HESPERIA FIRE PROTECTION DISTRICT

COMPONENT UNIT FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

June 30, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hesperia Fire Protection District
Hesperia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hesperia Fire Protection District (a component unit of the City of Hesperia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hesperia Fire Protection District as of June 30, 2019 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1a, the financial statements present only the Hesperia Fire Protection District and do not purport to, and do not fairly present, the financial position of the City of Hesperia, California, as of June 30, 2019 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule for the Fire Operations General Fund, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Contributions – Pension Plan and Schedule of Proportionate share of OPEB Liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule for the Fire District Capital Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Diehl Evans LLP

Carlsbad, California
March 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Hesperia Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year (FY) ended June 30, 2019. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- As of November 1, 2018, the Hesperia Fire Protection District completed the Local Agency Formation Commission (LAFCO) annexation process with San Bernardino County Fire. San Bernardino County Fire has assumed the responsibility for providing fire protection and ambulance services. The Hesperia Fire Protection District will only exist to satisfy the outstanding retirement obligations.

- The District's net position decreased by approximately $10.9 million, or 281.6% (from $3.9 million to a negative $7.0 million), which is primarily due to a decrease of current assets of $4.6 million and a decrease of $8.6 million in capital assets. The decrease in assets was offset by a $2.6 million decrease in total liabilities, which is explained in detail throughout this Management's Discussion and Analysis (MD&A).

- In Fiscal Year 2018-19, the District's charges for services decreased by $2.5 million, or 84.6% and total revenues decreased by $9.9 million or 84.6%. The primary reason for the decrease in revenue is the decrease of $8.4 million in property taxes, as property taxes are received after November 1st, indicating these went to County Fire as did all revenues after November 1, 2018.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

REPORTING THE DISTRICT AS A WHOLE

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Government-Wide Statements – The Statement of Net Position and the Statement of Activities – report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting method, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9-11 of this report.

REPORTING THE DISTRICT'S FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses two governmental funds; one to account for its operations and one to account for capital projects.

Governmental Funds. *Governmental funds* are 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 of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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

The notes to the financial statements can be found on pages 16-34 of this report.

THE DISTRICT AS A WHOLE

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District.

As shown in Table 1, the District's net position has decreased by $10.9 million or 281.6% from FY 2017-18.

Table 1
Condensed Statement of Net Position

	2018	2019	Changes from 2018 to 2019 Amount	Percentage
Current and other assets	$ 6,659,653	$ 2,046,652	$ (4,613,001)	-69.3%
Capital assets	8,633,770	-	(8,633,770)	-100.0%
Total Assets	15,293,423	2,046,652	(13,246,771)	-86.6%
Total deferred outflow of resources	2,340,709	2,179,946	(160,763)	-6.9%
Current and other liabilities	3,511,259	966,471	(2,544,788)	-72.5%
Long-term debt outstanding	72,615	64,533	(8,082)	-11.1%
OPEB Liability	101,668	230,239	128,571	126.5%
Net pension liability	8,915,040	8,966,891	51,851	0.6%
Total Liabilities	12,600,582	10,228,134	(2,372,448)	-18.8%
Total deferred inflow of resources	1,177,483	1,002,109	(175,374)	-14.9%
Net Position:				
Investment in capital assets	8,633,770	-	(8,633,770)	-100.0%
Unrestricted	(4,777,643)	(7,004,245)	(2,226,602)	-26.6%
Total Net Position	$ 3,856,127	$ (7,004,245)	$ (10,860,372)	-281.6%

The following are brief explanations for the balance change of each line of Table 1 above for the year ending June 30, 2019:

- Current and other assets decreased by approximately $4.6 million or 69.3% from Fiscal Year (FY) 2017-18. This is mainly the result of a decrease in cash and cash equivalents, and due from other funds as a result of the annexation.

- Capital assets decreased by $8.6 million or 100% as a result of the assets transferred to San Bernardino County Fire.

- Total deferred outflow of resources decreased by 6.9% in FY 2018-19 or from $2.3 million to $2.2 million. This decrease is due to a decrease in the net difference between projected and actual earnings.

- Current and other liabilities decreased by $2.5 million or 72.5% from the last fiscal year. The decrease is related to the annexation to County Fire.

- Long-term debt outstanding decreased by $8,082, or 11.1% due to a decrease in claims payable during FY 2018-19.

- Net pension liability increased by $51,851 in FY 2018-19 from approximately $8.9 million to approximately $9.0 million.

- Deferred inflows of resources decreased by $175,374 in Fiscal Year 2018-19. This decrease is primarily due to a decrease in the Employer's Pension Proportion of $204,302.

