

Idyllwild Fire Protection District

Management Report

June 30, 2015



Fedak & Brown LLP

Certified Public Accountants

Idyllwild Fire Protection District

Management Report

Table of Contents

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Summary of Current Year Comments and Recommendations	2-3
Appendix:	
Audit/Finance Committee Letter	1-4
Schedule of Audit Adjusting Journal Entries	5-8

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Board of Directors
Idyllwild Fire Protection District
Idyllwild, California

Dear Members of the Board:

We have audited the basic financial statements of the Idyllwild Fire Protection District (District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America. We considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of District internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a deficiency, or combination of deficiencies in internal control that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected and corrected, on a timely basis.

Our consideration on internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Ambulance Billing Rates

During our audit of the District's financial statements for the year ended June 30, 2015, we noted that in the sample selection for Ambulance cash receipts for the months of September 2014 and February 2015, the billing rate used to calculate all bills was based off Resolution 013-07 (FY13/14 Rates, effective July 1, 2013). The District passed Resolution 014-03 (FY14/15 rates, effective July 1, 2014) however the rates which CBD (third-party billing service) used were the rates from Resolution 013-07. We noted the change in rates from FY13/14 to FY14/15 was 1.8%. We recommend the District adopt controls to ensure billing rates are being implemented timely and used consistently throughout the year and confirm all billing rate adjustments with the third-party billing service on an annual basis.

Managements Response

We agree with the Auditor's recommendation and will consider the appropriate course of action in the 2016 fiscal year.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2015.

Summary of Prior Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2014.

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP

Cypress, California

December 9, 2015

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APPENDIX

Idyllwild Fire Protection District

Audit/Finance Committee Letter

June 30, 2015



Fedak & Brown LLP

Certified Public Accountants

Board of Directors
Idyllwild Fire Protection District
Idyllwild, California

We have audited the basic financial statements of the Idyllwild Fire Protection District (District) for the year ended June 30, 2015 and 2014 and have issued our report thereon dated December 9, 2015. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated June 24, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management at the Audit Entrance Conference meeting performed during interim fieldwork.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the District during fiscal years 2015 and 2014 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgments about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the position in the basic financial statements are:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits payable is based on the alternative measurement method to determine the liability balance. This alternative measurement method was determined and prepared by the District's third-party actuary. We evaluated the basis, methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's: deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the District's allowance for delinquent/doubtful accounts in Note 3 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area.

Management's Judgments, Accounting Estimates and Financial Disclosures

The most sensitive disclosures affecting the basic financial statements are:

The disclosure of capital assets, net in Note 5 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of other post-employment benefits, in Note 8 to the basic financial statements is based on information which could differ from those in future periods.

The disclosure of the District's defined benefit pension plan in Note 9 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were twenty-one total adjustments to the original trial balance presented to us to begin our audit. Of the twenty-one adjustments all were prepared and proposed by the Auditor. Five of the adjustments related to the implementation of *Governmental Accounting Standards Board* Statement Nos. 68 & 71. We have provided a listing of these audit adjustments to the District's management and have included them at the end of this report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated December 9, 2015.

Conclusion

We appreciate the cooperation extended us by Patrick Reitz, Fire Chief, Mark LaMont, Fire Captain, and Robert Dennis, District Accountant, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown LLP

