



**Idyllwild Fire Protection District**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**



# **Mission Statement**

To protect the lives, property, and environment through the provision of comprehensive integrated “All Risk” Fire Protection, Emergency Medical Services and other Emergency Services that result in social, economic and environmental benefits for the community of Idyllwild.

## **Idyllwild Fire Protection District**

### **Board of Directors as of June 30, 2015**

<b>Name</b>	<b>Title</b>	<b>Term Expiration</b>
Jerry Buchanan	President	December 2015
Larry Donahoo	Vice-President	December 2015
Rhonda Andrewson	Secretary	December 2017
Nancy Layton	Treasurer	December 2017
Jeannine Stigall	Commissioner	December 2017

**Idyllwild Fire Protection District  
Patrick Reitz, Fire Chief  
54160 Maranatha Drive  
Idyllwild, CA 92549 • (951) 659-2153  
[www.idyllwildfire.com](http://www.idyllwildfire.com)**

**Idyllwild Fire Protection District**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2015**

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**Idyllwild Fire Protection District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *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, 2015, 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**

### ***Emphasis of Matter***

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

We have previously audited the District's June 30, 2014 financial statement, and we expressed an unmodified audit opinion on those audited financial statement in our report dated April 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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 7, the required supplementary information on pages 38 through 41 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 December 9, 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 42 and 43.

**Fedak & Brown LLP**  
Cypress, California  
December 9, 2015



**Idyllwild Fire Protection District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

As management of the Idyllwild Fire Protection District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2015. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

**Financial Highlights**

- Net position decreased by \$1,776,448 to (\$1,683,759) in 2015. The decrease in net position was due to a \$1,991,372 decrease relating to the implementation of GASB 68 which was offset by a \$214,924 increase as a result of current-year operations. Please see Note 9 for further information.
- Total revenues decreased 0.03%, or \$541 in 2015, due primarily to a decrease of \$173,238 in general revenues which was offset by an increase of \$172,697 in program revenues.
- Total expenses increased 4.58%, or \$80,642 in 2015, due primarily to increases of \$90,357 in contractual services and \$41,138 in employee benefits which was offset by decreases of \$40,069 in depreciation expense and \$18,464 in salaries and wage expense.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**District Activities**

The Idyllwild Fire Protection District was formed in 1946, under an order adopted by the County Board of Supervisors. At the time, the District was comprised of one Fire Chief and a team of volunteer fire suppression personnel who protected the community.

After operating over 65 years, the District now spans approximately 14-square miles and protects over 3,874 citizens. What was once an all-volunteer force is now a full-time fire protection agency comprised of one Fire Chief, one Administrative Captain, three Captains, three Engineers, three fire suppression positions, four reserve paramedics, fourteen reserve emergency medical technicians, two ambulance attendants, one mechanic, and one administrative part-time position.

The District is governed by a five-member elected Board of Directors. The Board is responsible for establishing policies, guidelines and providing direction for Fire District staff. Board meetings are held twice a month, on the 2<sup>nd</sup> and 4<sup>th</sup> Tuesday each month.

The District currently operates out of one full-time fire station and administration building serving the unincorporated mountain communities surrounding and within the Idyllwild and Pine Cove areas.

**Idyllwild Fire Protection District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

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

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors; however, such as changes in the District's property tax and assessment base to assess the *overall health* of the District.

**Governmental Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 37.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance. Required supplementary information can be found after the notes to the financial statements.

**Idyllwild Fire Protection District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Government-wide Financial Analysis**

**Statement of Net Position**

The following table is a summary of the statement of net position at June 30, 2015.