Table 2
Changes in Net Position

	2018	2019	Changes from 2018 to 2019 Amount	Percentage
Revenues				
Program revenues:				
Charges for services	$ 2,979,611	$ 458,130	$ (2,521,481)	-84.6%
Operating grants and contributions	-	535,636	535,636	100.0%
Capital grants and contributions	140,000	-	(140,000)	-100.0%
General revenues:				
Property taxes	8,429,815	-	(8,429,815)	-100.0%
Income from money and property	108,858	56,731	(52,127)	-47.9%
Total revenues	11,658,284	1,050,497	(10,607,787)	-91.0%
Expenses				
Public Safety-Fire	12,020,877	4,715,538	(7,305,339)	-60.8%
Total expenses	12,020,877	4,715,538	(7,305,339)	-60.8%
Change in net position	(362,593)	(3,665,041)	(3,302,448)	-910.8%
Special item - transfer of fire operations to county	-	(7,195,331)	(7,195,331)	-100.0%
Change in net position	(362,593)	(10,860,372)	(10,497,779)	-2895.2%
Net Position at July 1, restated	4,293,324	3,856,127	(437,197)	-10.2%
Prior period adjustment (see note 11)	(74,604)	-	74,604	100.0%
Net position at June 30	$ 3,856,127	$ (7,004,245)	$ (10,860,372)	-281.6%

The cost of all District activities for Fiscal Year 2018-19 decreased by 60.8% to $4.7 million from last year's Total Expenses of $12.0 million as a result of the November 1, 2018 annexation to San Bernardino County Fire. Other significant changes of note in Table 2 are:

- Property Taxes revenue decreased to zero or 100% during 2018-19 from $8.4 million in FY 2017-18. The decrease is due to the annexation as all property tax revenue of Hesperia Fire was redirected to County Fire and the City of Hesperia.

- June 30, 2019 expenses decreased by $7.3 million because of San Bernardino County Fire assumed the responsibility for providing fire protection and ambulance services. The Hesperia Fire Protection District will only exist to satisfy the outstanding CalPERS obligations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At year-end, the District's Fire Operations fund reported a balance of zero, which is an increase from the June 30, 2018 negative ending fund balance of $1,032,092. Total revenues for 2019-20 totaled $0.5 million; total expenditures totaled $4.5 million, and extraordinary gain of $5.1 million causing a zero ending balance, this fund was closed at year-end. The Fire Capital fund at year-end was also closed.

The HFPD (PERS) fund at year-end had a balance of $1.3 million. HFPD PERS fund is a new fund used to receive revenue contributed from the City of Hesperia to be used to fund the CalPERS obligation of HFPD.

CAPITAL ASSETS

The capital assets of the District were those assets that were used in the performance of the District's functions. As of June 30, 2019, all capital assets have been transferred from the Hesperia Fire District to San Bernardino County Fire, as part of the annexation. (See Table 3 below).

Table 3
Capital Assets at Year-End

	Balance at June 30, 2018 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2019 Net of Accumulated Depreciation
Land	$ 676,779	$ -	$ (676,779)	$ -	$ -
Land improvements	172	-	(99)	(73)	-
Vehicles	697,979	-	(619,358)	(78,621)	-
Machinery and equipment	400,901	-	(371,144)	(29,757)	-
Buildings and improvements	6,857,939	-	(6,785,299)	(72,640)	-
	$ 8,633,770	$ -	$ (8,452,679)	$ (181,091)	$ -

See Note 4 to the financial statements for more information.

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, decreased during FY 2018-19 to $64,533 from $72,615 in FY 2017-18 due to a decrease in claims payable.

Table 4
Outstanding Debt, at Year-End

	Principal Balance at June 30, 2018	Additions	Deletions	Principal Balance at June 30, 2019	Due Within One Year
Claims Payable	$ 72,615	$ 47	$ (8,129)	$ 64,533	$ -
	$ 72,615	$ 47	$ (8,129)	$ 64,533	$ -

See Note 5 to the financial statements for more information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of November 1, 2018, the Hesperia Fire Protection District completed the Local Agency Formation Commission (LAFCO) annexation process with San Bernardino County Fire. San Bernardino County Fire has assumed the responsibility for providing fire protection and ambulance services. The Hesperia Fire Protection District will only exist to satisfy the outstanding CalPERS obligations.

For FY 2019-20 the Fire District will pay $905,656 to CalPERS for the Fire District PERS obligation. The $905,656 is broken down between $883,902 for Safety and $21,754 for Miscellaneous.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Division, at the City of Hesperia, 9700 Seventh Avenue, Hesperia, California 92345.

