



**IDYLLWILD FIRE  
PROTECTION  
DISTRICT**

**ANNUAL  
FINANCIAL  
REPORT**

**JUNE 30, 2017**



**IDYLLWILD FIRE PROTECTION DISTRICT**

**IDYLLWILD, CALIFORNIA**

**JUNE 30, 2017**

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<b>COMMISSIONER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Rhonda Andrewson	President	December 2018
Larry Donahoo	Vice President	December 2020
Jerry Buchanan	Treasurer	December 2020
Jeannine Charles-Stigall	Secretary	December 2018
Henry Sawicki	Commissioner	December 2018

**ADMINISTRATION**

Chief Patrick Reitz

Battalion Chief Mark LaMont

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JUNE 30, 2017

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*FINANCIAL SECTION*

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## Independent Auditor's Report

Board of Commissioners  
Idyllwild Fire Protection District  
Idyllwild, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Idyllwild Fire Protection District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Idyllwild Fire Protection District as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report, continued

### Required Supplementary Information

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

### Prior Period Restatement

As part of our audit of the June 30, 2017, financial statements, we audited the adjustment described in note 14. An adjustment for the other post-employment benefits liability was applied to restate the June 30, 2016, financial statements.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

November 27, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Our discussion and analysis of Idyllwild Fire Protection District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- ▶ The District's net position increased over the course of this year's operations. This is attributed to a couple of things, better operating performance (revenue exceeding expenses) and shrinking proportionate share of pension liability.
- ▶ During the year, the District's expenses of \$2.1 million was less than the \$2.3 million generated in taxes and other revenues for governmental programs (mostly mutual aid). The increase in revenue is due mainly to an increase in mutual aid activity, as well as GEMT.
- ▶ The general fund reported an increase in fund balance this year of over \$67,000.
- ▶ The resources available for appropriation were over \$232,000 more than budgeted for the general fund, again mostly due to more mutual revenue than anticipated. However, expenditures exceeded appropriations by over \$171,000, again mostly due to the one-time legal settlement against the District.



JUNE 30, 2017

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

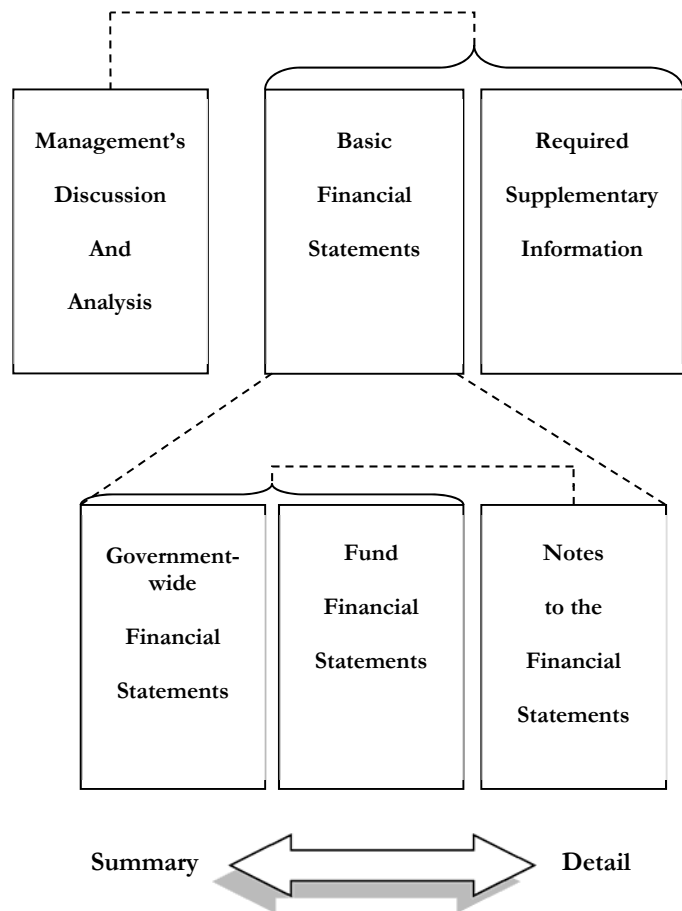
**Figure A-1  
Required Components of Idyllwild Fire Protection District’s Annual Financial Report**

Special-purpose governments engaged in a single governmental program, such as fire protection, cemetery, airport, and other special districts. For such governments, it is still valuable to have both the comprehensive financial information of the governmental activities in the government-wide statements and the predominantly short-term data in the governmental funds statements. However, because there is only a single program, the format of some of the financial statements may seem awkward.

With this in mind, the accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement.

The District has prepared a balance sheet/ statement of net position and a combined statement of revenues, expenditures, and changes in fund balances/ statement of activities like a fund statement format.

