

**CHINO VALLEY
INDEPENDENT FIRE DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 (District) as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in conformity 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) Statements No. 68, *Accounting and Financial Reporting for Pensions —an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an Amendment of GASB Statement No. 68*, as of July 1, 2014. This resulted in a restatement of beginning net position as disclosed in Note 13 to the financial statements. 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 12, budgetary comparison schedule on page 43, schedule of funding progress on page 44, schedule of the District's proportionate share of the net pension liability on page 45, schedule of contributions on page 46 and notes to the required supplementary on page 47, 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 2, 2015, 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 2, 2015



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

District Highlights

Noteworthy District highlights for FY2014-15 included:

- The District received reaccreditation and recognition as a District of Distinction from the Special District Leadership Foundation. The District was the first ever fire district in California to receive the accreditation in 2008. The District of Distinction Accreditation is one of the most prestigious local government awards for special districts in California, and recognizes the District's commitment to good governance, as well as ethical and sound operating practices. Districts need to meet rigorous standards to qualify for the accreditation, and must reapply every two years.
- The Board of Directors approved a change in the District's emergency services delivery model, whereby the District will transition from the current eight (8) Advanced Life Support (ALS) units in service to twelve (12) ALS units in service at all times, thereby increasing the number of available ALS units by 50%. Funding was appropriated during FY2014-15, equipment was ordered and recruitment of three additional firefighting personnel was initiated. The new service delivery model should be fully implemented by early 2016.
- The District held the first annual State of the District meeting and presentation, showcasing District accomplishments for the public, local dignitaries and elected officials.

Financial Highlights

- For the year ended June 30, 2015, General Fund revenues exceeded expenditures by approximately \$1.9 million.
- The General Fund reported an ending fund balance at June 30, 2015, of about \$23 million, of which approximately \$12.2 million, or 53%, was unassigned. The unassigned portion of General Fund balance represented 39% of FY2014-15 General Fund expenditures from operations, while total General Fund balance equaled about 74% of expenditures for the fiscal year.
- The District successfully completed the purchase of new, grant-funded breathing apparatus through a Federal Emergency Management Agency grant, resulting in the receipt of nearly \$475,000 in grant funds to offset the use of District funds for this project.
- Employee paid contributions toward pension costs resulted in cost offsets to the District of about \$663,000 in FY2014-15. As part of a phased-in negotiated agreement, by July 1, 2016, all employees will contribute the full required employee contributions under the District's retirement plans.



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between assets/deferred outflows and liabilities/deferred inflows 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 and certain pension-related liabilities).

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.

As the fire and emergency medical services authority within the jurisdiction, 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. Readers of the District's financial statements should consider the accompanying notes as an integral part of the financial statements.



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. District liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by about \$3.4 million, at June 30, 2015.

The District implemented GASB Statement No. 68 this fiscal year, resulting in restatement of the District's net position at June 30, 2014. As restated at June 30, 2014, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by about \$5.4 million, due to the recognition of pension liabilities on the face of the financial statements.

In an effort to control costs and efficiently manage its pension liabilities going forward, the District negotiated with its collective bargaining groups and agreed with its unrepresented employees for staff to pay the full share of required employee retirement contributions, over a multi-year phase-in period. By July 1, 2016, all employees will contribute their full required employee contributions under the District's pension plans.

The change in net position for the fiscal year ended June 30, 2015, resulted in a decrease of the net deficit by approximately \$2 million.

Net Position

	Governmental Activities June 30, 2015
Current assets	\$26,666,159
Capital assets (net)	10,199,886
Total Assets	\$36,866,045
Deferred amounts related to pensions	2,716,882
Deferred outflows of resources	\$2,716,882
Current liabilities	2,407,605
Net pension liability	25,451,158
Other noncurrent liabilities	6,887,509
Total Liabilities	\$34,746,272
Deferred amounts related to pensions	8,215,616
Deferred inflows of resources	\$8,215,616
Net investment in capital assets	10,026,496
Unrestricted	(13,405,457)
Total Net Position (Deficit)	(\$3,378,961)



CHINO VALLEY INDEPENDENT FIRE DISTRICT

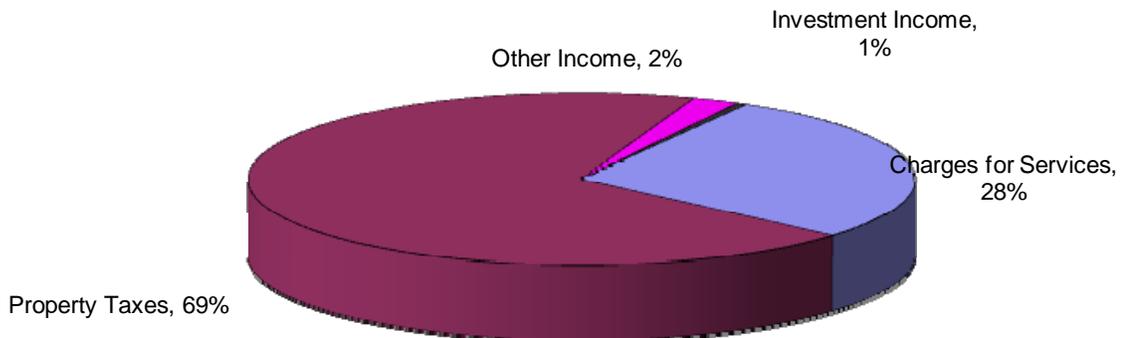
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Statement of Activities