STATEMENT OF NET POSITION
June 30, 2019

ASSETS

Current Assets:		
Cash and cash equivalents	$	2,040,515
Accounts receivable		6,137
Total Current Assets		2,046,652
Total Assets		2,046,652

DEFERRED OUTFLOWS OF RESOURCES

Net Difference between Projected and Actual Earnings on Pension Plan Investments - Pension	60,349
Differences between Expected and Actual Experience - Pension	195,993
Changes in Assumptions - Pension	882,925
Change in Employer's Proportion - Pension	70,073
Difference between District Contribution and Proportionate Contribution - Pension	1,052
District Contributions Subsequent to the Measurement Date - Pension	797,783
District Contributions Subsequent to the Measurement Date - OPEB	7,272
Change in Proportion - OPEB	164,499
Total Deferred Outflows of Resources	2,179,946

See accompanying notes to financial statements.

LIABILITIES		
Current Liabilities:		
Due to other governments	$	750,627
Total Current Liabilities		750,627
Noncurrent Liabilities:		
Deposits		215,844
OPEB liability		230,239
Claims payable		64,533
Net pension liability		8,966,891
Total Noncurrent Liabilities		9,477,507
Total Liabilities		10,228,134
DEFERRED INFLOWS OF RESOURCES		
Difference between Expected and Actual Experience - Pension		3,289
Change of Assumptions - Pension		121,598
Change in Employer's Proportion - Pension		290,235
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions - Pension		463,137
Change of Assumptions - OPEB		123,850
Total Deferred Inflows of Resources		1,002,109
NET POSITION		
Unrestricted		(7,004,245)
Total Net Position	$	(7,004,245)

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental activities:					
Public Safety- Fire	$ 4,896,629	$ 458,130	$ 535,636	$ -	$ (3,902,863)
Total governmental activities	$ 4,896,629	$ 458,130	$ 535,636	$ -	$ (3,902,863)

General Revenues:	
Income from money and property	56,731
Total general revenues	56,731
Special item - transfer of fire operations to county	(7,014,240)
Change in net position	(10,860,372)
Net position at beginning of year	3,856,127
Net position at end of year	$ (7,004,245)

See accompanying notes to financial statements.

BALANCE SHEET
June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
	Fire Operations	HFPD PERS	Fire Capital	Governmental Funds
Assets				
Assets:				
Cash and cash equivalents	$ 125,833	$ 1,914,682	$ -	$ 2,040,515
Accounts receivable	579	5,558	-	6,137
Total Assets	$ 126,412	$ 1,920,240	$ -	$ 2,046,652
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Due to other governments	$ 126,412	$ 624,215	$ -	$ 750,627
Total Liabilities	126,412	624,215	-	750,627
Fund Balances:				
Public safety	-	1,296,025	-	1,296,025
Total Fund Balances	-	1,296,025	-	1,296,025
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 126,412	$ 1,920,240	$ -	$ 2,046,652

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds		$ 1,296,025
The net OPEB Obligation is not due and payable in the current period, and therefore is not reported in the governmental funds balance sheet.		(230,239)
Deposits - PERMA to pay for long-term liabilities are not current financial resources to the governmental funds. These amounts are deferred and amortized in the Statement of Net Position. This number represents the result of more claims than available funds.		(215,844)
Deferred inflows and outflows of resources related to OPEB are not reported in the fund statements. Balances as of June 30, 2019 are as follows:		
Deferred outflows of resources	171,771	
Deffered inflows of resources	(123,850)	47,921
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds balance sheet.		(64,533)
Net pension liability applicable to the District is not due and payable in the current period and accordingly is not reported as a liability in the fund financial statements.		(8,966,891)
Deferred inflows and outflows of resources related to pension are not reported in the fund statements. Balances as of June 30, 2019 are as follows:		
Deferred outflows of resources	2,008,175	
Deferred inflows of resources	(878,859)	1,129,316
Total Net Position		$ (7,004,245)

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	General Fund Fire Operations	Special Revenue Fund HFPD PERS	Capital Projects Fund Fire Capital	Total Governmental Funds
Revenues:				
Use of money and property	$ 23,399	$ 10,389	$ 22,943	$ 56,731
Charges for services	458,130	-	-	458,130
Intergovernmental Revenue	-	535,636	-	535,636
Total Revenues	481,529	546,025	22,943	1,050,497
Expenditures:				
Current:				
Public safety- fire	4,545,998	-	-	4,545,998
Total Expenditures	4,545,998	-	-	4,545,998
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,064,469)	546,025	22,943	(3,495,501)
Other Financing Sources:				
Transfers In		750,000		750,000
Transfers Out	-	-	(750,000)	(750,000)
Total Other Financing Sources	-	750,000	(750,000)	-
Extraordinary Gain/Loss:				
Special Item - transfer of fire operations to county	5,096,561	-	(6,038,122)	(941,561)
Total Extraordinary Gain/Loss	5,096,561	-	(6,038,122)	(941,561)
Net Change in Fund Balances	1,032,092	1,296,025	(6,765,179)	(4,437,062)
Fund balances at beginning of year	(1,032,092)	-	6,765,179	5,733,087
Fund balances at end of year	$ -	$ 1,296,025	$ -	$ 1,296,025