**Condensed Statement of Net Position**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 877,842	771,935	105,907
Capital assets, net	<u>273,161</u>	<u>221,826</u>	<u>51,335</u>
<b>Total assets</b>	<u>1,151,003</u>	<u>993,761</u>	<u>157,242</u>
<b>Deferred outflows of resources</b>	<u>151,961</u>	<u>-</u>	<u>151,961</u>
<b>Liabilities:</b>			
Current liabilities	299,599	342,585	(42,986)
Non-current liabilities	<u>2,189,963</u>	<u>558,487</u>	<u>1,631,476</u>
<b>Total liabilities</b>	<u>2,489,562</u>	<u>901,072</u>	<u>1,588,490</u>
<b>Deferred inflows of resources</b>	<u>497,161</u>	<u>-</u>	<u>497,161</u>
<b>Net position:</b>			
Net investment in capital assets	124,608	3,769	120,839
Restricted for capital projects	10,195	18,750	(8,555)
Unrestricted	<u>(1,818,562)</u>	<u>70,170</u>	<u>(1,888,732)</u>
<b>Total net position</b>	<u>\$ (1,683,759)</u>	<u>92,689</u>	<u>(1,776,448)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position decreased 1,916.57% or \$1,776,448 to \$(1,683,759) in 2015. The decrease in net position was due to a \$1,991,372 decrease relating to the implementation of GASB 68 which was offset by a \$214,924 increase as a result of current-year operations. Please see Note 9 for further information.

A portion of the District's net position (7.40% or \$124,608) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending. At the end of fiscal year 2015, the District shows a negative balance in its unrestricted net position of \$(1,818,562) that may be remediated in future years. (See Note 12 for further information)

**Idyllwild Fire Protection District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Government-wide Financial Analysis**

**Statement of Activities**

The following table is a summary of the statement of activities for the year ended June 30, 2015.

**Condensed Statement of Activities**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Expenses:</b>			
Fire protection operations	\$ 1,841,363	1,760,721	80,642
<b>Total expenses</b>	<u>1,841,363</u>	<u>1,760,721</u>	<u>80,642</u>
<b>Program revenues</b>	853,885	681,188	172,697
<b>General revenues</b>	1,202,402	1,375,640	(173,238)
<b>Total revenues</b>	<u>2,056,287</u>	<u>2,056,828</u>	<u>(541)</u>
Change in net position	214,924	296,107	(81,183)
<b>Net position – beginning of year – as previously stated</b>	92,689	(203,418)	296,107
<b>Prior period adjustment</b>	<u>(1,991,372)</u>	-	<u>(1,991,372)</u>
<b>Net position – beginning of year – as restated</b>	<u>(1,898,683)</u>	<u>(203,418)</u>	<u>(1,695,265)</u>
<b>Net position – end of period</b>	<u>\$ (1,683,759)</u>	<u>92,689</u>	<u>(1,776,448)</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$214,924 as a result of current-year operations, which was offset by a decrease of \$1,991,372 relating to the implementation of GASB 68 during the fiscal year ended June 30, 2015.

**Governmental Funds Financial Analysis**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2015, the District's General Fund reported a fund balance of \$660,872. An amount of \$660,672 constitutes the District's *unassigned fund balance*, which is available for future District operations. The remainder of fund balance of \$200 is *nonspendable, committed or assigned* to indicate that it is not available for future spending because it is held for other activities.

**Idyllwild Fire Protection District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**

**Capital Asset Administration**

Changes in capital assets for 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 101,336	-	-	101,336
Depreciable assets	3,150,011	89,370	-	3,239,381
Accumulated depreciation	<u>(3,029,521)</u>	<u>(38,035)</u>	-	<u>(3,067,556)</u>
Total capital assets, net	<u>\$ 221,826</u>	<u>51,335</u>	<u>-</u>	<u>273,161</u>

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$273,161 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, and equipment and vehicles. (See Note 5 for further information)

**Long-term Debt Administration**

Changes in long-term debt amounts for 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>
Long-term debt:				
Capital lease payable	\$ 143,939	-	(55,175)	88,764
Loan payable	<u>85,592</u>	-	<u>(20,081)</u>	<u>65,511</u>
Total long-term debt	<u>\$ 229,531</u>	<u>-</u>	<u>(75,256)</u>	<u>154,275</u>

At the end of fiscal year 2015, the District's long-term debt amounted to \$154,275. Long-term debt decreased in 2015 due to \$75,276 in regular debt service payments. (See Note 7 for further information)

**Requests for Information**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's Fire Chief, Patrick Reitz, at the Idyllwild Fire Protection District, 54160 Maranatha Drive, Idyllwild, California 92549 or (951) 659-2153.