	Governmental Activities FYE June 30, 2015
Program revenues:	
Charges for services	\$9,263,326
Operating grants and contributions	286,168
Capital grants and contributions	473,465
General revenues:	
Property taxes	22,811,583
Investment income	159,685
Total Revenues	\$32,994,227
Expenses:	
Public Safety – Fire Protection	30,969,098
Interest	8,022
Total Expenses	\$30,977,120
Change in Net Position	\$2,017,107
Net Position (Deficit), July 1, 2014, as restated	(\$5,396,068)
Net Position (Deficit), June 30, 2015	(\$3,378,961)

Revenue by Source - Governmental Activities





CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2015, amounted to approximately \$10.2 million, net of accumulated depreciation. Capital assets include 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 increased by about \$413,000. The construction in progress amount at June 30, 2015, is associated with the retrofit of emergency response vehicles for use in conjunction with the District's new emergency services delivery model.

Capital Assets

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Land	\$105,438	\$105,438
Investment in joint venture	184,693	179,742
Construction in progress	402,629	-
Buildings	6,978,153	6,944,161
Improvements other than buildings	744,855	722,806
Equipment	10,193,045	9,726,308
Total capital assets	\$18,608,813	\$17,678,455
Less: accumulated depreciation	(8,408,927)	(7,892,013)
Total capital assets, net of accumulated depreciation	\$10,199,886	\$9,786,442

Outstanding Debt

Long-term debt. At the end of the fiscal year, the District's total outstanding debt amounted to approximately \$6.9 million.

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Compensated absences	\$5,408,288	\$5,056,353
Capital lease payable	173,390	342,815
Worker's Compensation claims	1,305,831	1,571,212
Total outstanding debt	\$6,887,509	\$6,970,380

Approximately \$886,000 of the total debt amount is due in FY2015-16.

Pension Plan

The District provides retirement benefits through the California Public Employees Retirement System (CalPERS). Eligible employees participate in either a safety or miscellaneous cost-sharing multiple employer defined benefit pension plan, depending on eligibility. In conjunction with the District's implementation of GASB Statement No. 68, as of June 30, 2015, the District's net pension liability amounted to just under \$25.5 million. For Fiscal 2014-15, pension expense amounted to just over \$3.1 million, and at June 30, 2015 associated deferred outflows of resources and deferred inflows of resources amount to approximately \$2.7 million and \$8.2 million, respectively.

The District has appropriated funding in its FY2015-16 General Fund budget to study options for accelerating the pay down of its net pension liabilities.



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

GENERAL FUND FINANCIAL ANALYSIS

The District maintains one governmental fund, the General Fund. Through the General Fund, the District provides fire protection, emergency medical services, and fire prevention and education within its jurisdictional boundaries.

The General Fund balance increased by about \$1.9 million, to just over \$23 million at June 30, 2015.

Balance Sheet

	General Fund June 30, 2015
Cash and investments	\$25,295,279
Other assets	529,417
Total Assets	\$25,824,696
Accounts payable and accrued liabilities	1,000,946
Accrued payroll	1,255,449
Other liabilities	564,014
Total Liabilities	\$2,820,409
Nonspendable	61,254
Committed	10,715,392
Unassigned	12,227,641
Fund Balance	\$23,004,287
Total Liabilities and Fund Balance	\$25,824,696

Statement of Revenues, Expenditures, and Changes in Fund Balance

	General Fund FYE June 30, 2015
Taxes	\$22,811,583
Charges for current services	8,460,446
Licenses and permits	802,880
All Other	914,367
Total Revenues	\$32,989,276
Salaries and benefits	25,155,706
Services and supplies	4,484,812
Capital Outlay	1,241,168
Debt Service	177,447
Total Expenditures	\$31,059,133
Net Change in Fund Balance	1,930,143
Fund Balance, July 1, 2014	21,074,144
Fund Balance, June 30, 2015	\$23,004,287



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Fund Balance

As of June 30, 2015, the District's General Fund reported an ending fund balance of approximately \$23 million, an increase of just over \$1.9 million 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, 2015, the District's classifications of fund balance were as follows:

	Classifications of Fund Balance June 30, 2015
Nonspendable:	
Deposits and Prepaid Items	\$61,254
Total Nonspendable Fund Balance	\$61,254
Committed:	
Workers Compensation Reserve Fund	\$1,305,831
Equipment Replacement Fund	748,713
Facilities Acquisition and Maintenance Fund	1,130,045
Compensated Absences Fund	1,784,735
Emergency Contingency Fund	5,746,068
Total Committed Fund Balance	\$10,715,392
Unassigned:	
Minimum Fund Balance for General Contingency Purposes	\$8,619,101
Available Fund Balance for Discretionary Use	3,608,540
Total Unassigned Fund Balance	\$12,227,641
Total General Fund Balance	\$23,004,287

