



**IDYLLWILD FIRE  
PROTECTION  
DISTRICT**

**ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2014**





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**IDYLLWILD FIRE PROTECTION DISTRICT**

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**FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Directors  
Idyllwild Fire Protection District  
Idyllwild, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Idyllwild Fire Protection District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2014, 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 on pages 3 through 11, the required supplementary information on pages 41 and 42 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 6, 2015, 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. That report can be found on pages 45 and 46.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
April 6, 2015



## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014



### 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, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$93 thousand at June 30, 2014. This was an increase of \$296 thousand over the prior year. See Net Position Detail, page 6, for detail and further clarification.
- ▶ Overall revenues were \$1.85 million, which exceeded expenses of \$1.77 million.
- ▶ The general fund reported an increase in fund balance this year of \$273 thousand which included one-time proceeds of \$219 thousand from the sale of our cell tower.

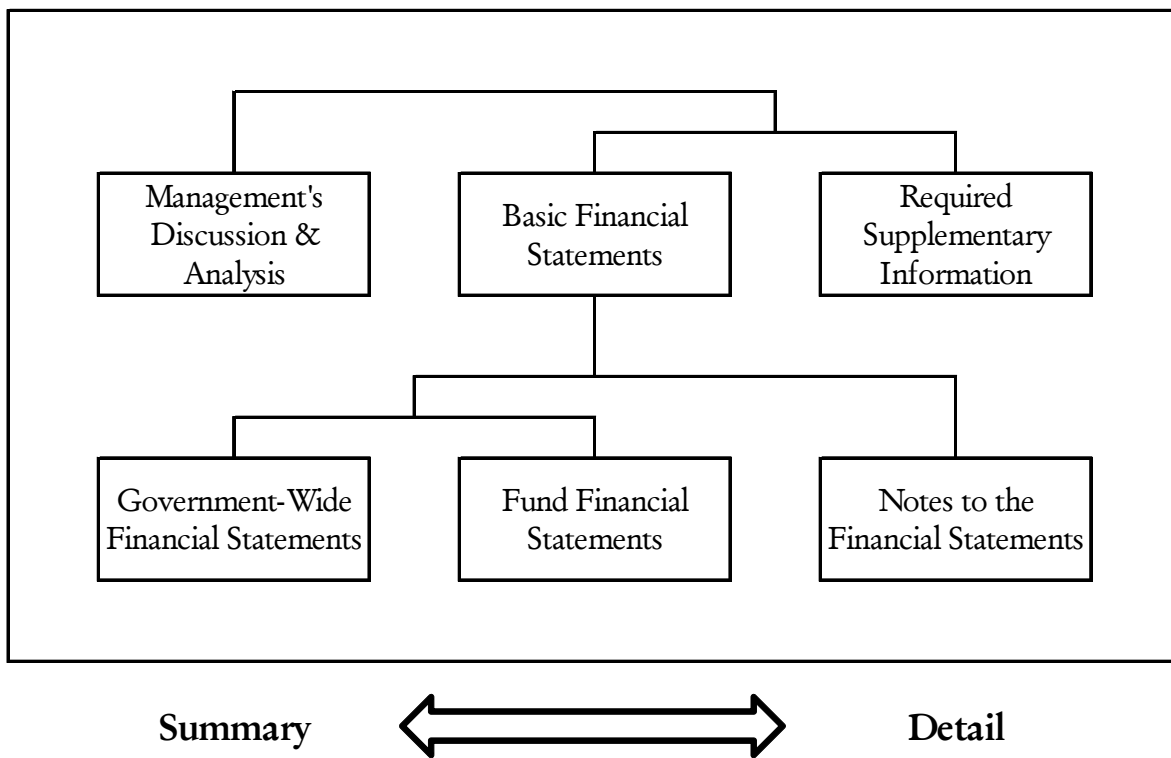


JUNE 30, 2014

## 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:



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.



MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2014

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**

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>
Scope	Entire District government (except fiduciary funds)	The activities of the District.
Required financial statements	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balances</li> </ul>
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



MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2014

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased significantly between fiscal years 2013 and 2014 from a negative \$203 thousand to just over \$93 thousand. (See Table 1.) As an aside, the reason for the negative net position in the prior year was due to the depreciation of the fixed assets relative the leases of some of those fixed assets, as well as additional debt related to employment, the side fund, and OPEB.

The net position of the District's governmental activities increased about 146 percent. However, some of the components either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, and so on). Consequently, the *unrestricted* component of net position showed almost \$70 thousand balance at the end of this year. This does not mean that the District is low on resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are almost equal to currently available resources. Specifically, the District did not include in past annual budgets the full amounts needed to finance future liabilities arising from having to pay for unused employee vacation and sick days, or future retiree benefits. The District will include these amounts in future years' budgets as they come due.

