 12,474,449</u>	<u>\$ 2,811,254</u>	<u>\$ -</u>	<u>\$ 624,543</u>	<u>(9,038,652)</u>

General Revenues

Property taxes	8,044,026
Special assessments	905,071
Use of money and property	92,112
Mitigation fees	219,593
Reimbursements	193,380
Miscellaneous	<u>274,902</u>
Total general revenues	9,729,084
Change in net position	<u>690,432</u>
Net position at beginning of fiscal year	<u>6,316,525</u>
Net position at end of fiscal year	<u>\$ 7,006,957</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

**LAKESIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS

	<u>General Fund</u>
Cash and investments	\$ 8,413,384
Cash with fiscal agent	575,417
Interest receivable	8,538
Due from other governments	<u>555,382</u>
TOTAL ASSETS	<u><u>\$ 9,552,721</u></u>

LIABILITIES

Accounts payable	\$ 112,245
Accrued payroll	606,181
PASIS claim liability	<u>600,302</u>
Total liabilities	<u>1,318,728</u>

FUND BALANCES

Fund balances:

Assigned:

Assigned for Emergency Reserve fund	1,845,993
Assigned for HCFA JPA	980,000
Assigned for facility capital expenditures	1,100,000
Assigned for equipment & vehicles capital expenditures	715,000
Assigned for sick and vacation leave	1,100,000
Assigned for other post employment benefits	1,957,000
Assigned for SDG&E mitigation fund	536,000
Unassigned	<u>-</u>

Total fund balance	<u>8,233,993</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 9,552,721</u></u>
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The accompanying notes are an integral part of these financial statements

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

Total fund balances - governmental funds		\$ 8,233,993
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In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost, net	13,505,841	
Bond issuance costs, net	<u>187,945</u>	
Capital Assets and Bond issuance costs, Net		13,693,786

Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(1,239,275)	
Other post employment benefits	(5,256,157)	
Accrued interest	(52,390)	
Long-term debt	<u>(8,373,000)</u>	<u>(14,920,822)</u>

Net position of governmental activities		<u>\$ 7,006,957</u>
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The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General fund</u>
REVENUES	
Property taxes	\$ 8,044,026
Special assessments	905,071
Ambulance services	2,811,254
Reimbursements	193,380
Mitigation fees	219,593
Use of money and property	92,112
Intergovernmental revenues	624,543
Miscellaneous	274,902
	<hr/>
Total revenues	13,164,881
	<hr/>
EXPENDITURES	
Current:	
Salaries and benefits	9,607,284
Services and supplies	1,776,348
Capital outlay	1,027,931
Debt service	
Principal	1,023,000
Interest	381,507
	<hr/>
Total expenditures	13,816,070
	<hr/>
NET CHANGE IN FUND BALANCE	(651,189)
FUND BALANCE, BEGINNING OF YEAR	8,885,182
	<hr/>
FUND BALANCE, END OF YEAR	<u>\$ 8,233,993</u>

The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ (651,189)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	1,027,931
Depreciation expense not reported in governmental funds	(671,804)
Amortization of bond issuance costs	(31,796)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Difference in interest accrued on long-term debt	14,662
Change in compensated absences	(20,372)
Principal payments on long-term debt	1,023,000
	1,023,000

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>690,432</u></u>
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The accompanying notes are an integral part of these financial statements

LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Lakeside Fire Protection District (the District) in San Diego County was formed in 1963 and is home to over 60,000 residents living in the communities of Lakeside, Eucalyptus Hills, Moreno, Winter Gardens, Lakeview, Johnstown, Blossom Valley, Flinn Springs, Pepper Dr. and other areas of unincorporated El Cajon. Our service area is primarily suburban residential but also has several core commercial zones, some light industrial, and many rural/agricultural properties. The District also has a significant wildland/urban interface.

The Lakeside Fire District is proud to have been an original participant in the Heartland Mutual Aid Pact and continues to operate the longest running paramedic program in San Diego County.

A. Accounting Policies

The financial statements of the Lakeside Fire Protection District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (continued)

is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred Revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and non-major funds as follows:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (continued)

Major Governmental Funds:

- The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

E. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoptions. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carry over from year to year.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) nor does it perform the investment function. Therefore, the fair market value of the plan assets held by ING Life Insurance and Annuity Company and CalPERS at June 30, 2014, in the amounts of \$1,766,022 and \$1,827,452 respectively, are not included in the District's financial statements.

H. Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the Statement of Net Position. Unused sick leave may be cashed out annually, converted to vacation, or added into the employee's HRA. Per the terms of the District's Memorandum of Understanding, sick leave time is 25% vested. At June 30, 2014, the liability related to accrued vacation and sick leave benefits was \$1,239,275.

I. Employee Retirement Plans

Plan Description and Funding Policy - CalPERS

Plan Description

The Lakeside Fire Protection District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive Office – 400 P Street – Sacramento, CA 95814.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Employee Retirement Plans (continued)

Funding Policy

Participants are required to contribute 9.0% for safety employees and 8.0% for miscellaneous employees of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the rate for the 2014 fiscal year was 17.177% for non-safety employees, and 27.877% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For year ended June 30, 2014, the District's annual pension cost of \$1,530,277 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 to 14.45% that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was five years for prior service unfunded and eleven years for remaining unfunded.

THREE YEAR TREND INFORMATION FOR CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/13	\$ 1,184,085	100%	\$ -0-
06/30/13	\$ 1,530,277	100%	\$ -0-
06/30/12	\$ 1,543,399	100%	\$ -0-

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Employee Retirement Plans (continued)

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/11	\$ 68,728,076	\$ 57,465,229	\$ 11,262,847	83.6%	\$ 4,177,625	269.59%
06/30/12	\$ 70,545,947	\$ 62,101,380	\$ 8,444,567	88.0%	\$ 4,565,004	184.98%

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/11	\$ 1,386,663	\$ 1,084,479	\$ 302,184	78.2%	\$ 357,260	84.58%
06/30/12	\$ 1,528,388	\$ 1,305,131	\$ 223,257	85.39%	\$ 390,388	57.19%

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before September 30. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

K. Assets, Liabilities, and Equity

1. Capital Assets

Capital Assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Assets, Liabilities, and Equity (continued)

1. Capital Assets

Asset Class	Examples	Estimated Useful Life In Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks	20
Machinery and Tools	Shop & maintenance equipment tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and other furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, strings, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Assets, Liabilities, and Equity (continued)

2. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. At June 30, 2014, the District reported deferred revenues totaling \$0 for grants received and not yet expended.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

4. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by September 30.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

L. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position (continued)

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

M. Fund Balance Reserves and Designations

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for all governments that report governmental funds.

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

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

When available, it is the District's policy to first apply restricted resources to expenditures which are incurred.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 during the reporting period. Actual results could differ from those estimates.

O. Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

P. Implementation of New Accounting Standards

The District adopted the provisions of GASB Statement No. 63 (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2014.

NOTE 2: CASH AND INVESTMENTS

The District follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments consist of the following at June 30, 2014:

Investments in State Treasurer’s Investment Pool (LAIF)	\$ 7,571
Deposits held in financial institutions	58,645
Cash with fiscal agent	575,417
Cash with County	8,346,668
Petty cash	500
	<u>\$ 8,988,801</u>
Presented in the Government-Wide Statement of Net Position:	
Cash and investments	\$ 8,413,384
Cash with fiscal agent	575,417
Total	<u>\$ 8,988,801</u>

A. Custodial Credit Risk

At June 30, 2014, the carrying amount of the deposits held at banks was \$58,645 and the bank balances totaled \$338,625. The bank balances are insured by the FDIC for \$250,000, and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

B. Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker’s Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits

LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

- Reverse Repurchase Agreements
- County Cash Pool

C. Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement.

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of the year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

.NOTE 3: CLASSIFICATION OF ITEMS

Certain items may have been classified differently from one year to another.

NOTE 4: CAPITAL ASSETS

A schedule of changes in general fixed assets for the year ended June 30, 2014, is shown below:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 453,571	\$ -	\$ -	\$ 453,571
Total Capital Assets, Not Being Depreciated	<u>453,571</u>	<u>-</u>	<u>-</u>	<u>453,571</u>
Capital Assets, Being Depreciated:				
Structures & Improvements	13,069,717	-	-	13,069,717
Equipment & Vehicles	5,407,128	1,027,931	(1,012,189)	5,422,870
Total Capital Assets, Being Depreciated	<u>18,476,845</u>	<u>1,027,931</u>	<u>(1,012,189)</u>	<u>18,492,587</u>
Less Accumulated Depreciation for:				
Structures & Improvements	(1,621,659)	(336,739)	-	(1,958,398)
Equipment & Vehicles	(4,159,043)	(335,065)	1,012,189	(3,481,919)
Total Accumulated Depreciation	<u>(5,780,702)</u>	<u>(671,804)</u>	<u>1,012,189</u>	<u>(5,440,317)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,696,143</u>	<u>356,127</u>	<u>-</u>	<u>13,052,270</u>
Governmental Activities				
Capital Assets, Net	<u>\$13,149,714</u>	<u>\$ 356,127</u>	<u>\$ -</u>	<u>\$ 13,505,841</u>

Total depreciation expense for the year was \$671,804.