Investments

At June 30, 2015, the District's investment portfolio totaled about \$23.8 million, compared with \$21.7 million at June 30, 2014, summarized as follows:

	Investments June 30, 2015		Investments June 30, 2014	
	Balance	%	Balance	%
Overnight Repurchase Agreements – Sweep Account	\$2,077,651	9%	\$4,488,018	21%
US Agency Securities	5,976,000	25%	5,970,000	28%
Medium Term Corporate Notes	2,272,952	10%	2,270,363	10%
JPA Beneficial Interest Shares – CalTRUST	1,052,164	4%	3,042,385	14%
Pooled Investments – Local Agency Investment Fund (LAIF)	12,457,374	52%	5,943,264	27%
Total investments	\$23,778,141	100%	\$21,714,030	100%

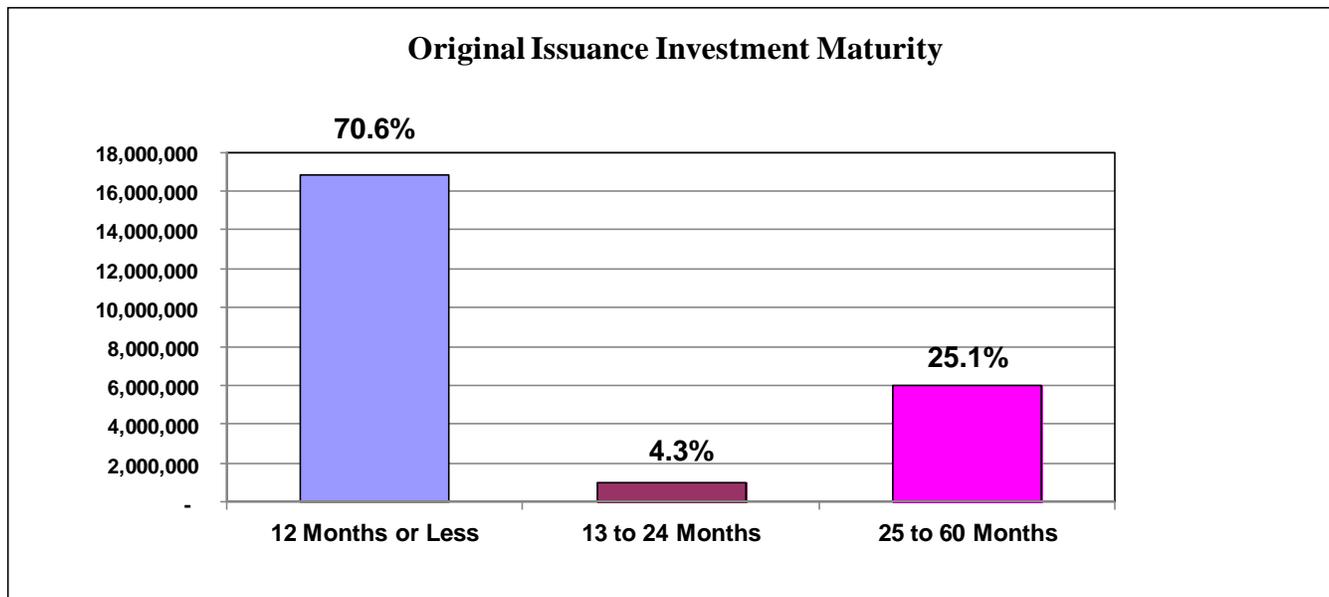


CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The District invests temporarily idle cash in accordance with the California Government Code and the District's Investment Policy, where more restrictive. The District's investment objectives are as follows: (1) protect principal, (2) provide for liquidity needs, (3) obtain reasonable rates of return on investment within the first two objectives, and (4) maintain the public trust by avoiding any investment transactions that might impair public confidence. The District primarily employs a buy and hold strategy.



At June 30, 2015, approximately 71% of District investments had an original issuance maturity of 12 months or less. As the vast majority of District revenues are property tax-based, revenues tend to be received in lump sums over a two-month period, twice per year, based on taxpayer property tax due dates. Accordingly, the District must maintain a high level of liquidity to ensure operational cash flow needs are met between tax revenue receipt cycles.

General Fund Budgetary Highlights

Budgetary amendments of approximately \$50,000 in net revenues were approved after the original budget, comprised of about \$1.7 million in additional revenues, and roughly \$1.65 million in corresponding expenditures. The more significant changes from original to final budget included:

- Revenue adjustments
 - Additions to property tax revenue of about \$2.6 million, with a corresponding decrease in contract revenue of about \$1.5 million, to reflect revenue projections for the balance of the fiscal year, combined with reclassifications of certain revenues between accounts.
 - Approximately \$475,000 in grant revenues carried over from the prior fiscal year, associated with a self-contained breathing apparatus (SCBA) grant.
- Expenditures adjustments
 - About \$592,000 in capital expenditures associated with the aforementioned SCBA grant.
 - Roughly \$950,000 in operating and capital expenditures approved for changes associated with implementation of a new service delivery model for emergency services.