Cypress, California

December 9, 2015

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**Idyllwild Fire Protection District
Schedule of Audit Adjusting Journal Entries
June 30, 2015**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
AJE - To adjust beginning equity for Station Improvement Fund and WNKI Radio Station at June 30, 2015.			
11-9791	Donation Fund / Beginning Fund Balance	1,484.61	
12-9791	Station Improvement Fund / Beginning Fund Balance	2,669.00	
15-7621	WNKI Radio Station / Other Uses	68.00	
11-3711	Donation Fund / Postage & Freight		1,407.01
11-4590	Donation Fund / Publications and Legal Notices		77.60
12-4772	Station Improvement Fund / Misc. District Expenditure		2,669.00
15-9791	WNKI Radio Station / Beginning Fund Balance		68.00
Total		<u>4,221.61</u>	<u>4,221.61</u>
Adjusting Journal Entries JE # 2			
AJE - To record LAIF interest earned for fiscal year 2015.			
01-9141	General / Local Agency Investment Fund (LAIF)	12.32	
01-9299	General / Interest Receivable - LAIF	3.57	
01-8412	General / LAIF Interest		15.89
Total		<u>15.89</u>	<u>15.89</u>
Adjusting Journal Entries JE # 3			
AJE - To expense fiscal year 2014 prepaid expenses incurred in fiscal year 2015.			
01-4121	General / Computer Systems & Internet	64.83	
01-4301	General / Copier Maintenance	750.46	
01-9330	General / Prepaid Expenditures		815.29
Total		<u>815.29</u>	<u>815.29</u>
Adjusting Journal Entries JE # 4			
AJE - To capitalized fixed asset purchases in fiscal year 2015.			
01-5322	General / Equipment Grant Match	89,370.00	
02-9430	Conversion Entry / Vehicles	89,370.00	
01-5311	General / Vehicles		89,370.00
02-7007	Equipment		89,370.00
Total		<u>178,740.00</u>	<u>178,740.00</u>
Adjusting Journal Entries JE # 5			
AJE - To record depreciation expense for fiscal year 2015.			
02-5320	NA / Depreciation Expense	38,035.00	
02-9425	Conversion Entry / Accumulated Depreciation, Buildings & Improvements		2,041.00
02-9435	Conversion Entry / Accumulated Depreciation, Vehicles		10,737.00
02-9445	Conversion Entry / Accumulated Depreciation, Other Equipment		25,257.00
Total		<u>38,035.00</u>	<u>38,035.00</u>
Adjusting Journal Entries JE # 6			
AJE - To record the amortization of debt principal paid in fiscal year 2015.			
02-9567	Conversion Entry / Lease Payable (Current Portion)	8,828.00	
02-9666	Conversion Entry / Note Payable - USDA Loan	20,936.00	
02-9667	Conversion Entry / Capital Lease Payable (Non-Current Portion)	40,595.00	
01-6621	General / USDA Loan Interest		622.77
02-7002	Debt Service: Kan St. Lease		38,825.19
02-7003	Debt Service: USDA Loan		19,262.00
02-7004	Debt Service: PNC		10,794.04
02-9566	Conversion Entry / Note Payable (Current Portion)		855.00
Total		<u>70,359.00</u>	<u>70,359.00</u>

**Idyllwild Fire Protection District
Schedule of Audit Adjusting Journal Entries
June 30, 2015**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
AJE - To adjust the District's June 2015 contributions to CalPERS to reconcile with CalPERS report.			
01-9523	General / CalPERS District Liability	1,650.07	
01-2101	General / CalPERS Retirement		1,650.07
Total		<u>1,650.07</u>	<u>1,650.07</u>
Adjusting Journal Entries JE # 8			
AJE - To accrue interest on debt as of June 30, 2015.			
02-9581	Conversion Entry / Interest Payable	862.00	
02-7006	Interest Expense: USDA		862.00
Total		<u>862.00</u>	<u>862.00</u>
Adjusting Journal Entries JE # 9			
AJE - To adjust the allowance the doubtful account for receivables outstanding for more than 60 days.			
01-7001	Write Off	10,000.00	
01-9222	General / Allowance for Doubtful Accounts		10,000.00
Total		<u>10,000.00</u>	<u>10,000.00</u>
Adjusting Journal Entries JE # 10			
AJE - To adjust OPEB liability for fiscal year 2015.			
02-1011	Retirement	500.00	
02-9664	Conversion Entry / Other Postemployment Benefits (OPEB)		500.00
Total		<u>500.00</u>	<u>500.00</u>
Adjusting Journal Entries JE # 11			
AJE - To record bank rec for Station Improvement at June 30, 2015.			
12-9111	Station Improvement Fund / Bank Account	3,858.48	
12-8731	Station Improvement Fund / Donations		190.51
12-8739	Newsletter Donation		1,637.50
12-9791	Station Improvement Fund / Beginning Fund Balance		2,030.47
Total		<u>3,858.48</u>	<u>3,858.48</u>
Adjusting Journal Entries JE # 12			
AJE - To adjust the employee receivable balance per the Medical Over Under Report at June 30, 2015.			
01-9228	General / Employee Receivables	20,209.36	
02-1010	Salaries and Wages	18,833.00	
01-2301	General / Health & Welfare Benefits		20,209.36
02-9228	Conversion Entry / Employee Receivables		18,833.00
Total		<u>39,042.36</u>	<u>39,042.36</u>
Adjusting Journal Entries JE # 13			
AJE - To adjust the employee payable balance per the Medical Over Under Report at June 30, 2015.			
01-2301	General / Health & Welfare Benefits	2,315.59	
02-9501	Conversion Entry / Accounts Payable	3,767.00	
01-9528	General / Employee Payable		2,315.59
02-1010	Salaries and Wages		3,767.00
Total		<u>6,082.59</u>	<u>6,082.59</u>