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		$ (4,437,062)
The governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense		(181,091)
Decrease in long-term deposits are included in governmental activities in the government-wide Statement of Activities.		(11,151)
OPEB expense is recognized when paid in the Statement of Revenues, Expenditures, and Changes in Fund Balances, and recognized in the period when incurred in the Statement of Activities.		(71,688)
Increase in claims payable are included in governmental activities in the government-wide Statement of Activities.		8,082
Long-term assets transferred to the San Bernardino County Fire Protection District were not recognized as part of Special Items in the Statement of Revenues, Expenditures and Changes in Fund Balances:		
Transfer of Capital Assets	$ (8,452,679)	
Cancelation of Lease Agreement	2,380,000	(6,072,679)
Contributions to the pension plan in the current year are not included in the statement of activities.		(94,783)
Change in net position of governmental activities.		$ (10,860,372)

See accompanying notes to financial statements.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

a. Description of Reporting Entity:
The Hesperia Fire Protection District (the District) is a subsidiary district of the City of Hesperia. It was originally organized, circa 1957, as a subsidiary district under San Bernardino County, and later, on July 1 1988, became a subsidiary district of the City. Its mission is to protect the health and safety of the people who reside, visit, or work in the community. The District is the City of Hesperia's lead agency for dealing with natural disasters such as earthquakes, floods, storms, and other emergencies related to fire, explosion, hazardous materials, rescue, and medical services. As of November 1, 2018, the Hesperia Fire Protection District completed the Local Agency Formation Commission (LAFCO) annexation process with San Bernardino County Fire. San Bernardino County Fire has assumed full responsibility for providing fire protection and ambulance services. The District continues to exist until outstanding retirement obligations are satisfied.

The District is an integral part of the reporting entity of the City of Hesperia (the City). The accounts of the District have been included within the scope of the basic financial statements of the City because the City Council has financial accountability over the operations of the District. Only the accounts of the District are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Hesperia. Upon completion, the financial statements of the City can be obtained at City Hall.

b. Basis of Presentation:

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Hesperia Fire Protection District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Hesperia Fire Protection District has no business-type activities.

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. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b. Basis of Presentation (Continued):

Governmental Fund Financial Statements:

The accounting system of the Hesperia Fire Protection District is organized and operated on the basis of fund, which is considered to be a complete accounting entity. The fund accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in the individual fund based upon the purpose for which to be spent and the means by which spending activities are controlled.

Pursuant to Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the fund balance reported on the fund statements now consist of the following category:

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

In the government-wide statements, the District considers restricted funds to be spent first, then unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available.

The District has three major funds described below:

General Fund - Fire Operations – is used to accounts for the District's operational activities.

HFPD (PERS) - Special Revenue Fund – is used to accounts for the District's CalPERS obligation of HFPD activities.

Fire Capital - Capital Projects Fund - is used to account for the District's capital acquisition activities.

c. Measurement Focus:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Measurement Focus (Continued):

In the fund financial statements, all governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as a fund asset. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

In the Statement of Net Position, net position is classified in the following categories:

- Investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position – This amount is all net position that do not meet the definition of “investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

d. Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Basis of Accounting (Continued):

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

e. New Accounting Pronouncements:

Current Year Standards:

- GASB Statement No. 83 - “Certain Asset Retirement Obligations”, effective for periods beginning after June 15, 2018, and did not impact the District.
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for periods beginning after December 15, 2018, and did not impact the District.
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for periods beginning after December 15, 2019, and did not impact the District.

Pending Accounting Standards:

GASB has issued the following statements, which may impact the District’s financial reporting requirements in the future:

- GASB Statement No. 84 - “Fiduciary Activities”, effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 - “Leases“, effective for periods beginning after December 15, 2019.
- GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, effective for periods beginning after December 15, 2018.
- GASB 91 - Conduit Debt Obligations, effective for periods beginning after December 15, 2020.

f. Property Taxes:

Real property taxes are levied on July 1 against owners of record at January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

g. Cash and Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof, see Note 2).

h. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program.

i. 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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category both related to the implementation of GASB 68:

- Deferred Outflow Related to Pensions and OPEB – These amounts are equal to employer contributions made after the measurement date of the net pension liability and net OPEB liability.
- Deferred Outflow Related to Pensions for the Changes in Employer's Proportion and Differences between Employer Contributions and the Employer's Proportionate Share of Contributions – This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans.
- Deferred Outflow Related to Pensions - These items are the difference in projected and actual earnings on investments of the pension plan and are amortized over five years.
- Deferred Outflow Related to Pensions for Differences between Expected and Actual Experience – This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions throughout the plans.
- Deferred Outflow Related to Change in Proportion – OPEB. The District's proportion of the total OPEB liability was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined.
- Deferred Outflows Related to Pensions for Changes in assumptions – This amount is amortized over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions throughout the plan.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

i. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred Outflow Related to Pensions - For the difference between expected and actual experience, changes in assumptions, and differences between the District's contributions and proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with pensions through the plans.
- Deferred Outflows Related to OPEB – For difference between expected and actual experience changes in assumption this is amortized over a closed period equal to the average of the difference between expected and actual expense and the expected remaining service lives of all employees provided with pensions through the plans.