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FY2014-15 actual General Fund net revenues varied favorably from budget by about \$1.8 million. Revenues varied favorably by about \$1.1 million due primarily to conservative revenue forecasting and the recording of revenues associated with the finalization of a contract amendment. Expenditure variances netted favorably as well by about \$765,000 inclusive of the other financing sources, due to conservative budgeting combined with budget carryovers of expenditures into FY2015-16 of approximately \$400,000 for equipment associated with a change in the emergency service delivery model.

Budget to Actuals Summary Comparison

The following is a comparison between the General Fund original budget for the year ending June 30, 2016 and the June 30, 2015 actual revenues and expenditures:

	General Fund Budget FYE June 30, 2016	General Fund Actuals June 30, 2015
Property tax revenue	\$23,869,188	\$24,510,534
Contract revenue	8,018,511	6,360,189
Other revenue	1,267,830	2,118,554
Total revenue	\$33,155,529	\$32,989,276
Salaries and benefits	\$26,542,442	\$25,155,706
Services and supplies	5,206,876	4,484,812
Capital outlay	2,727,087	1,418,615
Total operating & capital expenditures	\$34,476,405	\$31,059,133
Net revenue (transfer from fund balance)*	(\$1,320,876)	\$1,930,143

*Approximately \$2.4 million from committed fund balance, earmarked for capital replacement, will be expended in support of capital outlay in the June 30, 2016 budget.

Economic Factors and Next Year's Budgets and Rates

- Local property values remains relatively stable within the District's service area and are projected to increase next fiscal year. Additionally, new construction is on the rise in the District as well. Property tax related revenues in the original FY2015-16 budget are conservatively projected to increase in the range of 3% over FY2015-16 totals.
- Total budgeted expenditures for FY2015-16 have been thoroughly vetted.
- The District's original budget for FY2015-16, approved in September, includes substantial capital equipment investments, the vast majority of which will be funded with portions of committed fund balance earmarked for capital outlay.
- The District also projects and forecasts long-range revenues and expenditures over a 10-year horizon. These projections are used for financial, operating and strategic planning purposes.
- These and other factors were considered in the preparation of the District's original budget for FY2015-16.



CHINO VALLEY INDEPENDENT FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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. Other relevant information may also be accessed on the District's website at www.chinovalleyfire.org.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 25,295,279
Accounts receivable	447,285
Note receivable	20,878
Deposits with other agencies	25,000
Prepaid costs	36,254
Net OPEB asset	841,463
Capital assets, net of accumulated depreciation	<u>10,199,886</u>
Total Assets	<u>36,866,045</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>2,716,882</u>
LIABILITIES	
Accounts payable	1,000,946
Accrued payroll	1,255,449
Unearned revenue	151,210
Noncurrent liabilities:	
Due within one year	886,194
Due in more than one year	6,001,315
Net pension liability	<u>25,451,158</u>
Total Liabilities	<u>34,746,272</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>8,215,616</u>
NET POSITION	
Net investment in capital assets	10,026,496
Unrestricted	<u>(13,405,457)</u>
Total Net Position/(Deficit)	<u>\$ (3,378,961)</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, 2015**

	Expenses	Program Revenues		(Expenses) Revenues and change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Public safety - fire protection	\$ 30,969,098	\$ 7,564,375	\$ 286,168	\$ 473,465
Interest	8,022			(8,022)
Total Governmental Activities	<u>\$ 30,977,120</u>	<u>\$ 7,564,375</u>	<u>\$ 286,168</u>	<u>\$ 473,465</u>
General Revenues:				
Taxes:				
				24,510,534
Property taxes				159,685
Investment income				<u>24,670,219</u>
Total General Revenues				2,017,107
Change in Net Position				<u>(5,396,068)</u>
Net Position/(Deficit) at Beginning of Year, as restated				<u>\$ (3,378,961)</u>
Net Position/(Deficit) at End of Year				<u><u>\$ (3,378,961)</u></u>

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

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**GENERAL FUND
BALANCE SHEET
JUNE 30, 2015**

ASSETS

Cash and investments	\$ 25,295,279
Accounts receivable	447,285
Note receivable	20,878
Deposits with other agencies	25,000
Prepaid items	36,254
Total Assets	<u>\$ 25,824,696</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,000,946
Accrued payroll	1,255,449
Unearned revenue	151,210
Current claims payable	412,804
Total Liabilities	<u>2,820,409</u>

FUND BALANCE

Nonspendable	61,254
Committed	10,715,392
Unassigned	12,227,641
Total Fund Balance	<u>23,004,287</u>
Total Liabilities and and Fund Balance	<u>\$ 25,824,696</u>

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, 2015

Fund Balance of the General Fund	\$ 23,004,287
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.	10,199,886
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated Absences	(5,408,288)
Capital Lease Payable	(173,390)
Workers' Compensation Claims	(893,027)
Net Pension Liability	(25,451,158)
The net OPEB asset is not available to pay for current period expenditures and is not reported in the governmental funds.	841,463
Deferred outflows of resources related to pensions	2,716,882
Deferred inflows of resources related to pensions	<u>(8,215,616)</u>
Net Position/(Deficit) of Governmental Activities	<u>\$ (3,378,961)</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, 2015**

REVENUES

Taxes	\$ 24,510,534
Licenses and permits	802,880
Intergovernmental	547,657
Charges for current services	6,761,495
Use of money and property	154,734
Other	211,976
Total Revenues	<u>32,989,276</u>