– The *governmental funds* statements tell how *general government* services like were financed in the *short term* as well as what remains for future spending.





MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2017

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and relate to one another.

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

**Major Features of Idyllwild Fire Protection District’s Government-wide and Fund Financial Statements**

**Figure A-2**

**Major Features of Idyllwild Fire Protection District’s Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire District government	The activities of the District
Required financial statements	❖ Statement of net position ❖ Statement of activities	❖ Balance sheet ❖ Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

***Government-wide Statements***

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how it has changed. Net position—the difference between the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District’s financial health, or *position*.



MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2017

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District’s most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one kind of fund – *Governmental funds*—The District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**Financial Analysis of the District As a Whole**

**Net position.** The District’s net position increased between fiscal years 2016 and 2017—to a \$1.5 million deficit. (See Table 1.) In comparison, last year net position (deficit) increased to almost \$1.8 million.

**Table 1 - Net Position**

<i>(Amounts in thousands)</i>	<b>2017</b>	<b>Restated 2016</b>	<b>\$ Change</b>	<b>% Change</b>
Current and other assets	\$ 807	\$ 641	\$ 166	26%
Capital assets	269	287	(18)	-6%
<b>Total Assets</b>	1,076	928	148	16%
<b>Deferred outflows of resources</b>	695	211	484	229%
Current liabilities	209	147	62	42%
Non-current liabilities	2,804	2,282	522	23%
<b>Total Liabilities</b>	3,013	2,429	584	24%
<b>Deferred inflows of resources</b>	332	491	(159)	-32%
Net position				
Net investment in capital assets	122	200	(78)	-39%
Unrestricted - (Deficit)	(1,696)	(1,981)	285	-14%
<b>Total Net</b>				
<b>Position - (Deficit)</b>	\$ (1,574)	\$ (1,781)	\$ 207	-12%

The net position (deficit) of the District decreased fourteen percent to \$1.5 million. This deficit does not mean that the District does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments, mostly the pension liability of \$2.6 million, that are greater than currently available resources. Specifically, the District did not include in past annual budgets the full amounts needed to finance future liabilities arising pensions and other long-term commitments. The District will include these amounts in future years’ budgets as they come due.



MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2017

**Changes in net position.** The District's total revenues increased by nineteen percent to almost \$2.3 million. (See Table 2.) Virtually half of the District's revenue comes from property taxes, the rest is mostly a combination mutual aid and ambulance fees. (See Figure 2.)

Total expenses increased only three percent. This led to a decrease in the net deficit by almost \$207,000 in 2017. This compares to a \$48,000 increase in deficit in 2016.

**Table 2 - Changes in Net Position**

<i>(Amounts in thousands)</i>	<b>2017</b>	<b>Restated 2016</b>	<b>\$ Change</b>	<b>% Change</b>
Program revenue	\$ 1,072	\$ 676	\$ 396	59%
General revenue	1,194	1,233	(39)	-3%
<b>Total Revenue</b>	<b>2,266</b>	<b>1,909</b>	<b>357</b>	<b>19%</b>
Salaries and benefits	1,429	1,400	29	2%
Supplies and services	589	502	87	17%
Other charges	41	55	(14)	-25%
<b>Total Expenses</b>	<b>2,059</b>	<b>1,957</b>	<b>102</b>	<b>5%</b>
<b>Increase (Decrease) in net position</b>	<b>\$ 207</b>	<b>\$ (48)</b>	<b>\$ 255</b>	<b>-531%</b>

**Financial Analysis of the District's Funds**

As the District completed the year, its governmental funds reported a *combined* fund balance of over \$603,000, slightly above last year. Included in this year's total change in fund balance is basically the same as the entity-wide:

- ❖ An increase in mutual aid
- ❖ Additional grants, GEMT and Firehouse grant

This compensated for the one-time legal settlement of \$106,000. This resulted in a total increase in fund balance of over \$65,000.

**General Fund Budgetary Highlights**

The District was fairly close for the more static budget items, such as property taxes, salaries and benefits (within four percent of actual activity or a little over \$7,000). Though salaries was over budget, but mostly as it relates to additional mutual aid hours/overtime.

Again, mutual aid came in higher than expected (as did the salary portion, see above). The legal settlement was also unknown during the budget development.



MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2017

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2017, the District had invested \$268,000 in a broad range of capital assets, including land, fire equipment, and buildings. (See Table 3.) This amount represents a net decrease (including additions and depreciation) of \$19,000, or seven percent, from last year.