j. Pensions:

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office for the measurement period ended June 30, 2018 and reported in fiscal year ending June 30, 2019. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Receivables:

All accounts, taxes, and service receivables are shown net of an allowance for uncollectibles.

l. Use of Estimates:

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2019 are classified in the accompanying financial statements as follows on the following page:

STATEMENT OF NET POSITION

Current Assets:	June 30, 2019
Cash and cash equivalents	$ 2,040,515
Total cash and investments	$ 2,040,515

Investments Authorized by the California Government Code and the District's Investment Policy:

The table below on the following page identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) 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	100%	None
U.S. & State or Local Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	15%	None
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None
Medium-Term Notes	5 years	30%	None
Mutual & Money Market Funds	90 days	20%	None
Collateralized Bank Deposits	5 years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 years	10%	None

Disclosures Related to Interest Rate Risk, Credit Risk and Custodial Credit Risk:

Equity in the Cash and Investment Pool of the City of Hesperia

The District has no separate bank accounts or investments other than in its equity in the cash and investment pool managed by the City of Hesperia. The District is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Hesperia. The fair value of the District's investment in this pool is reported in the accompanying financial statements of amounts based upon the District's pro-rata share of the fair value calculated by the City for the entire City's portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded at the estimated fair value. Additional disclosures regarding $2,040,515 pooled investments related to interest rate risk, credit risk and custodial credit risk are available in the City of Hesperia's Comprehensive Annual Financial Report.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

   Disclosures Related to Interest Rate Risk, Credit Risk, Custodial Credit Risk and Fair Value Measurements:

   The District's cash and cash equivalents are pooled with the City of Hesperia's cash and investments. Additional disclosures regarding the pooled investments related to interest rate risk, credit risk, custodial credit risk, and fair value measurements are available in the City of Hesperia's Comprehensive Annual Financial Report.

3. LEASE AGREEMENT:

   During the fiscal year ended June 30, 2010, the Hesperia Fire Protection District entered into an agreement with the County of San Bernardino for the joint use of fire station 305. The lease agreement is for a term of twenty-five (25) years, with the County contribution of the fire station and related improvements of $3,500,000, which is reported as deferred revenue on the Statement of Net Position. Revenue is being recognized for the amount paid by the County to the Fire District on a straight line basis over the life of the lease of twenty-five (25) years. The construction of the fire station was completed on June 30, 2010. The Lease Agreement was terminated on November 1, 2018 as a result of the annexation discussed on Note 10.

4. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
Capital Assets, not being depreciated				
Land	$ 676,779	$ -	$ (676,779)	$ -
Total capital assets, not being depreciated	676,779	-	(676,779)	-
Capital Assets being depreciated:				
Land Improvements	102,113	-	(102,113)	-
Vehicles	5,592,999	-	(5,592,999)	-
Machinery and equipment	1,019,636	-	(1,019,636)	-
Buildings and improvements	8,634,045	-	(8,634,045)	-
Total capital assets, being depreciated	15,348,793	-	(15,348,793)	-
Less accumulated depreciation for:				
Land Improvements	(101,941)	(73)	102,014	-
Vehicles	(4,895,020)	(78,621)	4,973,641	-
Machinery and equipment	(618,735)	(29,757)	648,492	-
Building and improvements	(1,776,106)	(72,640)	1,848,746	-
Total accumulated depreciation	(7,391,802)	(181,091)	7,572,893	-
Total capital assets, being depreciated, net	7,956,991	(181,091)	7,572,893	-
Governmental-type activities capital assets,net	$ 8,633,770	$ (181,091)	$ (8,452,679)	$ -

5. LONG-TERM DEBT:

Following is a summary of the changes in principal balance of long-term debt for the year ended June 30, 2019:

	Principal Balance at June 30, 2018	Additions	Deletions	Principal Balance at June 30, 2019	Due Within One Year
Claims Payable	$ 72,615	$ 47	$ (8,129)	$ 64,533	$ -
	$ 72,615	$ 47	$ (8,129)	$ 64,533	$ -

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM:

a. General Information about the Pension Plans:

Plan Descriptions:

The District's employees participate in the Miscellaneous and Safety Risk Pool Plans of CalPERS. The Plans are cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. A full description of the pension plans benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided:

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. The details of the benefits provided can be obtained in Appendix B of the June 30, 2017 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications or from CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

Effective June 2004, the District had no active employees in the miscellaneous and safety plans. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

a. General Information about the Pension Plans (Continued):

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 the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:

For the fiscal year ended June 30, 2019, the District reported a liability of $8,966,891 for its proportionate share of the net pension liability, which was measured as of June 30, 2018 (the measurement date). The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2018 and 2017 measurement dates, the District's proportion of net pension liability was 0.09% and 0.09%, respectively.