# **Basic Financial Statements**

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**Idyllwild Fire Protection District**  
**Statement of Net Position**  
**June 30, 2015**

	<b>2015</b>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 516,416
Accrued interest receivable	4
Accounts receivable – ambulance service, net (note 3)	188,063
Property taxes receivable	64,165
Due from other governments	89,781
Employee settlement receivable	17,086
Other receivables	725
Prepaid expenses and other assets	1,602
<b>Total current assets</b>	<b>877,842</b>
<b>Non-current assets:</b>	
Capital assets – not being depreciated (note 5)	101,336
Capital assets – being depreciated, net (note 5)	171,825
<b>Total non-current assets</b>	<b>273,161</b>
<b>Total assets</b>	<b>1,151,003</b>
<b>Deferred outflows of resources:</b>	
Deferred pension outflows (note 9)	151,961
<b>Total deferred outflows of resources</b>	<b>\$ 151,961</b>

Continued on next page

See accompanying notes to the basic financial statements

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**Idyllwild Fire Protection District**  
**Statement of Net Position**  
**June 30, 2015**

	<b>2015</b>
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 74,553
Accrued salaries and related payables	128,654
Accrued interest on long-term debt	2,562
Employee settlement payable	3,768
Long-term liabilities – due within one year:	
Compensated absences (note 6)	28,531
Capital lease payable (note 7)	40,595
Loan payable (note 7)	20,936
<b>Total current liabilities</b>	<b>299,599</b>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences (note 6)	85,591
Capital lease payable (note 7)	42,447
Loan payable (note 7)	44,575
Other post-employment benefits obligation (note 8)	15,459
Net pension liability (note 9)	2,001,891
<b>Total non-current liabilities</b>	<b>2,189,963</b>
<b>Total liabilities</b>	<b>2,489,562</b>
<b>Deferred inflows of resources</b>	
Deferred pension inflows (note 9)	497,161
<b>Total deferred inflows of resources</b>	<b>497,161</b>
<b>Net position (note 13):</b>	
Net investment in capital assets (note 10)	124,608
Restricted for capital projects (note 11)	10,195
Unrestricted (note 12)	(1,818,562)
<b>Total net position</b>	<b>\$ (1,683,759)</b>

See accompanying notes to the basic financial statements



**Idyllwild Fire Protection District**  
**Statement of Activities**  
**June 30, 2015**

<i>Governmental Activities:</i>	<u>2015</u>
<b>Expenses:</b>	
Fire protection operations:	
Salaries and wages	\$ 908,317
Employee benefits	414,691
Contractual services	408,348
Materials and supplies	63,442
Depreciation	38,035
Interest expense – long-term debt	8,530
<b>Total expenses</b>	<u>1,841,363</u>
<b>Program revenues:</b>	
Charges for services – ambulance services	664,222
Charges for services – fire protection services	5,555
Charges for services – mutual aid services	164,869
Operating grants and contributions – fire protection	19,239
<b>Total program revenues</b>	<u>853,885</u>
<b>Net program expense</b>	<u>987,478</u>
<b>General revenues:</b>	
Property taxes	1,189,908
Licenses and permits	4,109
Interest earnings	16
Donation income	100
Other non-operating revenues	8,269
<b>Total general revenues</b>	<u>1,202,402</u>
<b>Change in net position</b>	<u>214,924</u>
<b>Net position – beginning of year – as previously stated</b>	92,689
<b>Prior period adjustment (note 13)</b>	<u>(1,991,372)</u>
<b>Net position – beginning of year – as restated</b>	<u>(1,898,683)</u>
<b>Net position – end of year</b>	<u>\$ (1,683,759)</u>