**Table 3 - Capital Assets, Net of Depreciation**

<i>(Amounts in thousands)</i>	2017	2016	\$ Change	% Change
Land	\$ 101	\$ 101	\$ -	0%
Buildings and improvements	64	68	(4)	-6%
Equipment	103	118	(15)	-13%
<b>Total</b>	<b>\$ 268</b>	<b>\$ 287</b>	<b>\$ (19)</b>	<b>-7%</b>

This year's additions included turn-out gear, as provided by the Firehouse grant.

According to the District's Capital Improvement Plan, ("CIP"), fiscal year 2018 capital budget projects \$183,500, for the following replacements and improvements:

- ❖ One Ford F150 Chiefs Unit (four wheel drive), \$50,000. **C6200**
- ❖ One Ford F150 Battalion Chief Unit (four wheel drive), \$50,000. **B621**
- ❖ Chair, EMS Extrication Chair.(2), \$3,250
- ❖ Hose, Small and Large Diameter Hose, \$3,500
- ❖ Station 621, complete differed building projects, \$22,000
- ❖ Technology, computer/ administrative, \$12,250
- ❖ Cardiac Monitors: ZOLL Cardiac Monitors (2), \$42,000

**Long-Term Debt**

At year-end the District had almost \$2.7 million in combined pension liabilities (NPL and OPEB), \$23,000 in a note payable to Dept. of Agriculture, and \$121,000 in compensated absence balances as shown in Table 4. Management did re-state the OPEB liability to more accurately reflect the liability. More detailed information about the District's long-term liabilities is presented in Notes 8 through 10 of the financial statements.

**Table 4 - Long-Term Liabilities**

<i>(Amounts in thousands)</i>	2017	Restated 2016	\$ Change	% Change
Lease and note payable	\$ 23	\$ 87	\$ (64)	-74%
Vacation accrual	\$ 121	157	(36)	-23%
OPEB	128	94	34	36%
NPL	2,555	2,011	544	27%
Less current portion	(23)	(68)	45	-66%
<b>Total</b>	<b>\$ 2,804</b>	<b>\$ 2,281</b>	<b>\$ 523</b>	<b>23%</b>





## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2017

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

Overall we assumed a three percent increase in both revenue and expenditures. However, more specifically we assumed the following:

- ❖ Property taxes were estimated by the County of Riverside to increase between 3.0% and 3.3 %, but we used a 2.8% increase in property taxes.
- ❖ For ambulance services the District averages (for the last three years) about a 4.0% increase per year, with a collection rate of about 41%. Therefore, we use a 3 % increase with the same collection rate.
- ❖ For salaries we budgeted for 10 career positions and 14 reserve positions.
- ❖ Cal PERS was projected based on their actuary report, which comes out in October, with the following risk pool rates:
  - Safety PEPRA – 11.990% + unfunded liability of \$12
  - Safety Classic – 16.842% + unfunded liability of \$163,936
- ❖ The rest of the benefits were related to Memo of Understanding step increases for coverage.
- ❖ Supplies and services we budgeted around a three percent increase.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Idyllwild Fire Protection District's Chief at 54160 Maranatha Dr., Idyllwild, CA 92549-065.



**GOVERNMENTAL FUNDS BALANCE SHEET  
AND  
STATEMENT OF NET POSITION**

JUNE 30, 2017

	General Fund	Station Improvement Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 560,786	\$ 4,329	\$ 565,115
Accrued receivables	216,081	-	216,081
Internal balances	6,297	(6,297)	-
Prepaid expenditures	9,273	-	9,273
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
<b>Total Assets</b>	792,437	(1,968)	790,469
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	\$ 792,437	\$ (1,968)	790,469
<b>LIABILITIES</b>			
Accrued payables	\$ 187,016	\$ -	\$ 187,016
Long-term liabilities, current	-	-	-
Long-term liabilities, non-current	-	-	-
<b>Total Liabilities</b>	187,016	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>FUND BALANCE / NET POSITION</b>			
<b>Fund Balance</b>			
Non-spendable	9,473	-	9,473
Unassigned - (Deficit)	595,948	(1,968)	593,980
<b>Net Position</b>			
Net investment in capital assets	-	-	-
Unrestricted	-	-	-
<b>Total Fund Balance / Net Position</b>	605,421	(1,968)	603,453
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE / NET POSITION</b>			
	\$ 792,437	\$ (1,968)	\$ 790,469

The accompanying notes are an integral part of these financial statements

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Adjustments (Note 2-A.)	Statement of Net Position
----------------------------	------------------------------

\$ -	\$ 565,115
18,650	234,731
-	-
-	9,273
101,336	101,336
167,281	167,281
<u>287,267</u>	<u>1,077,736</u>
<u>695,000</u>	<u>695,000</u>