The District recognized pension expense of $892,566 for the fiscal year ended June 30, 2019 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 195,993	$ (3,289)
Changes of Assumtions	882,925	(121,598)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	60,349	-
Change in Employer's Proportion	70,073	(290,235)
Changes in Proportion and Differences between District Contributions and Propportionate Share of Contributions	1,052	(463,737)
District Contributions Subsequent to the Measurement Date	797,783	-
Total	$ 2,008,175	$ (878,859)

$797,783 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows / (Inflows) of Resources
2020	$ 448,200
2021	227,063
2022	(281,214)
2023	(62,516)
2024	-
Thereafter	-

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions

The total pension liability for the June 30, 2018, measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	(1)	(4)
Mortality Rate Table	(2)	(2)
Post-Reirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 10997 to 2015) that can be found on the CalPERS website.
(3) Contract cost of living adjustments of up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.
(4) The plan has no active members; therefore, there is no salary increase.

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

b. Pensión Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by assets class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; and inflation assets are included in both global equity securities and global debt securities.
(b) An expected inflation of 2.0% was used for this period.
(c) An expected inflation of 2.92% was used for this period.

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate:

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent as of the measurement date, as well as, what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Proportionate Share of Net Pension Liability	$ 13,254,185	$ 8,966,891	$ 5,453,717

Pension Plan Fiduciary Net Position:

The pension plan's fiduciary net position was calculated based on the ratios provided by CalPERS on its Schedules of Employer Allocations by Rate Plan and Collective Pension Amounts report for Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

c. Payables to the Pension Plan:

The District had no outstanding contributions payable to the pension plan required for the fiscal year ended June 30, 2019.

7. OTHER POST EMPLOYMENT BENEFITS:

Plan Description:

The District's employees participate in the City's defined postemployment health care plan. The plan which is administered by the City, provides certain healthcare benefits to retired and disabled employees and their applicable beneficiaries. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a separate report.

Liabilities, Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2019, the District reported a liability of $230,239 for its proportionate share of the total OPEB liability, which was measured as of June 30, 2018 (the measurement date). The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the total OPEB liability was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2018 and 2017 measurement dates, the District's proportion of net OPEB liability was 5.4% 1.8%, respectively.

The District recognized OPEB expense of $41,786 for the fiscal year ended June 30, 2019 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources on the next page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 52,457
Change in proportion	164,499	-
Change in assumptions	-	71,393
Employer contributions made subsequent to the measurement date	7,272	-
Total	$ 171,771	$ 123,850

7. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued):

Liabilities, Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued):

$7,272 reported as deferred outflows of resources resulting from City's contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019.

Recognition of deferred outflows and inflows of resources in future OPEB expense:

Fiscal Year Ending June 30,	Outflows / Inflows of Resources
2019	$ (5,096)
2020	(5,096)
2021	(5,096)
2022	(5,096)
2023	(5,096)
Thereafter	(15,167)

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate:

Information on the following page presents the District's total OPEB liability calculated using the discount rate of 3.87 percent as of the measurement date, as well as, what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87 percent) or 1 percentage-point higher (4.87 percent) than the current rate:

	Discount Rate 1% Decrease (2.87%)	Current Discount Rate (3.87%)	Discount Rate 1% Increase (4.87%)
Total OPEB Liability	$ 270,394	$ 230,239	$ 198,495

Sensitivity of District's Total OPEB Liability to Changes in Current Healthcare Cost Trend Rates:

The following presents the District's total OPEB liability calculated using the current cost trend rates of 6% HMO and 6.5% PPO as of the measurement date, as well as, what the total OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower (5% HMO / 5.5% PPO and 1% higher (7% HMO / 7.5% PPO).

	1% Decrease (5.00% HMO / 5.50% PPO decreasing to 4.00% HMO / 4.00% PPO)	Current Healthcare Cost Trend Rates (6.00% HMO / 6.50% PPO decreasing to 5.00% HMO / 5.00% PPO)	1% Decrease (7.00% HMO / 7.50% PPO decreasing to 6.00% HMO / 6.00% PPO)
Total OPEB Liability	$ 193,941	$ 230,239	$ 277,382

7. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued):

Actuarial Methods and Assumptions:

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

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 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 assets, consistent with the long-term perspective of the calculations.