Table 1

<i>(amounts in thousands)</i>	2014	Restated 2013	\$ Change	% Change
<b>ASSETS</b>				
Current assets	\$ 772	\$ 484	\$ 288	60%
Noncurrent assets, net	222	277	(55)	-20%
<b>Total Assets</b>	<b>994</b>	<b>761</b>	<b>233</b>	<b>31%</b>
<b>LIABILITIES</b>				
Current liabilities	343	332	11	3%
Non-current liabilities	558	632	(74)	-12%
<b>Total Liabilities</b>	<b>901</b>	<b>964</b>	<b>(63)</b>	<b>-7%</b>
<b>NET POSITION</b>				
Net investment in capital assets	4	(13)	17	131%
Restricted	19	-	19	n/a
Unrestricted	70	(190)	260	137%
<b>Total Net Position</b>	<b>\$ 93</b>	<b>\$ (203)</b>	<b>\$ 296</b>	<b>146%</b>

In addition, the net position was positively affected by the sale of the cell tower

Please note there was a restatement. This was due to not recognizing other post employment benefit as a liability in the prior year. However, in the current year's financial statement it has been restated to reflect this liability, see long term debt discussion later in the MD & A.



JUNE 30, 2014

**Revenues**

The District's total revenues (excluding the sale of the cell tower) increased by about nine percent to \$1.8 million. (See Table 2.)

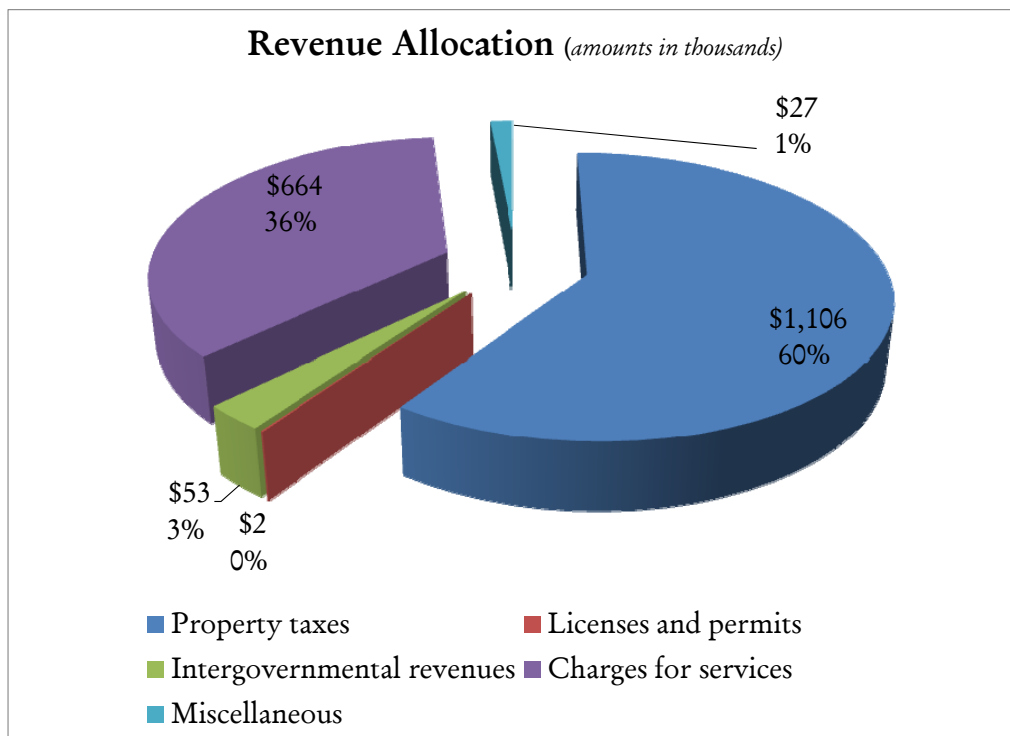
Over sixty percent of the District's revenue comes from property taxes (both secured and unsecured) and the parcel tax assessment.

About thirty-five cents of every dollar raised comes from charges from services, which is made up of the following:

- Ambulance services, net of write-offs (\$402 thousand)
- Riverside County EMS (\$171 thousand)
- Mutual aid (\$86 thousand)
- Plan checks, inspection fees, etc. (\$5 thousand)

About three percent over revenue comes from the state in the form unitary taxes, home owner exemptions, and the volunteer fire assistance grant.

The final one percent is mostly donations, but also permits.





## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2014

### Expenses

The total expenses were virtually unchanged, just under \$1.8 million. The District's expenses cover a range of expense types. (See Table 2)