<u>\$ 982,267</u>	<u>\$ 1,772,736</u>
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\$ 1,209	\$ 188,225
22,751	22,751
2,803,780	2,803,780
<u>2,827,740</u>	<u>3,014,756</u>
332,000	332,000

(9,473)	-
(593,980)	-

121,800	121,800
<u>(1,695,820)</u>	<u>(1,695,820)</u>

<u>(2,177,473)</u>	<u>(1,574,020)</u>
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<u>\$ 982,267</u>	<u>\$ 1,772,736</u>
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**GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND  
STATEMENT OF ACTIVITIES**

JUNE 30, 2017

	<u>General Fund</u>	<u>Station Improvement Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Program Revenue:			
Charges for services	\$ 1,062,238	\$ -	\$ 1,062,238
Operating grants and contributions	9,326	-	9,326
Property taxes, general purpose	1,043,370	-	1,043,370
Licenses, permits, and franchises	6,685	-	6,685
Fines, forfeits, and penalties	590	-	590
Grants and contributions not restricted to specific programs	76,180	-	76,180
Revenue from use of money	33	-	33
Other revenues	70,368	3,202	73,570
<b>Total Revenue</b>	<b>2,268,790</b>	<b>3,202</b>	<b>2,271,992</b>
<b>EXPENDITURES / EXPENSES</b>			
Current:			
Salaries and wages	1,062,958	-	1,062,958
Benefits	467,981	-	467,981
Supplies	66,777	-	66,777
Services	517,860	4,714	522,574
Depreciation	-	-	-
Capital Outlay	17,761	-	17,761
Debt Service - Principal	64,271	-	64,271
Debt Service - Interest	4,531	-	4,531
<b>Total Expenditures / Expenses</b>	<b>2,202,139</b>	<b>4,714</b>	<b>2,206,853</b>
<b>NET CHANGE IN FUND BALANCE / NET POSITION</b>	<b>66,651</b>	<b>(1,512)</b>	<b>65,139</b>
<b>Fund Balance / Net Position - Beginning (Restated)</b>	<b>538,770</b>	<b>(456)</b>	<b>538,314</b>
<b>Fund Balance / Net Position - Ending</b>	<b>\$ 605,421</b>	<b>\$ (1,968)</b>	<b>\$ 603,453</b>

The accompanying notes are an integral part of these financial statements

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Adjustments (Note 2-B.)	Statement of Activities
----------------------------	----------------------------

\$ -	\$ 1,062,238
-	9,326
(6,383)	1,036,987
-	6,685
-	590
-	76,180
-	33
-	73,570
<hr/>	
(6,383)	2,265,609

120,835	1,183,793
(222,662)	245,319
-	66,777
-	522,574
36,584	36,584
(17,761)	-
(64,271)	-
(454)	4,077
<hr/>	
(147,729)	2,059,124
<hr/>	
141,346	206,485
(2,318,819)	(1,780,505)
<hr/>	
\$ (2,177,473)	\$ (1,574,020)



## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

#### **1 - A. Financial Reporting Entity**

The accompanying financial statements present the activities of Idyllwild Fire Protection District (“the District”). The District was formed in 1946. The District is a body politic in the State of California, established to function as a special district. It was established for the purpose of providing fire protection services for the businesses and residents of Idyllwild, California. Additionally, the District expanded to provide ambulance service/transportation for the residents of Idyllwild.

#### **1 - B. Other Related Entities**

**Joint Powers Authority (“JPA”).** The District is associated with one JPA, Special District Risk Management Authority (“SDRMA”). This organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 13 to the financial statements.

#### **1 - C. Basis of Presentation**

**Government-wide Statements.** The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Program revenues include (a) charges paid by the recipients of ambulance services and mutual aid offered by the District and (b) parcel fee assessments, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental, each displayed in a separate column.

**Combined Fund and Government-Wide Statements.** Governments engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The District presents the combined governmental fund balance sheet/statement of net position, and combined statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities. The explanations for the reconciliation items in the “Adjustments” column are not provided on the face of the statement, but instead are disclosed in the notes. The District realigns the statement of activities to be compatible with the fund financial statement format.



## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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### Major Governmental Funds

**General Fund.** This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other funds.

**Station Improvement Fund.** This fund was established to account for the proceeds from fundraising activities restricted to the financing of the structural and aesthetic improvement of the station.

### 1 - D. Basis of Accounting – Measurement Focus

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

### 1 - E. Assets, Liabilities, and Net Position

**Fair Value.** The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2017:

**Acquisition Value.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

**Prepaid Items.** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Accrued Receivables.** The District considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year.



## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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### Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
General Plant/Structures	50
Cars and Pickups	5-7
Fire Engines	15-20
Ambulances	5-7
Office Equipment	5-10
Office Furniture	10-15
Computer Equipment	5-7

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### Pension

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





## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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### Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

*Nonspendable.* The resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include Endowment Care corpus, inventories, and prepaid assets.

*Assigned.* Resources that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the County for any purpose. When expenditures are incurred and both restricted and unrestricted resources are available, it is the County's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

### 1 - F. Revenue and Expenditures/Expenses

#### Revenues – Exchange Transactions (Program Revenue).

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

#### Property Tax Calendar

Jul. 1	Beginning of the fiscal year and delinquent Secured property taxes DEFAULT and begin accruing additional penalties of 1 ½% per month and a redemption fee.
Jul. 1	Treasurer-Tax Collector mails out Unsecured property tax bills.
Aug./Sep.	Treasurer-Tax Collector mails out Prior Year Secured property tax bills.
Aug. 31	Unsecured property tax delinquent date. A 10% penalty is added after 5:00 p.m.
Oct	Treasurer-Tax Collector mails out Current Year Secured property tax bills.
Nov. 1	First installment is due (Current Secured property tax) and delinquent Current Year Unsecured taxes begin accruing additional penalties of 1½% per month.
Dec.10	First installment payment delinquent date (Current Secured property tax). A 10% penalty is added after 5:00 p.m.
Jan. 1	Lien date for the establishment of ownership, value and unsecured taxes for the ensuing fiscal year.
Feb. 1	Second installment is due (Current Secured property tax).
Apr. 10	Second installment payment delinquent date (Current Secured property tax). A 10% penalty and cost is added after 5:00 p.m.
May	Treasurer-Tax Collector mails delinquent notices for any unpaid, Current Year Secured property taxes.
Jun. 30	End of fiscal year.



## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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### **Expenses/Expenditures.**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of twelve hours for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees gain a vested right to accumulated sick leave. Employees are paid for any sick leave balance at termination of employment. Therefore, the value of accumulated sick leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all employees who retire through Cal PERS. At retirement, each member will receive .004 year of service credit for each eight hours of unused sick leave.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Government Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

### **1 - G. Change in Accounting Estimate**

Management re-evaluated the other postemployment liability and determined it was previously understated, therefore there has been a restatement of the Net Position beginning balance, please see Note for details.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

1 - H. New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see [www.gasb.org](http://www.gasb.org).

**NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

2 - A. Governmental Funds Balance Sheet and Statement of Net Position

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 603,453</b>
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets relating to governmental activities, at historical cost:	\$ 3,422,602	
Accumulated depreciation:	(3,153,985)	268,617

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(1,209)



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**Governmental Funds Balance Sheet and Statement of Net Position, Continued**

Deferred recognition of earned but unavailable revenues:

In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available.

In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred in governmental funds, but are recognized in the government-wide statements, is:

18,650

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net Pension Liability (Asset)	2,555,000	
Net OPEB Obligation	127,945	
Compensated absences payable	120,835	
Capital leases payable	22,751	(2,826,531)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	695,000
Deferred inflows of resources relating to pensions	(332,000)

**Total Net Position - Governmental Activities:** \$ (1,574,020)



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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**2 - B. Governmental Funds Operating Statements and the Statement of Activities**

**Net Changes in Fund Balances - Total Governmental Funds** \$ 65,139

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay: \$	17,761	
Depreciation expense:	(36,584)	(18,823)

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Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

64,271

Earned but unavailable revenues:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(6,383)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

454



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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**Governmental Funds Operating Statements and the Statement of Activities, Continued**

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(120,835)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

213,868

Postemployment benefits other than pensions (“OPEB”):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

8,794

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**Change in Net Position of Governmental Activities:**

\$ 206,485

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***NOTE 3 – DEPOSITS***

*Custodial Credit Risk.* There is a risk that, in the event of a bank failure, the District’s deposits may not be returned. The District’s deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation (“FDIC”) or are collateralized as required by Statutes of the State. As of June 30, 2017, the carrying amount of the District’s bank deposits was \$560,786, and the respective bank balances totaled \$678,119. Of the total bank balance, \$250,000 was insured through the FDIC. The remaining \$428,119 was collateralized with pooled securities held by the financial institutions’ trust departments. These securities are held in the name of the financial institution and not that of the District.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**NOTE 4 – ACCRUED RECEIVABLES**

Receivables at June 30, 2017, were as follows:

	General Fund	District-Wide	Total Governmental Activities
Ambulance income	\$ 175,820	\$ -	\$ 175,820
Taxes	41,524	18,650	60,174
Mutual aid	36,116	-	36,116
Employee	10,121	-	10,121
Other	500	-	500
Allowance for doubtful accounts	(48,000)	-	(48,000)
<b>Total Accrued Receivables</b>	<b>\$ 216,081</b>	<b>\$ 18,650</b>	<b>\$ 234,731</b>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017