The total OPEB liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The following two tables on the next page provide summaries of the actuarial assumptions and methods:

Valuation Date	June 30, 2018 / Vaulation will be used for 2018/19 and 2019/20 GASB financial statement information
Funding Policy	Pay-as-you-go funding
Discount Rate	3.75% -Long-term expected return on City assets / GASB 75 - 3.87% spot rate - Bond Buyer 02-Bond 20-Year General Obligation Municipal Cond Index on 6/30/2019 to be used for 6/30/2019 GASB 75 financial statement information
General Inflation	2.75% annually / Basis for discount rate and aggregate payroll increase assumptions
Aggregate Payroll Increases	3.00% annually / infaltion plus 0.25% / For Normal Cost calculation an UUAL amortization
Merit Payroll Increases	CalPERS 1997-2015 experience study / Added to aggregate payroll increase assumption for Normal Cost Calculation
PEMHCA Minimum Increases	4.25% annually / General indlation plus 1.50%
CalPERS Service	Actual CalPERS service / Use for CalPERS demographic tables which are based on total CalPERS service

8. FIRE PROTECTION SERVICES AGREEMENT:

The Hesperia Fire Protection District (HFPD) entered into a fire protection services agreement with the San Bernardino County Consolidated Fire District (County) effective June 1, 2004. The agreement called for the County to provide to the District fire prevention, fire investigation, fire suppression, advanced life support services, ambulance transportation service, hazardous materials, and rescue services. November 1, 2016, the Board of Directors of the Fire District approved Resolution Number HFPD 2015-14 requesting the Local Agency Formation Commission (LAFCO) take proceedings for reorganization to annex the Hesperia Fire Protection District (HFPD) to the San Bernardino County Fire Protection District (SBCFD). As such, an application to LAFCO, along with supporting documentation, was made to justify the reorganization. On November 1, 2018, the annexation of the HFPD into the SBCFD concluded with the transfer of all assets and liabilities (excluding the outstanding obligations related to the former personnel of the District for which the HFPD remains an active entity) from the HFPD to the SBCFD. As a result of this annexation, the Lease Agreement detailed in Note 13 concludes. During the fiscal year, the HFPD remitted four monthly payments of $910,478 against the FY 2018-19 contract of $10,925,735 before the contract ended on November 1, 2018.

9. SELF INSURANCE RISK POOL:

Public Entity Risk Management Authority:

The Fire Protection District are members of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 32 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the Board.

Each member is billed annually, and Workers' Compensation premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. The District receives audited financial statements of PERMA each year that have been audited by other auditors.

The District is self-insured for the first $250,000 of each Workers' Compensation and Employers Liability claim, and PERMA will assume each claim's liability between $250,000 and $500,000. Excess liability insurance coverage is obtained from the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) by PERMA on behalf of the District. LAWCX will assume each claims liability between $500,000 and $5,000,000 for employer's liability and Statutory for each workers' compensation claim. For General Liability, the District is self-insured for up to $50,000. PERMA will assume each claim exceeding $50,000 to $1,000,000. The District is self-insured for General Liability including errors and omissions and auto liability up to the first $50,000 for each occurrence, and the difference between the District's $50,000 self-insurance retention and $1,000,000 is covered by PERMA. Excess liability insurance coverage is obtained from CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the District. CSAC-EIA will assume each claim liability between $1,000,000 and $50,000,000.

9. SELF INSURANCE RISK POOL (Continued):

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. There have been no significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2019
Unpaid Claims, Beginning of Fiscal Year	$ 116,274	$ 72,615
Incurred Claims	(30,239)	47
Claim Payments	(13,420)	(8,129)
Unpaid Claims, End of Fiscal Year	$ 72,615	$ 64,533

The Unpaid claims of $64,533 from the chart above are a component of long-term debt (Note 5). Due to the uncertainty of when the claims will be paid none are considered due within one year.

10. TRANSFERS OF OPERATIONS

On November 1, 2016, the Board of Directors of the Fire District approved Resolution Number HFPD 2015-14 requesting the Local Agency Formation Commission (LAFCO) take proceedings for reorganization to annex the Hesperia Fire Protection District (HFPD) to the San Bernardino County Fire Protection District (SBCFD). As such, an application to LAFCO, along with supporting documentation, was made to justify the reorganization. On November 1, 2018, the annexation of the HFPD into the SBCFD concluded with the transfer of all assets from the HFPD to the SBCFD. All assets and liabilities at November 1, 2018 were transferred except for the retirement obligation and claims. There were no considerations received by the City. All revenues and expenses/expenditures up to November 1, 2018 were reported in the accompanying financial statements as operating revenues and expenses with the net value of assets and liabilities reported as transferred is Special Item.