**Idyllwild Fire Protection District
Schedule of Audit Adjusting Journal Entries
June 30, 2015**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 14			
AJE - To adjust campaign fire receivables for Bald, Eiller, Silverado and Way fires served prior to the fiscal year ended June 30, 2015.			
01-9231	General / Campaign Fires	81,022.60	
02-8000	Conv / All Other Local Revenue	9,045.00	
01-8651	General / Mutual Aid Reimbursement		81,022.60
02-9231	Conversion Entry / Campaign Fire Receivable		9,045.00
Total		<u>90,067.60</u>	<u>90,067.60</u>
Adjusting Journal Entries JE # 15			
AJE - To reverse prior year property tax receivable accrual and record current year property taxes receivable to actual at June 30, 2015.			
01-8111	General / Property Taxes-Current Secured (SA1, SS1, SA2, SS2, & SS3)	34,531.89	
01-9211	General / Property Tax Receivable	64,164.90	
02-8111	Property Taxes	26,373.00	
01-8111	General / Property Taxes-Current Secured (SA1, SS1, SA2, SS2, & SS3)		64,164.90
01-9211	General / Property Tax Receivable		34,531.89
02-9211	Conversion Entry / Property Taxes Receivable		26,373.00
Total		<u>125,069.79</u>	<u>125,069.79</u>
Adjusting Journal Entries JE # 16			
AJE - To adjust compensated absences balances at June 30, 2015.			
02-9565	Conversion Entry / Compensated Absence (Current Portion)	18,373.00	
02-9665	Conversion Entry / Compensated Absence (Non-Current Portion)	17,539.00	
02-1010	Salaries and Wages		35,912.00
Total		<u>35,912.00</u>	<u>35,912.00</u>
Adjusting Journal Entries JE # 17			
GASB 68 Entry #1 - To record prior period adjustment for change in accounting principle of GASB 68 as of June 30, 2014.			
01-9460	Deferred Pension Outflows	204,169.00	
01-9793	General / Audit Adjustments	2,315,806.00	
02-9568	Conversion Entry / Cal PERS Side Fund (Current Portion)	32,589.00	
02-9668	Conversion Entry / Cal PERS Side Fund	291,845.00	
01-9569	Net Pension Liability		2,519,975.00
02-9793	Conversion Entry / Audit Adjustments / Net Position		324,434.00
Total		<u>2,844,409.00</u>	<u>2,844,409.00</u>
Adjusting Journal Entries JE # 18			
GASB 68 Entry #2 - To reclassify 2014 contributions to NPL at June 30, 2015.			
01-9569	Net Pension Liability	204,169.00	
01-9460	Deferred Pension Outflows		204,169.00
Total		<u>204,169.00</u>	<u>204,169.00</u>
Adjusting Journal Entries JE # 19			
GASB 68 Entry #3 - To reclassify 2015 contributions to Deferred Outflows of Resources at June 30, 2015.			
01-9460	Deferred Pension Outflows	137,592.48	
01-2102	GASB 68 Adjustment - Contra Expense		137,592.48
Total		<u>137,592.48</u>	<u>137,592.48</u>

**Idyllwild Fire Protection District
Schedule of Audit Adjusting Journal Entries
June 30, 2015**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 20			
GASB 68 Entry #4 - To record changes in pension liability during FY13/14 at June 30, 2015.			
01-2102	GASB 68 Adjustment - Contra Expense	154,452.00	
01-2102	GASB 68 Adjustment - Contra Expense	650,874.00	
01-9460	Deferred Pension Outflows	19,500.00	
01-9569	Net Pension Liability	313,915.00	
01-2102	GASB 68 Adjustment - Contra Expense		52,876.00
01-2102	GASB 68 Adjustment - Contra Expense		464,413.00
01-9579	Deferred Pension Inflows		621,452.00
Total		<u>1,138,741.00</u>	<u>1,138,741.00</u>
Adjusting Journal Entries JE # 21			
GASB 68 Entry #5 - To record changes in the deferred outflows and deferred inflows (amortization) during FY13/14 at June 30, 2015.			
01-9579	Deferred Pension Inflows	124,291.00	
01-2102	GASB 68 Adjustment - Contra Expense		119,160.00
01-9460	Deferred Pension Outflows		5,131.00
Total		<u>124,291.00</u>	<u>124,291.00</u>

Legend:

AJE	Auditor prepared adjusting journal entry
GASB 68	GASB 68 implementation adjusting journal entry

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