Depreciation expense
charged to:
Public Safety

\$671,804
\$671,804

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5: LONG-TERM DEBT

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
OPEB liability	\$ 5,256,157	\$ -	\$ -	\$ 5,256,157
Long-term debt	6,550,000	-	285,000	6,265,000
2014 Pension bond	2,846,000	-	738,000	2,108,000
Accrued interest	67,052	52,390	67,052	52,390
Compensated absences	1,218,903	20,372	-	1,239,275
TOTALS	<u>\$15,938,112</u>	<u>\$ 72,762</u>	<u>\$ 1,090,052</u>	<u>\$14,920,822</u>

The District entered into a Capital Lease agreement dated May 1, 2013 with the Public Property Financing Corporation of California to provide funds for the acquisition and construction of major capital facilities. During the 2011/2012 fiscal year a Capital Lease totaling \$7,340,000 was issued. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has also been recorded at the present value of the future minimum lease payments in the statement of Net position.

Collateral for the lease are the lease payments made by the district to the Finance Corporation for the use of the existing facilities. The future minimum lease obligations and the net present value of those minimum lease payments as of June 30, 2014 are as follows:

<u>Fiscal year ending June 30,</u>	
2015	\$ 550,398
2016	551,548
2017	546,710
2018	550,773
2019	548,985
2020-2024	2,751,331
2025-2030	3,297,640
Total future payments	<u>8,797,385</u>
Less: Interest portion	(2,532,385)
Total Due	<u>\$ 6,265,000</u>

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5: LONG-TERM DEBT (CONTINUED)

The District entered into a pension obligation bond for the purpose of refinancing its side fund obligation with CalPERS in July of 2013. The total amount of the bond was an amount not to exceed \$3,816,000. Interest is payable to the Bank semi-annually on each January and July 15th at a fixed interest rate of 4.25%. The District is obligated under the Bond Indenture to satisfy its obligations under the Bonds from any legally available funds of the District.

The future minimum debt obligations and the net present value of those debt payments as of June 30, 2014 are as follows:

Fiscal year ending June 30,		
2015	\$	880,196
2016		910,537
2017		454,456
Total future payments		2,245,189
Less: Interest portion		(137,189)
Total Due	\$	2,108,000

NOTE 6: JOINT POWERS AGREEMENT

A. PASIS

The District entered into a Joint Powers Agreement (JPA) known as the “Public Agencies Self Insurance System” (PASIS), a self-insurance plan for worker’s compensation insurance. The PASIS is governed by a board consisting of a representative from each member district. The board controls the operations of the PASIS, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the PASIS. The JPA is a separate entity which is independently audited. Condensed financial information from PASIS audited financial statements at June 30, 2014, is as follows:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6: JOINT POWERS AGREEMENT (CONTINUED)

A. PASIS (continued)

	District's Share	Total PASIC
Assets	\$ 575,416	\$ 4,056,002
Liabilities and Fund Balance		
Liabilities	\$ -	\$ -
Fund Balance (Deficit)	575,416	4,056,002
Total Liabilities and Fund Balance	\$ 575,416	\$ 4,056,002
		Total PASIC
Revenues		\$ 12,590
Expenditures		-
Capital Contributions (Distributions)		(189,950)
Net Income (Loss)		\$ (177,360)

B. HCFA

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Communications Facility Authority” (HCFA), the purpose of which is to acquire, construct, equip, and maintain and operate a communications facility. The HCFA is governed by a commission consisting of a representative from each public agency. The commission controls the operations of the CFA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the commission. Each public agency pays a premium based on the ratio of mobile radios and uniformed personnel of all members of the JPA. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA are not included in this report.