11. SUBSEQUENT EVENT:

Events occurring after June 30, 2019, have been evaluated for possible adjustments to the financial statements or disclosure as of March 10, 2020, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
FIRE DISTRICT OPERATIONS FUND (GENERAL FUND)
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	$ (687,261)	$ (687,261)	$ (1,032,092)	$ (344,831)
Resources (Inflows):				
Taxes	7,549,581	7,549,581	-	(7,549,581)
Use of money and property	49,060	49,060	23,399	(25,661)
Charges for services	3,515,409	3,515,409	458,130	(3,057,279)
Amount available for appropriations	11,114,050	11,114,050	481,529	(10,632,521)
Charges to Appropriations (Outflows):				
Current:				
Public safety - fire	12,050,895	4,568,619	4,545,998	22,621
Total charges to appropriations	12,050,895	4,568,619	4,545,998	22,621
Special Item:				
Transfer of fire operations to County	-	-	5,096,561	5,096,561
Excess of Resources Over (Under) Charges To Appropriations	(936,845)	6,545,431	1,032,092	(5,513,339)
Fund Balance, June 30	$ (1,624,106)	$ 5,858,170	-	$ (5,858,170)

See accompanying note to required supplementary information.

SCHEDULE OF THE HESPERIA FIRE PROTECTION DISTRICT CONTRIBUTIONS
CalPERS Pension Plan
Last 10 Fiscal Years[1]

	2019	2018	2017	2016	2015[1]
Contractually Required Contribution	$ 797,783	$ 651,551	$ 364,190	$ 303,974	$ 245,096
Contributions in Relation to the Contractually Required Contribution	797,783	651,551	364,190	303,974	245,096
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll[2]	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll[2]	N/A	N/A	N/A	N/A	N/A

[1]Historical information was changed from the actuarial determined contributions to actual contributions for each fiscal year as indicated by GASB 68, paragraph 81(b).

[2]The District has no active members, and, therefore, no covered-employee payroll.

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15-Year Smoothed Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.
(2) Depending on age, service, and type of employment.
(3) Net of pension plan investment expense, including inflation.
(4) Minimum 50 years.
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

SCHEDULE OF THE HESPERIA FIRE PROTECTION DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS Pension Plan
Last 10 Fiscal Years[1]

	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability/(Asset)	0.09%	0.09%	0.09%	0.09%	0.08%
District's Proportionate Share of the Net Pension Liability/(Asset)	$ 8,966,891	$ 8,915,040	$ 7,897,864	$ 6,246,032	$ 5,000,861
District's Covered-Employee Payroll[2]	N/A	N/A	N/A	N/A	N/A
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll[2]	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.82%
District's Proportionate Share of Aggregate Employer Contributions[3,4]	$ 916,915	$ 739,794	$ 714,904	$ 711,616	$ 625,338

[1]Historical information is required only for measurement periods for which GASB 68 is applicable.

[2]The District has no active members, and, therefore, no covered-employee payroll.

[3]The District's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The District's proportionate share of aggregate contributions is based on the District's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

[4]This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the District's pension expense.

SCHEDULE OF THE HESPERIA FIRE DISTRICT PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
Last 10 Fiscal Years'

	2019	2018
Fire District's proportion of the total OPEB liability	5.40%	1.80%
Fire District's proportionate share of the total OPEB liability/(asset)	230,239	102,879
Fire District's covered-employee payroll[2]	N/A	N/A
Fire District's proportionate share of the total OPEB liability/(asset) as a percentage of its covered-employee payroll[2]	N/A	N/A

[1]Fiscal Year 2018 was the first year of implementation; therefore, only two years are shown.
[2]For the 12 month period ending on June 30, 2018 (Measurement Date).

June 30, 2019

1. BUDGETARY DATA:

   The District adopts a budget for the General Fund – Fire Operations and Fire District Capital Projects Fund each year. The Board approves each year's budget submitted by the Fire Chief and the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Board. Supplemental appropriations, when required during the period, are also approved by the Board. In most cases, expenditures may not exceed appropriations at the fund level. At fiscal year-end, all operating budget appropriations lapse. The budget for the operations fund is adopted on a basis consistent with generally accepted accounting principles.

BUDGETARY COMPARISON SCHEDULE
FIRE DISTRICT CAPITAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	$ 6,765,179	$ 6,765,179	$ 6,765,179	$ -
Resources (Inflows):				
Taxes	893,191	893,191	-	(893,191)
Use of money and property	49,556	49,556	22,943	(26,613)
Amount available for appropriations	942,747	942,747	22,943	(919,804)
Special Item				
Transfer of operations to County	(6,788,122)	(6,788,122)	(6,788,122)	-
Excess of Resources Over (Under) Charges to Appropriations	(5,845,375)	(5,845,375)	(6,765,179)	(919,804)
Fund Balance, June 30	$ 919,804	$ 919,804	$ -	$ (919,804)

See accompanying note to required supplementary information.