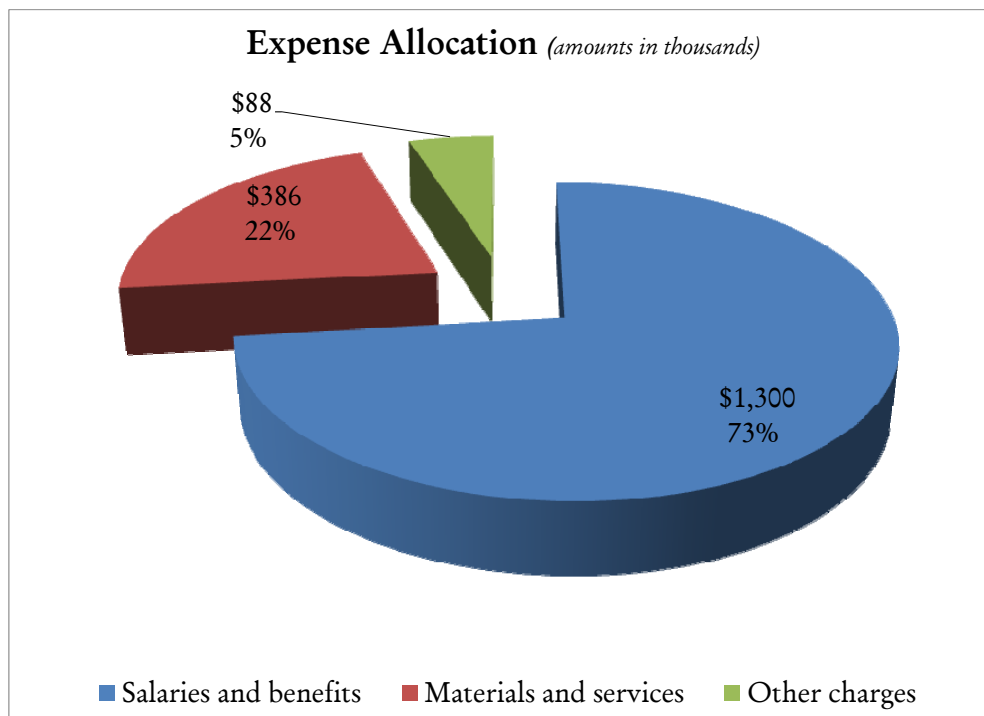
Salaries and benefits make up the majority of expenses, just over seventy-three percent. Of this expense item, a little under \$942 thousand are for salaries and just over \$358 thousand are for benefits.

Materials and supplies constitute almost \$48 thousand. The two single biggest supply purchases are fuel (\$16 thousand) and medical supplies (\$16 thousand). The rest are items such as uniforms, station and office supplies.

Services make up about \$338 thousand. These include expenses such as the following:

- ▶ Professional services such as accounting, legal, payroll, etc. (\$83 thousand)
- ▶ District special expenses, such as items related to fire response, dispatch, EMS licenses, etc. (\$168 thousand)
- ▶ Insurance related about \$19 thousand
- ▶ Utilities and communications (telephone and internet), about \$22 thousand
- ▶ Various other services make up the rest, such as Riverside County administrative fees, dues and subscriptions, repairs and maintenance related services, all told \$46 thousand

Depreciation and interest on long-term debt make up the rest, \$78 thousand and \$10 thousand, respectively.







MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2014

Changes in Net Position

Table 2

<i>(amounts in thousands)</i>	2014	Restated 2013	\$ Change	% Change
<b>REVENUES</b>				
Property taxes	\$ 1,106	\$ 1,089	\$ 17	2%
Licenses and permits	2	7	(5)	-71%
Intergovernmental revenues	53	11	42	382%
Charges for services	664	548	116	21%
Miscellaneous	27	14	13	93%
<b>Total Revenues</b>	<b>1,852</b>	<b>1,669</b>	<b>183</b>	<b>11%</b>
<b>EXPENSES</b>				
Salaries and benefits	1,300	1,323	(23)	-2%
Materials and services	386	365	21	6%
Other charges	88	86	2	2%
<b>Total Expenses</b>	<b>1,774</b>	<b>1,774</b>	<b>-</b>	<b>0%</b>
Special item	218	-	218	n/a
<b>Excess (deficiency)</b>	<b>\$ 296</b>	<b>\$ (105)</b>	<b>\$ 401</b>	<b>382%</b>

Revenues for the District's governmental activities (excluding the sale of cell tower) increased eleven percent, while total expenses increased one percent. With the gain on the sale of the cell tower, the increase in net position was \$296 thousand in 2013/14. This compares to a \$105 thousand decrease in fiscal year 2012/13.

The property taxes generally go up about two percent per year, as set by Proposition 13. However, sales and increased development will also provide increases to property tax base. (Please note, unitary taxes and homeowner exemptions come in with property tax payments from the county, and included with property tax discussion, but are listed in intergovernmental revenues.)

The largest driver of the increase in charges for services was the increase in ambulance income, which had an increase a little over \$98 thousand (just under 32%).

Expenses were relatively static this year as compared to last. However, the largest single increase in expense was due to an increase in dispatch costs of about \$19 thousand.

As previously stated, the largest increase to the District was the sale of the cell tower, as shown in "special item."



MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

JUNE 30, 2014

**Capital Assets**

At June 30, 2014, the District had invested \$3.3 million in a broad range of capital assets, including buildings, building improvements, vehicles, and other equipment. (See Table 3.) This amount represents a net increase of \$23 thousand, over last year.

**Table 3**

<i>(amounts in thousands)</i>	2014	2013	\$ Change	% Change
Land and construction in progress	\$ 101	\$ 101	\$ -	n/a
Buildings and equipment	3,150	3,127	23	1%
Accumulated depreciation	(3,030)	(2,952)	(78)	3%
<b>Total Capital Assets</b>	<b>\$ 221</b>	<b>\$ 276</b>	<b>\$ (55)</b>	<b>-20%</b>

This year's capital asset addition was turnout gear purchased of \$23 thousand.