EXPENDITURES

Current:	
Salaries and benefits	25,155,706
Services and supplies	4,484,812
Capital outlay	1,241,168
Debt service:	
Principal	169,425
Interest	8,022
Total Expenditures	<u>31,059,133</u>
Net Change in Fund Balance	1,930,143
Fund Balance, Beginning of Year	<u>21,074,144</u>
Fund Balance, End of Year	<u>\$ 23,004,287</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, 2015**

Net Change in Fund Balance - General Fund	\$ 1,930,143
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:	
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:	
Cost of purchased assets capitalized	1,241,168
Depreciation expense	(815,269)
Book value of disposed assets	(17,406)
Increase in joint venture	4,951
Capital lease repayments require current financial resources and are recorded as an expenditure in the General Fund. These payments reduce the liability at the government-wide level, and therefore, are not included in the Statement of Activities. This amount represents the net change in the capital lease liability.	169,425
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.	(351,935)
Worker's compensation claims 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 liability.	284,459
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.	1,620
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	<u>(430,049)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,017,107</u>

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

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chino Valley Independent Fire District (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 (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. 68 – In June 2012, GASB issued Statement No. 68, *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. 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 was implemented as of July 1, 2014.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement was implemented as of July 1, 2014.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

C. New Accounting Pronouncements, (Continued)

Effective in Future Fiscal Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The District has not determined the effect on the financial statements.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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 – 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 the 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Governmental Fund Financial Statements, (Continued)

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 unearned 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. Capital asset acquisitions under capital lease are reported as other financing sources.

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, 2015

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, 2015**

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.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The District reports a deferred outflow related to pensions which is the result of the implementation of GASB 68 representing the District's pension contributions made to the pension plan subsequent to the measurement date and the unamortized difference between the actual and its proportionate share of pension contributions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The District reports deferred inflows related to pensions as a result of the implementation of GASB 68 representing its change in proportion in the pension plan and the difference between projected and actual earnings on investments in the pension plan.

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.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Cash and investments	<u><u>\$ 25,295,279</u></u>
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Cash and investments as of June 30, 2015, consist of the following:

Petty cash	\$ 500
Cash demand deposits	<u>1,516,638</u>
Total Cash	<u>1,517,138</u>
Overnight Repurchase Agreements Sweep Account	2,007,651
U.S. Agency Securities	
Federal Farm Credit Bank (FFCB) Securities	995,000
Federal Home Loan Mortgage Corp (FHLMC)	2,981,000
Federal Home Loan Banks (FHLB)	2,000,000
Medium Term Corporate Notes	2,272,952
Money Market Mutual Funds	12,000
JPA Beneficial Interest Shares - CalTRUST	1,052,164
Pooled investments - Local Agency Investment Fund (LAIF)	<u>12,457,374</u>
Total Investments	<u>23,778,141</u>
Total Cash and Investments	<u><u>\$ 25,295,279</u></u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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	\$ 2,007,651	\$ 2,007,651		
U.S. Agency Securities				
Federal Farm Credit Bank (FFCB) Securities	995,000			\$ 995,000
Federal Home Loan Mortgage Corp (FHLMC)	2,981,000			2,981,000
Federal Home Loan Banks (FHLB)	2,000,000			2,000,000
Medium Term Corporate Notes	2,272,952	1,256,952	\$ 1,016,000	
Money Market Mutual Funds	12,000	12,000		
JPA Beneficial Interest Shares - CalTRUST	1,052,164	1,052,164		
Pooled investments - Local Agency Investment Fund (LAIF)	12,457,374	12,457,374		
Total Investments	<u>\$ 23,778,141</u>	<u>\$ 16,786,141</u>	<u>\$ 1,016,000</u>	<u>\$ 5,976,000</u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. Presented below is the minimum rating required (where applicable) by the California Government Code or the District's investment policy, where more restrictive, and the actual Standard and Poor's rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>	<u>AA+</u>	<u>AA</u>
Overnight Repurchase Agreements Sweep Account	\$ 2,007,651	N/A	\$ 2,007,651		
U.S. Agency Securities					
Federal Farm Credit Bank (FFCB) Securities	995,000	N/A		\$ 995,000	
Federal Home Loan Mortgage Corp (FHLMC)	2,981,000	N/A		2,981,000	
Federal Home Loan Banks (FHLB)	2,000,000	N/A		2,000,000	
Medium Term Corporate Notes	2,272,952	A		1,256,952	\$ 1,016,000
Money Market Mutual Funds	12,000	N/A	12,000		
JPA Beneficial Interest Shares - CalTRUST	1,052,164	N/A	1,052,164		
Pooled investments - Local Agency Investment Fund (LAIF)	12,457,374	N/A	12,457,374		
Total Investments	<u>\$ 23,778,141</u>		<u>\$ 15,529,189</u>	<u>\$ 7,232,952</u>	<u>\$ 1,016,000</u>

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, 2015, 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>
U.S. Agency Securities - FHLMC	\$ 2,981,000
U.S. Agency Securities - FHLB	2,000,000

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.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE #3 – CASH AND INVESTMENTS, (CONTINUED)

Custodial Credit Risk. (Continued)

As of June 30, 2015, \$1,353,666 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.