See accompanying notes to the basic financial statements

**Idyllwild Fire Protection District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position**  
**June 30, 2015**

	<u>General Fund</u>	<u>Station Improvement Fund</u>	<u>WNKI Radio Station Fund</u>	<u>Total Governmental</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Net Position</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 501,824	14,592	-	516,416	-	516,416
Accrued interest receivable	4	-	-	4	-	4
Accounts receivable, net of allowance	188,063	-	-	188,063	-	188,063
Property taxes receivable	64,165	-	-	64,165	-	64,165
Due from other governments	89,781	-	-	89,781	-	89,781
Due from other funds (note 4)	4,597	-	-	4,597	(4,597)	-
Employee settlement receivable	17,086	-	-	17,086	-	17,086
Other receivables	725	-	-	725	-	725
Prepaid expenses and other assets	1,602	-	-	1,602	-	1,602
Capital assets not being depreciated	-	-	-	-	101,336	101,336
Capital assets being depreciated, net	-	-	-	-	171,825	171,825
<b>Total assets</b>	<u>867,847</u>	<u>14,592</u>	<u>-</u>	<u>882,439</u>	<u>268,564</u>	<u>1,151,003</u>
<b>Deferred outflows of resources:</b>						
Deferred pension outflows	-	-	-	-	151,961	151,961
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,961</u>	<u>151,961</u>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	74,553	-	-	74,553	-	74,553
Accrued salaries and wages	128,654	-	-	128,654	-	128,654
Accrued interest payable	-	-	-	-	2,562	2,562
Employee settlement payable	3,768	-	-	3,768	-	3,768
Due to other funds (note 4)	-	4,597	-	4,597	(4,597)	-
Compensated absences	-	-	-	-	114,122	114,122
Capital lease payable	-	-	-	-	83,042	83,042
Loan payable	-	-	-	-	65,511	65,511
Other post-employment benefits obligation	-	-	-	-	15,459	15,459
Net pension liability	-	-	-	-	2,001,891	2,001,891
<b>Total liabilities</b>	<u>206,975</u>	<u>4,597</u>	<u>-</u>	<u>211,572</u>	<u>2,277,990</u>	<u>2,489,562</u>
<b>Deferred inflows of resources:</b>						
Deferred pension inflows	-	-	-	-	497,161	497,161
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,161</u>	<u>497,161</u>
<b>Fund balance:</b>						
Restricted	200	9,995	-	10,195	(10,195)	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	660,672	-	-	660,672	(660,672)	-
<b>Total fund balance</b>	<u>\$ 660,872</u>	<u>9,995</u>	<u>-</u>	<u>670,867</u>	<u>(670,867)</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets						\$ 124,608
Restricted for capital projects						10,195
Unrestricted						<u>(1,818,562)</u>
<b>Total net position</b>						<u>(1,683,759)</u>

See accompanying notes to the basic financial statements

**Idyllwild Fire Protection District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position**  
**June 30, 2015**

**Reconciliation:**

Fund balance of governmental funds		670,867
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds balance sheet.		
Capital assets not being depreciated	\$ 101,336	
Capital assets being depreciated, net	<u>171,825</u>	273,161
Deferred outflows of resources as reported in the Statement of Net Position.		
		151,961
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position.		
Compensated absences	(114,122)	
Capital leases	(83,042)	
Loan payable	(65,511)	
Other post-employment benefits obligation	(15,459)	
Net pension liability	<u>(2,001,891)</u>	(2,280,025)
Deferred inflows of resources as reported in the Statement of Net Position.		
		(497,161)
Interest on long-term debt is not accrued in government funds, but rather is recognized as an expenditure when due.		
		<u>(2,562)</u>
Net position of governmental activities		\$ <u><u>(1,683,759)</u></u>