**Long-Term Liabilities**

At year-end the District had just over \$707 thousand total long-term liabilities (including the current portion)—as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

New debt resulted from increase in the OPEB and compensated absences. However, overall the District's debt decreased as a result of debt service payments. Also, as previously noted, Table 4 reflects a restatement as a result of the OPEB liability that was not previously estimated.

**Table 4**

<i>(amounts in thousands)</i>	2014	Restated 2013	\$ Change	% Change
Net OPEB	\$ 15	\$ 12	\$ 3	25%
Compensated absences	150	118	32	27%
Capital leases	132	185	(53)	-29%
Note payable	86	105	(19)	-18%
Pension liability	324	341	(17)	-5%
Less current portion	(149)	(127)	(22)	17%
<b>Total Long-term Liabilities</b>	<b>\$ 558</b>	<b>\$ 634</b>	<b>\$ (76)</b>	<b>-12%</b>



JUNE 30, 2014

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## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In 2014/15, we budgeted less for salaries and benefits due to anticipation of changes in personnel. Legal expenditures were budgeted to increase, as well as a mid-year increase in budget due to litigation matters and grand jury requests. No anticipated capital purchases for 2014/15, but we do expect some capital outlay in 2015/16. Debt service is expected to decrease due to the payoff of an outstanding lease. Overall budgeted expenditures are expected to stay about the same as last year. The District has added no major new programs or initiatives to the 2015 budget.

Property taxes are expected to increase, benefiting from the 2015 rate increases and increases in assessed valuations.

These indicators were taken into account when adopting the general fund budget for 2015. The amount available for appropriation in the general fund budget is \$1.8 million.

If these estimates are realized at the close of 2014/15, the District's budgetary general fund balance is expected to increase modestly by the close of 2014/15. More importantly, however, this will have been accomplished without repeating the selling of capital assets or restructuring of long-term debt.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Chief Patrick Reitz at 54160 Maranatha Dr., Idyllwild, CA 92549-065 or (951) 659-2153.



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

JUNE 30, 2014

	General Fund	Station Improvement Fund	WNKI Radio Station Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 517,037	\$ 19,584	\$ 3,763
Accrued receivables	176,485	-	-
Due from other funds	4,597	-	-
Prepaid expenditures	815	-	-
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
<b>Total Assets</b>	<b>\$ 698,934</b>	<b>\$ 19,584</b>	<b>\$ 3,763</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 186,397	-	-
Due to other funds	-	4,597	-
Long-term liabilities, current portion	-	-	-
Long-term liabilities, non-current portion	-	-	-
<b>Total Liabilities</b>	<b>186,397</b>	<b>4,597</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION</b>			
<b>Fund balance</b>			
Non-spendable	200	-	-
Spendable			
Restricted	-	14,987	3,763
Assigned	309,588	-	-
Unassigned	202,749	-	-
<b>Net position</b>			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
<b>Total Fund Balances / Net Position</b>	<b>512,537</b>	<b>14,987</b>	<b>3,763</b>
<b>Total Liabilities and Fund Balances / Net Position</b>	<b>\$ 698,934</b>	<b>\$ 19,584</b>	<b>\$ 3,763</b>

The accompanying notes are an integral part of these financial statements

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Total Governmental Funds		Adjustments	Statement of Net Position
\$	540,384	\$ -	\$ 540,384
	176,485	54,251	230,736
	4,597	(4,597)	-
	815	-	815
	-	101,336	101,336
	-	120,490	120,490
<b>\$</b>	<b>722,281</b>	<b>\$ 271,480</b>	<b>\$ 993,761</b>
\$	186,397	\$ 7,191	\$ 193,588
	4,597	(4,597)	-
	-	148,997	148,997
	-	558,487	558,487
	190,994	710,078	901,072
	200	(200)	-
	18,750	(18,750)	-
	309,588	(309,588)	-
	202,749	(202,749)	-
	-	3,769	3,769
	-	18,750	18,750
	-	70,170	70,170
	531,287	(438,598)	92,689
<b>\$</b>	<b>722,281</b>	<b>\$ 271,480</b>	<b>\$ 993,761</b>



**GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE & STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Station Improvement Fund</b>	<b>WNKI Radio Station Fund</b>
<b>REVENUES</b>			
Property taxes	\$ 1,108,906	\$ -	\$ -
Licenses and permits	2,446	-	-
Intergovernmental revenues	52,553	-	-
Charges for services	656,485	-	-
Revenue from use of money	1,165	-	-
Miscellaneous	8,071	16,213	1,400
<b>Total Revenues</b>	<b>1,829,626</b>	<b>16,213</b>	<b>1,400</b>
<b>EXPENDITURES</b>			
Current			
Salaries	910,783	-	-
Benefits	372,646	-	-
Materials and supplies	47,709	-	-
Services	336,390	1,226	800
Depreciation	-	-	-
Capital outlay	23,407	-	-
Debt service			
Principal	71,661	-	-
Interest and other	12,698	-	-
<b>Total Expenditures</b>	<b>1,775,294</b>	<b>1,226</b>	<b>800</b>
<b>Excess (Deficiency) of Revenues</b>			
Over Expenditures	54,332	14,987	600
<b>OTHER FINANCING SOURCES</b>			
Other Sources / Special Item	218,583	-	-
<b>NET CHANGE IN FUND</b>			
<b>BALANCE / NET POSITION</b>			
Beginning (Restated)	272,915	14,987	600
Ending	239,622	-	3,163
Ending	\$ 512,537	\$ 14,987	\$ 3,763