Securities purchased by the District are held by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All securities are purchased and delivered using standard delivery-versus-payment procedures through the District's safekeeping agent. No outside broker/dealer or advisor may have access to District funds, accounts or investments.

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 the 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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #5 – CAPITAL ASSETS AND DEPRECIATION

The following table presents the capital assets activity for the year ended June 30, 2015.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 105,438			\$ 105,438
Investment in joint venture (Note #12)	179,742	\$ 4,951		184,693
Construction in Progress		402,629		402,629
Total Capital Assets Not Being Depreciated	285,180	407,580		692,760
Capital Assets, Being Depreciated:				
Buildings	6,944,161	33,992		6,978,153
Improvements other than buildings	722,806	22,049		744,855
Equipment	9,726,308	782,498	\$ 315,761	10,193,045
Total Capital Assets Being Depreciated	17,393,275	838,539	315,761	17,916,053
Less Accumulated Depreciation For:				
Buildings	1,167,889	226,996		1,394,885
Improvements other than buildings	245,855	25,220		271,075
Equipment	6,478,269	563,053	298,355	6,742,967
Total Accumulated Depreciation	7,892,013	815,269	298,355	8,408,927
Total Capital Assets, Being Depreciated, Net	9,501,262	23,270	17,406	9,507,126
Governmental Activities Capital Assets, Net	\$ 9,786,442	\$ 430,850	\$ 17,406	\$ 10,199,886

Depreciation expense in the amount of \$815,269 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2015.

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, 2015**

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, 2015, the total liability of \$1,305,831 consists of open claims of \$1,230,755 and estimated incurred but not reported (IBNR) claims of \$75,076. 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, 2015, 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>
2014	\$ 1,497,737	\$ 585,873	\$ (512,398)	\$ 1,571,212
2015	1,571,212	287,604	(552,985)	1,305,831

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 \$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 \$1,000 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, 2015**

NOTE #7 – LONG-TERM DEBT

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due In 2015-16
Compensated absences	\$ 5,056,353	\$ 744,267	\$ 392,332	\$ 5,408,288	\$ 300,000
Capital lease payable	342,815		169,425	173,390	173,390
Workers' compensation claims	1,571,212	287,604	552,985	1,305,831	412,804
	<u>\$ 6,970,380</u>	<u>\$ 1,031,871</u>	<u>\$ 1,114,742</u>	6,887,509	<u>\$ 886,194</u>
Less amount due in 2015-16				(886,194)	
Total amount due in more than one year				<u>\$ 6,001,315</u>	

Compensated Absences

Accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$5,408,288 (\$1,634,553 vacation and \$3,773,735 sick leave and holiday time) at June 30, 2015. Vacation and sick leave benefits will be recorded as an expenditure in the governmental funds when the related balance becomes due. Based on historical analysis, management estimates \$300,000 as the amount due during fiscal year 2015-2016.

Capital Lease Payable

The capital lease liability of \$173,390 as of June 30, 2015, represents the principal balance remaining on a lease agreement in which the District is the lessee for financing the acquisition of equipment originally valued at \$512,314. The lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments as of June 30, 2015, are as follows:

Year Ending June 30,	Governmental Activities
2016	\$ 177,447
Less: Amounts representing interest	(4,057)
Present Value of Minimum Lease Payments	<u>\$ 173,390</u>

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

Net investment in capital assets of \$10,026,496 represents the value of capital assets net of accumulated depreciation as of June 30, 2015, less the balance outstanding on the capital lease of \$173,390 used to acquire capital assets.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Unrestricted Net Position

Unrestricted net deficit of \$13,405,457 represents the net amount of assets and deferred outflows less liabilities and deferred inflows.

In the fund financial statements, the District's fund balance is classified into five components as follows:

- *Nonspendable* – resources that are not in spendable form or required to be maintained intact.
- *Restricted* – resources that are restricted to specific purpose; 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 (resolution or ordinance) of the District Board. 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 the Fire Chief's designee.
- *Unassigned* – the residual classification of the General Fund.

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, 2015**

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

The District's fund balances at June 30, 2015 are presented below:

Fund Balance	
Nonspendable:	
Deposits with other agencies	\$ 25,000
Prepaid items	36,254
Total Nonspendable	<u>61,254</u>
Committed:	
Workers compensation reserve	1,305,831
Equipment replacement	748,713
Facilities acquisition and maintenance	1,130,045
Compensated absences	1,784,735
Emergency contingency	5,746,068
Total Committed	<u>10,715,392</u>
Unassigned:	<u>12,227,641</u>
Total Fund Balance	<u>\$ 23,004,287</u>

The Board approved resolution 2011-05 committing resources to the following:

Commitment	Description
Workers compensation reserve	Established at a level equal to the estimated value of claims
Equipment replacement	Provides for vehicle, apparatus, and major equipment replacement
Facilities acquisition and maintenance	Provides for facility acquisition and maintenance
Compensated absences	Established at a level of 33% of employee accrued leave balances
Emergency contingency	Established at an amount of 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, 2015, the amount of \$8,619,101 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 (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 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, 2015

NOTE #9 – AGREEMENT, (CONTINUED)

First Amendment - Elimination of Dispatch Service Payments – On June 2, 2009, the City and the District agreed through a First Amendment to the Agreement, 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 of two new fire stations to be constructed by the City for District use. Dispatch reimbursement terminated in August 2011.