See accompanying notes to the basic financial statements

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**Idyllwild Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Type Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Station Improvement Fund</u>	<u>WNKI Radio Station Fund</u>	<u>Total Governmental</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses:</b>						
Fire protection operations:						
Salaries and wages	\$ 944,229	-	-	944,229	(35,912)	908,317
Employee benefits	333,284	-	-	333,284	81,407	414,691
Contractual services	399,656	4,829	3,863	408,348	-	408,348
Materials and supplies	63,442	-	-	63,442	-	63,442
Depreciation	-	-	-	-	38,035	38,035
Interest	8,530	-	-	8,530	-	8,530
Capital outlay						
Vehicles and equipment	89,370	-	-	89,370	(89,370)	-
Principal – long-term debt	69,504	-	-	69,504	(69,504)	-
<b>Total expenditures/expenses</b>	<b>1,908,015</b>	<b>4,829</b>	<b>3,863</b>	<b>1,916,707</b>	<b>(75,344)</b>	<b>1,841,363</b>
<b>Program revenues:</b>						
Charges for services – ambulance services	664,222	-	-	664,222	-	664,222
Charges for services – fire protection services	5,555	-	-	5,555	-	5,555
Charges for services – mutual aid services	164,869	-	-	164,869	-	164,869
Operating grants and contributions – fire protection	19,239	-	-	19,239	-	19,239
<b>Total program revenues</b>	<b>853,885</b>	<b>-</b>	<b>-</b>	<b>853,885</b>	<b>-</b>	<b>853,885</b>
<b>Net program expense</b>	<b>1,054,130</b>	<b>4,829</b>	<b>3,863</b>	<b>1,062,822</b>	<b>(75,344)</b>	<b>987,478</b>
<b>General revenues:</b>						
Property taxes	1,189,908	-	-	1,189,908	-	1,189,908
Licenses and permits	4,109	-	-	4,109	-	4,109
Interest earnings	16	-	-	16	-	16
Donation income	-	-	100	100	-	100
Other non-operating revenues	4,399	3,870	-	8,269	-	8,269
<b>Total general revenues</b>	<b>1,198,432</b>	<b>3,870</b>	<b>100</b>	<b>1,202,402</b>	<b>-</b>	<b>1,202,402</b>
<b>Total revenues</b>	<b>2,052,317</b>	<b>3,870</b>	<b>100</b>	<b>2,056,287</b>		
<b>Excess of revenues over expenditures</b>	<b>144,302</b>	<b>(959)</b>	<b>(3,763)</b>	<b>139,580</b>		
<b>Other financing sources(uses):</b>						
Transfers in(out) (note 4)	4,033	(4,033)	-	-		
<b>Net change in fund balance</b>	<b>148,335</b>	<b>(4,992)</b>	<b>(3,763)</b>	<b>139,580</b>	<b>(139,580)</b>	
<b>Change in net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214,924</b>	<b>214,924</b>
Fund balance/Net position – beginning of year	512,537	14,987	3,763	531,287	-	92,689
Prior period adjustment	-	-	-	-	-	(1,991,372)
Fund balance/Net position – beg of year, as restated	512,537	14,987	3,763	531,287	-	(1,898,683)
Fund balance/Net position – end of year	\$ 660,872	9,995	-	670,867	-	(1,683,759)

See accompanying notes to the basic financial statements

**Idyllwild Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Type Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

**Reconciliation:**

Net changes in fund balance of total governmental funds	\$	139,580
Amounts reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		89,370
Depreciation expense		(38,035)
Governmental funds report debt service as expenditures. However, in the statement of activities, the cost of the debt is recorded as interest expense.		
Principal payments – long-term debt		69,504
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences for the current period		35,912
Net change in other post-employment benefits		(500)
Net change in employee benefits as a result of the implementation of GASB 68		(80,907)
Change in net position of governmental activities	\$	<u>214,924</u>

See accompanying notes to the basic financial statements

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**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Idyllwild Fire Protection District was formed in 1946, under an order adopted by the County Board of Supervisors. The District spans approximately 14-square miles and protects over 3,874 citizens. The District is governed by a five-person elected Board of Directors. The Board is responsible for establishing policies, guidelines and providing direction for Fire District staff.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Governmental Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental funds:

**General Fund** – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**Station Improvement Fund** – is used to account for the proceeds from fundraising activities restricted to the financing of structural and aesthetic improvements of the station headquarters building.

**WNKI Radio Station Fund** – is used to account for the proceeds from private donations restricted to the financing the operation of the station.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a general-purpose government which means it is only engaged in general-type activities; accordingly, activities are reported in the District's general fund.

The District has adopted the following GASB pronouncements in the current year:

***Governmental Accounting Standards Board 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 inter-period equity, and creating additional transparency.

***Governmental Accounting Standards Board Statement No. 69 – Government Combinations and Disposals of Government Operations.*** The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68.*** The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

**Prior Year Financial Data Presentation**

The District has determined to present the annual financial statements with prior year data for comparative purposes, but not restate with regard to GASB 68 and 71, as all information available to restate prior year amounts was not readily available.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing management to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

***Local Agency Investment Fund***

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

**4. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When Management deems a customer account uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

**5. Property Taxes and Assessments**

The Riverside County Assessor's Office assesses all real and personal property within the County each year. The Riverside County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Riverside County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.