	Balance Jul. 01, 2016	Additions	Balance Jun. 30, 2017
<b>Capital Assets Not Being Depreciated</b>			
Land	\$ 101,336	\$ -	\$ 101,336
<b>Capital Assets Being Depreciated</b>			
Structures and improvements	\$ 588,275		\$ 588,275
Vehicles	2,190,654		2,190,654
Furniture and equipment	524,576	17,761	542,337
Total assets being depreciated	3,303,505	17,761	3,321,266
<b>Less Accumulated Depreciation</b>			
Structures and improvements	520,391	3,637	524,028
Vehicles	2,092,027	25,457	2,117,484
Furniture and equipment	504,983	7,490	512,473
Total accumulated depreciation	3,117,401	36,584	3,153,985
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 186,104</b>	<b>\$ (18,823)</b>	<b>\$ 167,281</b>



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**NOTE 6 – INTERFUND BALANCES AND ACTIVITY**

**6 - A. Balances Due to/from Other Funds**

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to Other Funds	Due From Other Funds		
	General Fund	Station Improvement Fund	Total
General Fund		\$ 3,202	\$ 3,202
Special Revenue Fund	9,499		9,499
<b>Total Due From Other Funds</b>	<b>\$ 9,499</b>	<b>\$ 3,202</b>	<b>\$ 12,701</b>

The General Fund owes the Station Improvement Fund for donations deposited into the operating checking account in the amount of	\$ 3,202
The Station Improvement Fund owes the General Fund for station improvements paid for out of the General Fund in the amount of	9,499
<b>Total</b>	<b>12,701</b>

**NOTE 7 – ACCRUED PAYABLES**

Payables at June 30, 2017, were as follows:

	General Fund	District-Wide	Total Governmental
			Activities
Vendors	\$ 155,692	\$ -	\$ 155,692
Payroll related	11,766	-	11,766
Compensated absence	19,558	-	19,558
Interest payable	-	1,209	1,209
<b>Total Accrued Payables</b>	<b>\$ 187,016</b>	<b>\$ 1,209</b>	<b>\$ 188,225</b>





NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**NOTE 8 – LONG-TERM LIABILITIES**

**8 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Restated			Balance	Due In
	Balance	Additions	Deletions	Jun. 30, 2017	One Year
	Jul. 01, 2016				
Note payable	\$ 44,575	\$ -	\$ 21,824	\$ 22,751	\$ 22,751
Lease payable (Kansas State Bank)	42,447	-	42,447	-	-
Net pension (asset)/liability ("NPL"):					
Safety	2,071,394	885,606	345,000	2,612,000	-
Miscellaneous	(60,246)	7,246	4,000	(57,000)	-
	2,011,148	892,852	349,000	2,555,000	-
Other postemployment benefits ("OPEB") - Restated	94,439	75,806	42,300	127,945	-
Compensated absences	157,442	-	36,607	120,835	-
<b>Total Long-Term Liabilities</b>	<b>\$ 2,350,051</b>	<b>\$ 968,658</b>	<b>\$ 492,178</b>	<b>\$ 2,826,531</b>	<b>\$ 22,751</b>

**8 - B. Note Payable**

The District has one note payable payment, due in November 2017. The total payment is \$23,716, which consists of \$22,751 principal and \$969 of interest.

**8 - C. Compensated Absences**

The long-term portion of unpaid employee vacation for the year ended June 30, 2017 was \$120,835. This liability would be paid out of the General Fund.

**NOTE 9 – DEFINED BENEFIT PENSION**

**9 - A. General Information about the Pension Plan**

**Plan Description**

The California Public Employees' Retirement System ("CalPERS" or the System) is a cost-sharing, multiple-employer defined benefit public pension fund. CalPERS provides retirement benefit services for state, school, and public employers. Governed by a 13-member Board of Administration consisting of member-elected, appointed, and ex officio members. Established by legislation in 1931, the System became operational in 1932 to provide retirement to state employees. In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

For accounting purposes only, Public Employees’ Retirement Fund (“PERF”) is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agencies’ rate plans with more than 100 active members. PERF B is a cost-sharing multiple employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally less than 100 active members. The District’s NPL is a part of PERF B

**Benefits Provided**

The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. The District’s part of the Safety and Miscellaneous Plan risk pools, with a benefit formulas of 30% @ 55, and 2.7% @ 57, respectively (more detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Report. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for state Second Tier members) of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

**Contributions**

The CalPERS Annual Valuation Report for Idyllwild Fire Protection District as of June 30, 2014, reported 2016-17 required employer contributions to be 16.656% of creditable salaries for the “Employer Normal Cost Rate,” plus \$140,401 for the “Employer Payment of Unfunded Liability.” The report also reported an employee contribution rate of 9.00%. Contributions to the pension plan from the District was \$218,000 for the year ended June 30, 2017.