C. AUTHORITY

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Fire Training Authority” (Authority), the purpose of which is to acquire, staff, maintain, operate and lease public buildings and related facilities for the purpose of training fire fighting personnel; and to acquire staff, operate and maintain a consolidated regional fire and emergency response training facility, and to provide a vehicle for the accomplishment thereof. The JPA was created by agreement dated December 1, 1973, which expired October 1, 1999. A new JPA was created on

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6: JOINT POWERS AGREEMENT (CONTINUED)

C. AUTHORITY (continued)

October 1, 1999, and was due to expire on October 31, 2012 but may continue for an additional fifteen years.

D. FAIRA

The District entered into a Joint Powers Agreement (JPA) known as the “Fire Agencies Insurance Risk Authority” (FAIRA), a self-insurance plan for general liability insurance. FAIRA is governed by an 11 member Board elected by a vote of the members. One seat is reserved for the highest premium members and one seat is reserved for an elected member from the State of Nevada. The Board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited. Condensed financial information from FAIRA audited financial statements at June 30, 2013, is as follows:

	Total FAIRA
Assets	\$ 3,061,038
Liabilities and Fund Equity	
Liabilities	\$ 6,127
Net Position	3,054,911
Total Liabilities and Net Position	\$ 3,061,038
	Total FAIRA
Operating Revenues	\$ 2,785,262
Expenditures	(2,720,215)
Operating Income (Loss)	65,047
Nonoperating Revenue Investments (Net)	54,793
Net Income (Loss)	\$ 119,840

**LAKESIDE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

NOTE 7: POST-RETIREMENT BENEFITS

Plan Description

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have completed a minimum of 5 years of employment with the District.

For the year ended June 30, 2014, 58 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2014, expenditures of \$348,283 were recognized for post-employment health care benefits.

Funding Policy

The required contribution is based on projected pre-funding financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2014, the District contributed the pay-as-you-go in the amount of \$348,283 and contributed an additional \$450,000 to the OPEB trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 778,131
Contributions made	<u>(778,131)</u>
Increase in net OPEB obligation	-
Net OPEB obligation – beginning of year	<u>5,256,157</u>
Net OPEB obligation – end of year	<u>\$ 5,256,157</u>

The balance in the irrevocable CERBT trust account at year-end was \$1,309,006. The District does not have access to these assets as the contributions are irrevocable.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 is as follows:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7: POST-RETIREMENT BENEFITS (CONTINUED)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 778,131	100%	\$5,256,157

Funded Status and Funding Process

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.2% unfunded. The actuarial accrued liability for benefits was \$8,385,836, \$7,690,035 which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,650,000 and the ratio of the UAAL to the covered payroll was 389.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.61% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 10.0 percent initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was twenty-five years.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: SUBSEQUENT EVENTS

Date of management's review is through September 30, 2014. No events have occurred that would materially affect the carrying value of the District's assets and liabilities outside the scope of its ordinary operations.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 7,686,000	\$ 7,911,000	\$ 8,044,025	\$ 133,025
Special assessments	905,880	905,880	905,071	(809)
Ambulance services	2,567,790	2,635,193	2,621,254	(13,939)
Reimbursements	-		-	-
Mitigation fees	50,000	185,000	219,593	34,593
Use of money and property	12,000	12,000	11,174	(826)
Miscellaneous	344,548	268,379	302,177	33,798
Sub-Total Operational Revenue:	<u>11,566,218</u>	<u>11,917,452</u>	<u>12,103,295</u>	<u>185,843</u>
Expenditures:				
Current:				
Salaries and benefits	8,160,430	8,417,022	8,501,052	(84,030)
Services and supplies	2,011,375	1,999,650	1,776,342	223,308
Debt Service - POB	851,199	851,199	851,199	-
Sub-Total Operational Expenses:	<u>11,023,004</u>	<u>11,267,871</u>	<u>11,128,593</u>	<u>139,278</u>
Excess Revenue over Expenses:	<u>543,214</u>	<u>649,581</u>	<u>974,702</u>	<u>325,121</u>
Transfer to Capital Fund	(280,000)	(280,000)	(280,000)	-
Transfer to Leave Fund	-	-	-	-
Transfer to OPEB Fund from Ops	(181,697)	(181,697)	(178,523)	
Increase/(Decrease) from Operations	<u>81,517</u>	<u>187,884</u>	<u>516,178</u>	<u>328,294</u>
Fire Assignment Reimbursements	250,000	250,000	187,194	62,806
Fire Assignment Expenses	340,000	340,000	98,256	241,744
Increase/(Decrease) after Fire Assign.	<u>(8,483)</u>	<u>97,884</u>	<u>605,117</u>	<u>507,233</u>
		-		
<i>Capital Fund Related</i>				
Use of money and property	40,200	40,200	46,765	6,565
Intergovernmental revenues-RDA	550,310	553,310	550,000	(3,310)
Intergovernmental revenues-CSA	190,000	190,000	190,000	-
Gain on Sale of Assets	-	-	-	
Grant revenues	-	-	74,543	74,543
Sub-Total Capital Funding	<u>780,510</u>	<u>783,510</u>	<u>861,308</u>	<u>77,798</u>
Capital outlay	1,392,500	1,392,500	1,027,932	364,568
Debt Service	553,310	553,310	553,308	2
Transfer from Operations - (net)	280,000	280,000	280,000	-
Capital Fund Increase/(Decrease)	<u>(885,300)</u>	<u>(882,300)</u>	<u>(439,932)</u>	<u>442,368</u>

**LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
For the Year Ended June 30, 2014**

<i>Leave Fund Related</i>				
Use of money and property	-	-	2,562	\$ 2,562
Accrued Leave Payouts	175,000	175,000	199,040	\$ (24,040)
Transfer from Operations	-	-	-	\$ -
Leave Fund Increase/(Decrease)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(196,478)</u>	<u>(21,478)</u>
 <i>OPEB Fund Related</i>				
Use of money and property	-	-	8,592	\$ 8,592
Payments related to participants	375,000	375,000	348,283	\$ (26,717)
Payments to the CERBT Trust	225,000	225,000	450,000	\$ 225,000
Transfer from Operations	181,697	181,697	178,523	\$ (3,174)
OPEB Fund Increase/(Decrease)	<u>(418,303)</u>	<u>(418,303)</u>	<u>(611,168)</u>	<u>(192,865)</u>
 <i>SDG&E Mitigation Fund Related</i>				
Use of money and property	-	-	1,929	\$ 1,929
Grant revenues	-	-	-	\$ -
Expenditures from Fund	10,000	10,000	10,658	\$ 658
OPEB Fund Increase/(Decrease)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(8,728)</u>	<u>1,272</u>
 Total revenues	 <u>12,596,728</u>	 <u>12,950,962</u>	 <u>13,164,881</u>	 <u>213,919</u>
Total expenditures(less fund transfers)	14,093,814	14,338,681	13,816,070	522,611
 Excess of revenues over (under) expenditures	 \$ (1,497,086)	 \$ (1,387,719)	 (651,189)	 \$ (736,530)
 Other Financing Sources (Uses) Proceeds of Long Term Debt			 <u>-</u>	
 Net changes in fund balances			 <u>(651,189)</u>	
 Fund balances - July 1, 2013			 <u>8,885,182</u>	
 Fund balances - June 30, 2014			 <u>\$ 8,233,993</u>	

LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: **Budgetary Basis of Accounting**

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$14,456,000	\$14,456,000	0.0%	\$5,030,000	287.4%
7/1/11	\$ -	\$18,829,955	\$18,829,955	0.0%	\$4,650,000	404.9%
7/1/13	\$695,801	\$ 8,385,836	\$ 7,690,035	8.29%		

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

SUPPLEMENTARY INFORMATION

**LAKESIDE FIRE PROTECTION DISTRICT
ORGANIZATION
JUNE 30, 2014**

The Lakeside Fire Protection District was formed on March 22, 1963, under the provisions of the California State Health and Safety Code, Section 14022, to provide fire protection, prevention, emergency medical services, code enforcement and weed abatement. The District is currently operating four fire stations located at:

- Station 1 - 9726 Riverview Avenue, Lakeside, California
- Station 2 - 12216 Lakeside Avenue, Lakeside, California
- Station 3 - 14008 Highway 8 Business, El Cajon, California
- Station 26 - 15245 Oak Creek Road, El Cajon, California

The District's administrative office is located at:
12216 Lakeside Avenue, Lakeside, California

The Board of Directors for the fiscal year ended June 30, 2014, was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mark T. Baker	Director	November, 2016
James Bingham	Director	November, 2016
Peter Liebig	Director	November, 2014
Open		
Jon J. Lorenz	Director	November, 2014

Fire Chief

Andy Parr

**LAKESIDE FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2014**

Assessed Valuation	
Secured Property	\$4,441,316,296
Unsecured Property	<u>136,918,358</u>
Total Assessed Valuation	<u>\$4,578,234,654</u>