Second Amendment - Revised Payments – 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 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.

As a result of the dissolution of the City’s RDA, on October 8, 2014, the City and the District agreed to a Second Amendment to the Agreement which resulted in changes in the calculation of the City’s Annual Payment Obligation (APO) to the District. Under the terms of the Second Amendment, the City receives credits against its APO to the District equal to any residual payments of former RDA tax increment or other former RDA monies distributed to the District from the County property tax trust fund.

Prior to the Second Amendment and dissolution of the City’s RDA, the APO reflected a 20 percent set-aside in the calculation associated with RDA low and moderate income housing obligations. Commencing July 1, 2017, the District shall receive 100 percent of the tax revenue that would have otherwise been deducted as the 20 percent set-aside in the APO calculation. Until FY2017-18 and retroactive to July 1, 2012, the APO calculation reflects the District and the City sharing equally in the 20 percent set-aside of former RDA funds.

NOTE #10 – COST SHARING EMPLOYER PENSION PLAN

Plan Description

Eligible employees participate in either the District’s safety or miscellaneous pension plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees’ Retirement Fund C. Benefit provisions under the plan are established by State statute and may be amended by District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #10 – COST SHARING EMPLOYER PENSION PLAN, (CONTINUED)

The plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		Safety	
	Classic	New Member	Classic	New Member
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire Date				
Formula	2.5% @ 55	2% @ 62	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	55	57
Monthly benefits, as a % of annual salary	2.5%	2%	3%	2.7%
Required employee contribution rates	8%	6.25%	9%	11.5%
Required employer contribution rates	15.701%	6.25%	23.948%	11.5%

Contributions

Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following the notice of change in rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. During the year, the District paid 4% of the employee contribution rate for both Safety and Miscellaneous employees. Employer contributions to the pension plan were \$2,670,610 for the year ended June 30, 2015.

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

As of June 30, 2015, the District reported a liability of \$25,451,158 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014 using actuarial rollforward procedures. The District’s proportion of the collective net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportion of the collective net pension liability as of June 30, 2013 and 2014 is as follows.

Proportion- June 30, 2013	0.41867%
Proportion- June 30, 2014	0.40902%
Change- Increase (Decrease)	<u>-0.00965%</u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #10 – COST SHARING EMPLOYER PENSION PLAN, (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of \$3,100,659. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 2,670,610	
Differences between actual contributions and proportionate share of contributions	46,272	
Net difference between projected and actual earnings on pension plan investments		\$ 7,723,096
Changes in proportion		492,520
	\$ 2,716,882	\$ 8,215,616

The amount of \$2,670,610 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2016	\$ (2,090,148)
2017	(2,090,148)
2018	(2,058,273)
2019	(1,930,774)
	\$ (8,169,343)

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Projected Salary Increase	3.3%-14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS's Membership data for all funds

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

(2) Net of pension plan investment and administrative expenses, including inflation

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #10 – COST SHARING EMPLOYER PENSION PLAN, (CONTINUED)

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate- The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.50 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees’ Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return Years 1-10	Long-Term Expected Real Rate of Return Years 11+
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36
Private Equity	12%	6.83	6.95
Real Estate	11%	4.50	5.13
Infrastructure and Forestland	3%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)
Total	100%		

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #10 – COST SHARING EMPLOYER PENSION PLAN, (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.50%
Net Pension Liability	\$ 43,866,879
Current Discount Rate	7.50%
Net Pension Liability	\$ 25,451,158
1% Increase	8.50%
Net Pension Liability	\$ 10,272,143

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

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) on 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 fixed amount lifetime allowance to eligible plan members and their surviving spouses, if applicable. 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, 2015**

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:

Between 5 and 10 Years	More than 10 Years
\$250 per month	\$500 per month

The District participates in the CalPERS health plan. Under government code section 22892(c), the District is required to pay a minimum contribution toward the monthly insurance plan premium for any eligible retired member enrolled in the CalPERS health plan. As of June 30, 2015, the minimum employer contribution amount is \$122 per month. In addition, for employees who retired prior to October 1, 2006 and are enrolled in the CalPERS health plan, the District contributes an additional \$17.86 per month toward the insurance plan premium.

Eligible PEHP plan members retiring on or after the establishment of the Nationwide plan will receive the applicable monthly postemployment benefit, offset by the employer minimum health plan contribution, if applicable.

Upon retirement, employees hired after the effective date of the PEHP will be eligible to have the employer minimum health plan contribution paid on their behalf, if applicable.

The District participates in a CalPERS sponsored irrevocable trust, California Employers' Retiree Benefit Trust (CERBT) Fund to prefund its other postemployment benefit (OPEB) liability in accordance with the terms of GASB Statement No. 45. Amounts contributed toward the District's OPEB liability for the fiscal year ended June 30, 2015 were \$474,000. This included \$303,526 in benefit payments made to or on behalf of eligible retirees, and \$170,474 contributed to the CERBT.