The accompanying notes are an integral part of these financial statements

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Total Governmental Funds	Adjustments	Statement of Activities
\$ 1,108,906	\$ (2,460)	\$ 1,106,446
2,446	-	2,446
52,553	-	52,553
656,485	7,194	663,679
1,165	-	1,165
25,684	-	25,684
<u>1,847,239</u>	<u>4,734</u>	<u>1,851,973</u>
910,783	31,063	941,846
372,646	(14,158)	358,488
47,709	-	47,709
338,416	-	338,416
-	78,104	78,104
23,407	(23,407)	-
71,661	(71,661)	-
12,698	(2,812)	9,886
<u>1,777,320</u>	<u>(2,871)</u>	<u>1,774,449</u>
69,919	7,605	77,524
<u>218,583</u>	<u>-</u>	<u>218,583</u>
288,502	7,605	296,107
242,785	(446,203)	(203,418)
<u>\$ 531,287</u>	<u>\$ (438,598)</u>	<u>\$ 92,689</u>



## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

#### **A. Financial Reporting Entity**

Idyllwild Fire Protection 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; and contracts to provide ambulance transportation services to Pine Cove (Zone 2) and beyond (Zone 3).

#### **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 14 to the financial statements.

#### **C. Basis of Presentation, Basis of Accounting**

##### **Basis of Presentation**

**Combined Presentation.** The District is a special-purpose governments engaged in a single governmental program (fire protection district). 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.

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. The government-wide statements provide information about the primary government. Eliminations have been made to minimize the double counting of internal activities.

**Fund Financial Statements.** The fund financial statements provide information about the District’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.





## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

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*Governmental funds* are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include firefighting/public safety, operation of various restricted programs, and repayment of long-term debt.

### *Major Governmental Funds*

**General Fund.** The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.

**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.

**WNKI Radio Station.** This fund was established to account for the proceeds from private donations restricted to the financing for the operation of the WNKI Radio Station

### **Basis of Accounting**

**Government-Wide and Fiduciary Financial Statements.** The government-wide and fiduciary financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary financial statements are reported using 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.

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.



JUNE 30, 2014

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**Governmental Funds.** Governmental fund financial statements 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 one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Property taxes are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Revenues – Exchange and Non-Exchange Transactions.** 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 taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. Secured property taxes are levied on or before the first business day of September of each year, and become a lien on real property on March 1 proceeding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due on November 1 and delinquent with penalties after December 10; the second is due on February 1 and delinquent with penalties after April 10. The County of Riverside bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the Riverside County Auditor-Controller.

**Unearned Revenue.** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.



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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.

**E. Assets, Liabilities, and Net Position**

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Some short-term cash surpluses are maintained in the county cash and investments pool, the earnings from which are allocated to each fund based on month-end deposit and investment balances.

Investments are reported at fair value, based on quoted market prices, except for money market investments, which are reported at amortized cost.

**Capital Assets**

Capital assets are determined to be single-item purchases with at least an anticipated useful life of five years and exceeding \$5,000 each shall be capitalized as a fixed asset. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed.

Other expenditures of \$5,000 or more that provide a significant increase in future service potential of a fixed asset shall also be capitalized as part of the existing asset. To meet the criteria for a capital expenditure, the purchase should extend the useful life of an asset, increase the quantity of service provided by an asset, or increase the quality of service by an asset. Capital expenditures may include the following: additions (enlargements, expansions or extensions of existing assets), replacements and improvements, and rearrangement and/or relocation of an asset.

Expenditures for normal repairs and maintenance shall not be considered as capital expenditures. Depreciation will be computed over the estimated useful lives of the assets as follows:

<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



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**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.

**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.

**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.

**Fund Balance**

Fund balance is divided into four classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

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*Unassigned* - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### **Net Position**

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2014. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$18,750 of restricted net position.

### **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 Education 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.