**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**6. Property Taxes and Assessments, continued**

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Riverside County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

**7. Prepaid Expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**8. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, structures and improvements, vehicles, and furniture and equipment. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

• Structures and improvements	50 years
• Fire engines	15 to 20 years
• Ambulances	5 to 7 years
• Cars and pickups	5 to 7 years
• Office furniture	10 to 15 years
• Office equipment	5 to 10 years
• Computer equipment	5 to 7 years

**9. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of resources applicable to future periods.

**10. Compensated Absences**

The District's policy is to permit full-time employees to accumulate an unlimited amount of earned vacation leave and a maximum of 1,440 hours of sick leave, payable at 50%. Accumulated vacation and sick time is accrued at year-end to account for the District's obligation to the employees for the amount owed.

Governmental fund types recognize the vested vacation and sick leave as an expenditure in the current year to the extent it is paid during the year. The General fund has been used in prior years to liquidate compensated absences for vested vacation as a result of resignations or retirements. Accrued vacation and sick leave relating to the governmental fund is included as both short-term and long-term liabilities in the Statement of Net Position as those are payable from future resources.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**11. Pensions**

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

**12. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

**13. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

During the fiscal year ended June 30, 2015, the District has incurred a negative unrestricted net position balance of (\$1,818,562) due to the implementation of GASB 68. The District intends to reduce the negative unrestricted net position balance through the collection of property taxes and service revenue in future periods.

**14. Fund Balance**

The financial statements and governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**14. Fund Balance, continued**

- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

**Fund Balance Policy**

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels, or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**15. Reclassification**

The District has reclassified certain prior year information to conform with current year presentations.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2015, consist of the following:

	<b>2015</b>
Deposits held on hand	\$ 200
Deposits held with financial institutions	511,167
Deposits held with California Local Agency Investment Fund (LAIF)	5,049
Total	\$ 516,416

As of June 30, 2015, the District's authorized deposits had the following maturities:

Deposits held with the California Local Agency Investment Fund (LAIF)	239 days
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**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(2) Cash and Cash Equivalents, continued**

***Authorized Deposits and Investments***

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest funds as listed in Note 1.D.3 to the financial statements.

***Local Agency Investment Fund***

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Code Section 16429 under oversight of the Treasurer of the State of California. Each agency in the fund may invest up to \$40 million and may invest without limitation in special bond proceeds accounts. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four hour period without loss of accrued interest. Credit and market risk is unknown.

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 is federally insured per institution and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***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; however, LAIF is not rated.

***Concentration of Credit Risk***

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies such as the Local Agency Investment Fund (LAIF) was 0.98% of the District's total depository and investment portfolio as of June 30, 2015.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(3) Accounts Receivable – Ambulance Service, Net**

The accounts receivable – ambulance services, net balance consists of the following as of June 30, 2015:

		<u>General Fund</u>
Accounts receivable – ambulance service	\$	230,063
Allowance for uncollectible receivables		<u>(42,000)</u>
Accounts receivable – ambulance service, net	\$	<u><u>188,063</u></u>

**(4) Internal Balances**

*Due To/From Other Funds*

Internal balances consist of the following as of June 30, 2015:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due to/from Amount</u>
Advancement	General	Station Improvement	\$ <u>4,597</u>
		Total internal balances:	\$ <u><u>4,597</u></u>

In 2014, the General fund advanced the Station Improvement fund \$4,597 due to a negative cash position in that fund. The advancement bears interest at the current LAIF interest earned rate per quarter and is expected to be repaid in fiscal year 2016.

*Interfund Operational Transfers*

Interfund transfers consist of the following for the year ended June 30, 2015:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Station Improvement	General	\$ <u><u>4,033</u></u>

Interfund transfers are used to move revenues to repay the General Fund for purchases made for the Station Improvement Fund prior to the fund receiving its annual funding.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(5) Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 101,336	-	-	101,336
Total non-depreciable assets	<u>101,336</u>	<u>-</u>	<u>-</u>	<u>101,336</u>
Depreciable assets:				
Structures and improvements	572,301	-	-	572,301
Vehicles	2,063,364	89,370	-	2,152,734
Furniture and equipment	514,346	-	-	514,346
Total depreciable assets	<u>3,150,011</u>	<u>89,370</u>	<u>-</u>	<u>3,239,381</u>
Accumulated depreciation:				
Structures and improvements	(516,177)	(2,041)	-	(518,218)
Vehicles	(2,057,096)	(10,737)	-	(2,067,833)
Furniture and equipment	(456,248)	(25,257)	-	(481,505)
Total accumulated depreciation	<u>(3,029,521)</u>	<u>(38,035)</u>	<u>-</u>	<u>(3,067,556)</u>
Total depreciable assets, net	<u>120,490</u>	<u>51,335</u>	<u>-</u>	<u>171,825</u>
Total capital assets, net	<u>\$ 221,826</u>			<u>273,161</u>

Major capital asset additions during the year totaled \$89,370, which consisted of the purchase of two ambulance vehicles.