Annual OPEB Cost and Net OPEB Obligation

The District's annual 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, 2015 was \$474,000. 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)	\$	474,000
Interest on net OPEB asset		(60,889)
Adjustment to ARC		59,269
Annual OPEB Cost		472,380
Contributions made		(474,000)
(Increase)/decrease in net OPEB asset		(1,620)
Net OPEB obligation (asset) - beginning of year		(839,843)
Net OPEB obligation (asset) - end of year	\$	(841,463)

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 2015 was as follows:

Fiscal Year Ended:	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/15	\$ 472,380	\$ 474,000	100.34%	\$ (841,463)
6/30/14	455,000	459,000	100.88%	(839,843)
6/30/13	370,963	377,024	101.63%	(835,843)

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 42.1 percent funded. The actuarial accrued liability was \$5,974,000 and the actuarial value of assets was \$2,516,000, resulting in an unfunded actuarial accrual liability of \$3,458,000. The covered payroll (annual payroll of the active plan members) was \$13,733,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.2 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, 2013, 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, 2015 was 22 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, 2015**

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, 2015, is presented below:

Balance Sheet	
Assets	<u>\$ 923,447</u>
Liabilities	\$ 10,450
Equity	<u>912,997</u>
Total Liabilities and Equity	<u>\$ 923,447</u>
Revenues and Expenditures	
Revenues	\$ 52,801
Expenditures	<u>34,164</u>
Excess of revenues over (under) expenditures	<u>\$ 18,637</u>

NOTE #13 – PRIOR PERIOD ADJUSTMENT

As discussed under Note 1, the District implemented GASB 68 effective July 1, 2014. Refer to Note 10 for further disclosures related to the plan and related balances. As a result of the implementation, the District restated beginning net position for fiscal year 2015 governmental activities as noted below:

	<u>Government- Wide Governmental Activities</u>
Beginning of year, as previously reported	
Net Position	\$ 25,123,775
Contributions after the measurement date - deferred outflows of resources	3,229,385
Net Pension Liability as of the measurement date of June 30, 2013	<u>(33,749,228)</u>
Beginning of year, as restated	
Net Position/(Deficit)	<u>\$ (5,396,068)</u>

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE #13 – PRIOR PERIOD ADJUSTMENT, (CONTINUED)

Following is the pro forma effect of the retroactive application:

	June 30, 2014		June 30, 2014
	Previously Presented	Restatement	Restated
Deferred outflows of resources	\$ -	\$ 3,229,385	\$ 3,229,385
Net pension liability	-	33,749,228	33,749,228

In accordance with GASB 68 and GASB 71, the restatement of all deferred outflows and inflows was not practical and therefore not included in the statement of beginning balances.

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 21,351,335	\$ 23,950,286	\$ 24,510,534	\$ 560,248
Licenses and permits	625,000	700,000	802,880	102,880
Intergovernmental	31,832	505,483	547,657	42,174
Charges for current services	7,930,476	6,490,189	6,761,495	271,306
Use of money and property	125,000	125,000	154,734	29,734
Other	145,000	145,000	211,976	66,976
Total Revenues	30,208,643	31,915,958	32,989,276	1,073,318
EXPENDITURES				
Current:				
Salaries and benefits	24,979,137	24,979,137	25,155,706	(176,569)
Services and supplies	4,521,983	4,736,238	4,484,812	251,426
Capital outlay	666,018	2,109,303	1,241,168	868,135
Debt service:				
Principal			169,425	(169,425)
Interest			8,022	(8,022)
Total Expenditures	30,167,138	31,824,678	31,059,133	765,545
Net Change in Fund Balance	41,505	91,280	1,930,143	1,838,863
FUND BALANCE, Beginning of Year	21,074,144	21,074,144	21,074,144	
FUND BALANCE, End of Year	\$ 21,115,649	\$ 21,165,424	\$ 23,004,287	\$ 1,838,863

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, 2015**

<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>
6/30/2013	\$ 5,974,000	\$ 2,516,000	3,458,000	42.1%	\$ 13,733,000	25.2%
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%

See accompanying notes to required supplementary information.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – LAST TEN YEARS*
REQUIRED SUPPLEMENTARY INFORMATION
AS OF THE YEAR ENDING JUNE 30, 2015**

	<u>2015</u>
Proportion of the collective net pension liability	0.40902%
Proportionate share of the collective net pension liability	\$ 25,451,158
Covered - employee payroll	\$ 12,562,972
Proportionate share of the net pension liability as a percentage of covered-employee payroll	202.59%
Plan fiduciary net position as a percentage of the total pension liability	79.82%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See accompanying notes to required supplementary information.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS*
REQUIRED SUPPLEMENTARY INFORMATION
AS OF THE YEAR ENDING JUNE 30, 2015**

	<u>2015</u>
Actuarially determined contribution	\$ 2,670,610
Contributions in relation to the actuarially determined contribution	<u>2,670,610</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 13,359,721
Contributions as a percentage of covered-employee payroll	19.99%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See accompanying notes to required supplementary information.

CHINO VALLEY INDEPENDENT FIRE DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

***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 recorded.

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

The Schedule 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 in accordance with GASB Statement No. 45.

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