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**F. New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

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

**A. Government Funds Balance Sheet and Statement of Net Position**

Total Fund Balance - Governmental Funds \$ 531,287

Amounts reported for assets and liabilities 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	\$ 3,251,347	
	Accumulated depreciation	(3,029,521)	221,826

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:

(3,424)



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**A. Government 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 as a liability in governmental funds, but are recognized in the government-wide statements, is:

	Property tax receivable	26,373	
	Mutual aid receivable	9,045	35,418

Other assets and liabilities not normally received or liquidated with current financial resources. The District accrued the employee settlements as follows:

	Employee receipts	18,833	
	Employee payables	(3,767)	15,066

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 OPEB obligation	14,959	
	Compensated absences	150,034	
	Capital leases payable	132,465	
	Note payable	85,592	
	Cal PERS side fund	324,434	(707,484)
<b>Total Net Position - Governmental Activities</b>			<b>\$ 92,689</b>



JUNE 30, 2014

**B. Government Fund Operating Statements and Statement of Activities**

Net Change in Fund Balances - Governmental Funds \$ 288,502

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:	23,407	
Depreciation expense:	(78,104)	(54,697)

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:

71,661

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 governmental-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:

6,585





NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

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**B. Government Fund Operating Statements and Statement of Activities, Continued**

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 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:

2,812

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 amount earned. The difference between compensated absences paid and compensated absences earned, was:

(31,691)

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:

(2,776)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This includes paydown of Cal PERS side fund and the net of employee settlement paydown and receipts. This year, expenses incurred for such obligations were:

15,711

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**Change in net position of Governmental Activities**

\$ 296,107

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NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

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*NOTE 3 - DEPOSITS AND INVESTMENTS*

**A. Summary of Deposits and Investments**

	<b>Governmental Activities</b>
Cash on hand	\$ 200
Deposits in financial institutions	535,147
Local Agency Investment Fund ("LAIF")	5,037
<b>Total</b>	<b>\$ 540,384</b>

**B. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**C. General Authorizations**

The District is authorized to invest in a broad range of investments, as outlined in California Government Code ("CGC") §53601. As the District's only current "investment" is in LAIF, the details of the authorized investment in CGC §53601 will not be listed in this financial report.



JUNE 30, 2014

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**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the LAIF. See “Specific Identification” for various maturities of the District’s investments.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The underlying investments owned by the district are listed in “Specific Identification.”

**F. Specific Identification**

The District’s LAIF account as of June 30, 2014 has an average maturity of 232 days and its fair market value was \$5,037.

**G. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of \$285,681 was insured, but \$251,515 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**NOTE 4 - ACCRUED RECEIVABLES**

Receivables at June 30, 2014, consisted of the following sources:

	<u>General Fund</u>	<u>District-Wide</u>	<u>Total Governmental Activities</u>
Mutal aid	\$ -	\$ 9,045	\$ 9,045
Local Government			
Property tax	34,018	26,373	60,391
Ambulance collections	168,538	-	168,538
Allowance for doubtful accounts	(32,000)	-	(32,000)
Employee settlement	5,408	18,833	24,241
Other Local Sources	521	-	521
<b>Total</b>	<b>\$ 176,485</b>	<b>\$ 54,251</b>	<b>\$ 230,736</b>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated			
Land	\$ 101,336	\$ -	\$ 101,336
Capital assets being depreciated			
Structures and improvments	\$ 572,301	\$ -	\$ 572,301
Vehicles	2,063,364	-	2,063,364
Equipment, furniture, and fixtures	490,939	23,407	514,346
Total Capital Assets Being Depreciated	3,126,604	23,407	3,150,011
Less Accumulated Depreciation			
Structures and improvments	513,687	2,490	516,177
Vehicles	2,007,086	50,010	2,057,096
Equipment, furniture, and fixtures	430,644	25,604	456,248
Total Accumulated Depreciation	2,951,417	78,104	3,029,521
<b>Depreciable Capital Assets, net</b>	<b>\$ 175,187</b>	<b>\$ (54,697)</b>	<b>\$ 120,490</b>
<b>Total Capital Assets, net</b>	<b>\$ 276,523</b>	<b>\$ (54,697)</b>	<b>\$ 221,826</b>



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

*NOTE 6 - INTERFUND TRANSACTIONS*

Interfund Receivables/Payables (Due From/Due To)

	<u>Due From Other Funds</u>
<u>Due To Other Funds</u>	<u>General Fund</u>
<u>Station Improvement Fund</u>	<u>\$ 4,597</u>

The Station Improvement Fund owes the General Fund for purchases made out of the General Fund in the amount of \$ 4,597

*NOTE 7 - ACCRUED LIABILITIES*

Accrued liabilities at June 30, 2014, consisted of the following:

	<u>General Fund</u>	<u>District-Wide</u>	<u>Total Governmental Activities</u>
Payroll	\$ 61,116	\$ -	\$ 61,116
Payroll related	37,010	-	37,010
Employee settlement	6,036	3,767	9,803
Vendors payable	82,235	-	82,235
Interest payable	-	3,424	3,424
<b>Total</b>	<b>\$ 186,397</b>	<b>\$ 7,191</b>	<b>\$ 193,588</b>



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**NOTE 8 - LONG-TERM LIABILITIES**

**A. Long-Term Liabilities Summary**

	Restated Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year	Long-Term Balance
Capital leases	\$ 184,865	\$ -	\$ 52,400	\$ 132,465	\$ 49,423	\$ 83,042
Compensated absences	118,343	44,302	12,611	150,034	46,904	103,130
Note payable	104,854	-	19,262	85,592	20,081	65,511
Net OPEB obligations	12,183	42,376	39,600	14,959	-	14,959
Cal PERS side fund	341,367	20,865	37,798	324,434	32,589	291,845
<b>Total</b>	<b>\$ 761,612</b>	<b>\$ 107,543</b>	<b>\$ 161,671</b>	<b>\$ 707,484</b>	<b>\$ 148,997</b>	<b>\$ 558,487</b>

**B. Capital Leases**

In 2008 the District purchased a brush truck and type I pumper values at \$524,000 through a capital lease where title will pass to the District at the conclusion of the lease payments. In 2010 the District purchased heart monitors also through a capital lease where title will pass to the District at the conclusion of the lease payments.