**9 - B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability of \$2,555,000 for its proportionate shares of the net pension liability/(asset) from the safety and miscellaneous risk pools. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 agencies, actuarially determined. The District’s proportion was calculated as follows:

	<u>Jun. 30, 2016</u>	<u>Jun. 30, 2015</u>	<u>Difference</u>
<b>Miscellaneous:</b>			
Total Pension Liability Allocation Basis	0.0000021	0.0000019	0.0000002
Fiduciary Net Position Allocation Basis	0.0000081	0.0000079	0.0000001
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0000000	0.0000028	-0.0000028
<b>Safety:</b>			
Total Pension Liability Allocation Basis	0.0005006	0.0005086	-0.0000080
Fiduciary Net Position Allocation Basis	0.0004991	0.0005103	-0.0000112
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0004692	0.0003462	0.0001230



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$275,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 13,000
Changes of assumptions	-	54,000
Net difference between projected and actual earnings on pension plan investments	466,000	180,000
Changes in proportion and differences between District contributions and proportionate share of contributions	11,000	85,000
District contributions subsequent to the measurement date	218,000	-
<b>Total</b>	<b>\$ 695,000</b>	<b>\$ 332,000</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 340,600	\$ 116,100
2019	119,300	106,700
2020	118,700	64,100
2021	116,400	45,100
<b>Total</b>	<b>\$ 695,000</b>	<b>\$ 332,000</b>



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

9 - C. Actuarial Assumptions and Discount Rate Information

**Actuarial Assumptions**

The total pension liabilities/(assets) were determined by actuarial valuations as of June 30, 2015, by fund, which were rolled forward to June 30, 2016, using the following actuarial assumptions:

Inflation rate	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS membership data for all funds
Period Upon Which Actuarial Experience Survey Assumptions Were Based	1997-2011
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter
Discount Rate	7.65%

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experiencestudy-2014.pdf>.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of 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, staff 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

<sup>1</sup> An expected inflation rate of 2.50% used for this period.

<sup>2</sup> An expected inflation rate of 3.00% used for this period.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**Discount Rate**

The discount rates used to measure the total pension liability for the PERF C was 7.65. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board were used. For the PERF C, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability for the PERF C.

**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 current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 3,879,000	\$ 2,555,000	\$ 1,457,000

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN**

**Plan Description**

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Idyllwild Fire Protection District. The Plan offers the following benefits by bargaining unit:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	Retirement from Cal PERS	Retirement from Cal PERS
Minimum Age	Retirement from Cal PERS	Retirement from Cal PERS
Dependent Coverage	Yes	Yes
District Contribution %	100% to cap	100% to cap
District Cap	> \$300 or the statutory minimum	> \$300 or the statutory minimum

**Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed \$42,300 to the Plan, all of which was used for current premiums.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 76,226
Interest on net OPEB obligation	4,250
Adjustment to annual required contribution	(4,670)
<hr/>	
Annual OPEB cost (expense)	75,806
Contributions made	(42,300)
<hr/>	
<b>Increase in net OPEB obligation</b>	<b>33,506</b>
<b>Net OPEB obligation - Beginning of year (Restated)</b>	<b>94,439</b>
<hr/>	
<b>Net OPEB obligation - End of year</b>	<b>\$ 127,945</b>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Jun. 30, 2015	\$ 42,000	58%	\$ 62,950
Jun. 30, 2016	42,900	58%	94,439
Jun. 30, 2017	75,806	56%	127,945

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$646,190, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$646,190. The covered payroll (annual payroll of active employees covered by the plan) was \$908,317, and the ratio of the UAAL to the covered payroll was 71%.

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 benefits.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

**Actuarial Methods and Assumptions**

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

In the June 30, 2013, actuarial valuation, the “entry age normal” actuarial cost method was used. The actuarial assumptions included an inflation rate of 2.75% per year; a 4.5% investment return on plan assets. For medical costs a 4% trend rate was used based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Finally, payroll is assumed to increase 2.75% per year. We used a level percent, closed 30 year amortization period for the initial UAAL. We used a level percent, open 25 year amortization period for any residual UAAL.