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Kansas State Bank	PNC Equipment	Total
2015	\$ 44,382	\$ 10,793	\$ 55,175
2016	44,382	-	44,382
2017	44,382	-	44,382
Total payments	133,146	10,793	143,939
Less: Amount representing interest	(11,279)	(195)	(11,474)
Present value of minimum lease payments	121,867	10,598	132,465

**C. Compensated Absences**

Accumulated unpaid employee vacation and sick leave (one-half of which, capped at 1,440 hours) for the District at June 30, 2014 amounted to \$150,034.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**D. Note Payable**

In 2008, the District entered into a loan agreement with the U. S. Department of Agriculture (“USDA”) for the purchase of a type II fire engine in the amount of \$190,000. The payments are due and payable once per year with an annual interest rate of 4.75%.

The annual requirements to amortize the note payable outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Note Payable		
	Principal	Interest	Total
2015	\$ 20,081	\$ 3,639	\$ 23,720
2016	20,935	2,785	23,720
2017	21,825	1,895	23,720
2018	22,751	969	23,720
<b>Total</b>	<b>\$ 85,592</b>	<b>\$ 9,288</b>	<b>\$ 94,880</b>

**E. Other Post Employment Benefits**

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2014, was \$42,376 and contributions made by the District during the year were \$39,600, which resulted in a net OPEB obligation of \$14,959. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**F. Cal PERS Side Fund**

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the District's "Safety" and "Miscellaneous" plans. The side fund as of June 30, 2014 for the Safety Plan was liability of \$390,348 and for the Miscellaneous Plan was an asset of \$54,334 for a net liability of \$324,434.

The liability has been estimated based on the most recent actuaries, 2013 for both "Safety" and "Miscellaneous" as maturing through 2022 as follows:

Year Ending June 30,	Cal PERS Side-Fund				Total
	Principal	Interest	Estimated Return on Plan Assets	Estimated "Safety" Side Fund Payment	
2015	\$ 32,589	\$ 29,062	\$ (10,162)	\$ 51,489	
2016	34,870	27,323	(9,159)	53,034	
2017	37,311	25,525	(8,210)	54,626	
2018	39,923	23,488	(7,146)	56,265	
2019	42,717	21,193	(5,959)	57,951	
2020 - 2022	202,938	55,898	(9,115)	249,721	
Current "Safety" side fund liability	390,348	\$ 182,489	\$ (49,751)	\$ 523,086	
Current "Miscellaneous" side fund asset	(54,334)				
Estimated "Miscellaneous" side fund earnings	(11,580)				
<b>Total Side Fund Liability</b>	<b>\$ 324,434</b>				





NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Station Improvement Fund	WNKI Radio Station Fund	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	\$ 200	\$ -	\$ -	\$ 200
Spendable				
Restricted				
Station improvement	-	14,987	-	14,987
WNKI	-	-	3,763	3,763
Total Restricted	-	14,987	3,763	18,750
Assigned				
Vehicle purchases	90,000	-	-	90,000
Lesae debt service payments	78,895	-	-	78,895
Compensated absence pay-out	46,904	-	-	46,904
OPEB pay-as-you-go	42,300	-	-	42,300
Cal PERS side fund payment	51,489	-	-	51,489
Total Assigned	309,588	-	-	309,588
Unassigned	202,748	-	-	202,748
<b>Total</b>	<b>\$ 512,536</b>	<b>\$ 14,987</b>	<b>\$ 3,763</b>	<b>\$ 531,286</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District currently does not have a minimum fund balance policy, but is in the process of researching and passing one. However, the District does have sufficient fund balance for a going concern.

**NOTE 10 – DEFERRED COMPENSATION SAVINGS PLAN**

The District participates in a 457 Deferred Compensation Program (“Program”). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.



JUNE 30, 2014

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Market value of the plan assets held in trust by Nationwide Retirement Solutions at June 30, 2014, was \$707,567.

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN AND OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. 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

**B. 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 2014, the District contributed \$39,600 to the Plan, all of which was used for current premiums.

**C. 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:



## NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

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

Annual required contribution	\$	42,349
Interest on net OPEB obligation		549
Adjustment to annual required contribution		(522)
<hr/>		
Annual OPEB cost (expense)		42,376
Contributions made		(39,600)
<hr/>		
Increase in net OPEB obligation		2,776
Net OPEB obligation, beginning of the year		12,183
<hr/>		
Net OPEB obligation, end of the year	\$	14,959

### D. Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the plan was not funded. This results in an unfunded actuarial accrued liability (UAAL) of \$646,190. The covered payroll (annual payroll of active employees covered by the plan) was \$765,560, and the ratio of UAAL to the covered payroll was eighty-four percent.

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



JUNE 30, 2014

**E. Actuarial Methods and Assumptions**

Projections and 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 12 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by an agency of the State of California. Employees are members of the California Public Employees' Retirement System (CalPERS).

**Plan Descriptions**

The District contributes to two plans, Safety 3.0% at 55 Risk Pool and Miscellaneous 2.0% at 60. Both plans are under the California Public Employees' Retirement System (“CalPERS”); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Funding Policy**

Safety plan members are required to contribute 2.0% their base salary, Miscellaneous plan members are required to contribute 7.0% of their base salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2014 was 34.36% for safety and 7.0% for miscellaneous of respective annual payroll. The contribution requirements of the plan members are established by state statute and MOU. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$208,837, \$147,156, and \$155,196, respectively, and equal 100 percent of the required contributions for each year.



JUNE 30, 2014

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*NOTE 13 - COMMITMENTS AND CONTINGENCIES*

**A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

**B. Litigation**

The District is involved in one pending matter and two threatened litigation matters which, at some point, could materially adversely affect the financial condition of the District. However, in the opinion of management and legal counsel, the pending litigation has a likelihood of an unfavorable outcome of less than 50%. As for the threatened litigation, in the opinion of management and legal counsel, at this point it is not possible to evaluate the likelihood of the outcome.

*NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES*

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, 2014, the District made payments of \$19,232 for property and liability and \$30,582 for workers compensation.



NOTES TO THE FINANCIAL STATEMENTS, Continued

JUNE 30, 2014

*NOTE 15 - PRIOR PERIOD RESTATEMENTS*

The prior period adjustments of fund balances and net position consist of the following:

	WNKI Radio Station Fund	Statement of Net Position
Fund Balance / Net Position, June 30, 2013	\$ -	\$ (194,399)
Increase in:		
Deposits in financial institution	3,163	3,163
Other post employment benefits	-	(12,183)
<u>Restated Beginning Fund Balance / Net Position</u>	<u>\$ 3,163</u>	<u>\$ (203,419)</u>

In years past, the WNKI Radio Station Fund has not been included in the financial statements, as of this year's annual financial report, it is to be included.

In years past, the other postemployment benefits liability was not estimated as required per GASB Statements 43 and 45. As of this year this liability has been estimated through the use of an actuary.

*NOTE 16 - SUBSEQUENT EVENTS, PROPERTY TAX ADVANCE*

In July 2014 the District received \$300,000 of advanced property taxes, in lieu of issuing debt for cash flow purposes. \$250,000 of the advance matures on or about December 2014 and \$50,000 matures on or about January 2015, and yields a 0.28% interest rate. Repayment requirements are performed by the County of Riverside and the District receives the net of the difference between the property tax proceeds and the amount owed of principal and interest.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 1,003,412	\$ 1,003,412	\$ 1,108,906	\$ 105,494
Licenses and permits	5,000	5,000	2,446	(2,554)
Intergovernmental revenues	76,581	76,581	52,553	(24,028)
Charges for services	593,061	590,800	656,485	65,685
Revenue from use of money	14,362	14,362	1,165	(13,197)
Miscellaneous	1,500	1,500	8,071	6,571
<b>Total Revenues</b>	<b>1,693,916</b>	<b>1,691,655</b>	<b>1,829,626</b>	<b>137,971</b>
<b>EXPENDITURES</b>				
Current				
Salaries	889,163	890,833	910,783	(19,950)
Benefits	322,670	322,670	372,646	(49,976)
Materials and supplies	57,664	54,415	47,709	6,706
Services	316,605	319,475	336,390	(16,915)
Capital outlay	-	-	23,407	(23,407)
Debt service				
Principal	71,661	71,661	71,661	-
Interest and other	12,191	12,191	12,698	(507)
<b>Total Expenditures</b>	<b>1,669,954</b>	<b>1,671,245</b>	<b>1,775,294</b>	<b>(104,049)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>23,962</b>	<b>20,410</b>	<b>54,332</b>	<b>33,922</b>
<b>Other Financing Sources:</b>				
Other Sources	-	-	218,583	218,583
<b>NET CHANGE IN FUND BALANCE</b>	<b>23,962</b>	<b>20,410</b>	<b>272,915</b>	<b>252,505</b>
<b>Fund Balance - Beginning</b>	<b>239,622</b>	<b>239,622</b>	<b>239,622</b>	
<b>Fund Balance - Ending</b>	<b>\$ 263,584</b>	<b>\$ 260,032</b>	<b>\$ 512,537</b>	<b>\$ 252,505</b>



**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING  
PROGRESS AND EMPLOYER CONTRIBUTION**

**FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Valuation of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ -	\$ 646,190	\$ 646,190	\$ -	\$ 765,560	84%

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**OTHER INDEPENDENT AUDITOR'S REPORT**

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Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA

## Charles Z. Fedak & Company

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An Accountancy Corporation

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### **and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Idyllwild Fire Protection District  
Idyllwild, California

We have audited, in accordance with the 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, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated April 6, 2015.

#### **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.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
April 6, 2015