**NOTE 11 – FUND BALANCE**

Fund balance components at June 30, 2017, were as follows:

	General Fund	Station Improvement Fund	Total Governmental Funds
Nonspendable			
Revolving account	\$ 200	\$ -	\$ 200
Prepaid expenditures	9,273	-	9,273
Total Nonspendable	9,473	-	9,473
Unassigned (Deficit)	595,948	(1,968)	593,980
<b>Total Fund Balances</b>	<b>\$ 605,421</b>	<b>\$ (1,968)</b>	<b>\$ 603,453</b>

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

As of June 30, 2017, the District is involved in litigation regarding a labor dispute. The settlement against the District was reached in June 2017 with a payout in September 2017. The payout has been accrued as of June 30, 2017, in the amount of \$106,142.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2017

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***NOTE 13 – PARTICIPATION IN A JOINT POWERS AUTHORITY***

The District is a member of SDRMA. The JPA is to provide worker compensation and general liability and property insurance. The relationship is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from them.

During the year ended June 30, 2017, the District made payments of \$22,125 for property and liability and \$24,120 for workers compensation.

***NOTE 14 – PRIOR PERIOD RESTATEMENT***

During the year, management re-evaluated the other postemployment benefit liability and determined it was understated. The effect of the restatements as of June 30, 2017, is as follows:

	<b>Statement of Net Position</b>
Net Position, June 30, 2016	\$ (1,701,148)
Increase In:	
Other postemployment benefits	(79,357)
<b>Restated Net Position</b>	<b>\$ (1,780,505)</b>



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*REQUIRED SUPPLEMENTARY INFORMATION*

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**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUE</b>				
Program Revenue:				
Charges for services	\$ 956,300	\$ 956,300	\$ 1,062,238	\$ 105,938
Operating grants and contributions	-	-	9,326	9,326
Property taxes, general purpose	1,023,600	1,023,600	1,043,370	19,770
Licenses, permits, and franchises	4,500	4,500	6,685	2,185
Fines, forfeits, and penalties	800	800	590	(210)
Grants and contributions not restricted to specif	50,600	50,600	76,180	25,580
Revenue from use of money	-	-	33	33
Other revenues	1,300	1,300	70,368	69,068
<b>Total Revenue</b>	<b>2,037,100</b>	<b>2,037,100</b>	<b>2,268,790</b>	<b>231,690</b>
<b>EXPENDITURES</b>				
Current:				
Salaries and wages	1,021,183	1,021,183	1,062,958	(41,775)
Benefits	497,200	497,200	467,981	29,219
Supplies	53,500	53,500	66,777	(13,277)
Services	374,400	374,400	517,860	(143,460)
Capital Outlay	15,000	15,000	17,761	(2,761)
Debt Service - Principal	68,100	68,100	64,271	3,829
Debt Service - Interest	1,100	1,100	4,531	(3,431)
<b>Total Expenditures</b>	<b>2,030,483</b>	<b>2,030,483</b>	<b>2,202,139</b>	<b>(171,656)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,617</b>	<b>6,617</b>	<b>66,651</b>	<b>60,034</b>
<b>Fund Balance - Beginning</b>	<b>538,770</b>	<b>538,770</b>	<b>538,770</b>	
<b>Fund Balance - Ending</b>	<b>\$ 545,387</b>	<b>\$ 545,387</b>	<b>\$ 605,421</b>	<b>\$ 60,034</b>



**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability (asset) - Safety	0.05%	0.05%	0.05%
District's proportion of the net pension liability (asset) - Miscellaneous	-0.002%	-0.002%	-0.002%
District's proportionate share of the net pension liability (asset) - Safety	\$ 2,612,000	\$ 2,072,000	\$ 2,061,000
District's proportionate share of the net pension liability (asset) - Miscellaneous	(57,000)	(59,000)	(59,000)
<b>Total</b>	<b>\$ 2,555,000</b>	<b>\$ 2,013,000</b>	<b>\$ 2,002,000</b>
District's covered payroll	633,000	606,000	591,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	413%	342%	349%
Plan fiduciary net position as a percentage of the total pension liability - Safety	73%	77%	79%
Plan fiduciary net position as a percentage of the total pension liability - Miscellaneous	76%	80%	81%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year



## SCHEDULE OF CONTRIBUTIONS

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 218,000	\$ 211,000	\$ 167,000
Contributions in relation to the contractually required contribution	(218,000)	(211,000)	(167,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	638,000	633,000	606,000
Contributions as a percentage of covered payroll	34%	33%	28%



**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT  
HEALTHCARE PLAN**

**JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2013	\$ -	\$ 646,190	\$ 646,190	0%	\$ 908,317	71%

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*OTHER INDEPENDENT AUDITOR'S REPORT*

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### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Commissioners  
Idyllwild Fire Protection District  
Idyllwild, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Idyllwild Fire Protection District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 27, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California  
November 27, 2017