**(6) Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation. The liability for vested vacation leave is recorded as an expense when earned. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused vacation.

The changes to compensated absences balances at June 30, were as follows:

<u>Balance 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
\$ 150,034	60,939	(96,851)	114,122	28,531	85,591

**(7) Long-Term Debt**

**Capital Leases**

Capital leases payable at June 30, were as follows:

	<u>2014</u>	<u>Additions</u>	<u>Payments</u>	<u>2015</u>
Capital Leases:				
Kansas State Bank	\$ 133,146	-	(50,104)	83,042
PNC Bank	10,793	-	(10,793)	-
<b>Total</b>	<u>143,939</u>	<u>-</u>	<u>(60,897)</u>	<u>83,042</u>
Less current	<u>(55,175)</u>			<u>(44,382)</u>
Total non-current	<u>\$ 88,764</u>			<u>38,660</u>

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(7) Long-Term Debt, continued**

***Capital Leases, continued***

***Kansas State Bank***

On February 1, 2007, the District entered into a capital lease with option to purchase agreement with Kansas State Bank of Manhattan for the purchase of a Brush Truck and Type I Pumper vehicle at a cost of \$524,000. Capital lease payments are due monthly which include principal and interest commencing on February 1, 2008 maturing in fiscal year 2017.

Future capital lease payment requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 40,595	5,557	46,152
2017	42,447	3,787	46,234
Total	83,042	9,344	92,386
Less current	(40,595)		
Total non-current	\$ 42,447		

***PNC Bank***

In 2010, the District entered into a capital lease for the purchase of heart monitor equipment at a cost of \$112,082. Per the terms of the agreement title will pass to the District at the conclusion of the lease payments. Capital lease payments are due monthly which include principal and interest. At June 30, 2015, the capital lease was paid-in-full.

***Loan Payable***

Loan payable at June 30, were as follows:

	<u>2014</u>	<u>Additions</u>	<u>Payments</u>	<u>2015</u>
Loan Payable:				
U.S. Department of Agriculture	\$ 85,592	-	(20,081)	65,511
<b>Total</b>	85,592	-	(20,081)	65,511
Less current	(20,081)			(20,936)
Total non-current	\$ 65,511			44,575



**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(7) Long-Term Debt, continued**

***Loan Payable, continued***

***U.S. Department of Agriculture***

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. Debt service payments are due each annually, maturing in fiscal year 2018.

Future loan payable payment requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 20,936	2,785	23,721
2017	21,825	1,895	23,720
2018	22,750	969	23,719
Total	65,511	5,649	71,160
Less current	(20,936)		
Total non-current	\$ 44,575		

**(8) Other Post-Employment Benefits Payable**

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description – Eligibility***

A retired employee and dependent spouse, or spouse of a deceased employee or retiree must satisfy the following requirements in order to be eligible for post-employment medical and dental benefits:

- Employee is a minimum of 55 years of age with at least 10 years of continuous service.

If the spouse of a deceased employee or retiree remarries and becomes eligible for health benefits under his/her new spouse's health plan, all District benefits shall be terminated.

***Plan Description – Benefits***

The District offers post-employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

***Funding Policy***

The District is required to accrue the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4.68% of the annual covered payroll.



**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(8) Other Post-Employment Benefits Payable, continued**

**Annual Cost**

For the year ended June 30, 2015, the District's ARC cost is \$42,468. The District's net OPEB payable obligation amounted to \$15,459 for the year ended June 30, 2015. The District contributed \$42,000 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2015.

The balance at June 30, consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB cost:			
Annual required contribution (ARC)	\$ 42,468	42,349	42,235
Interest on net OPEB obligation	673	549	429
Adjustment to annual required contribution	(641)	(522)	(408)
Total annual OPEB cost	<u>42,500</u>	<u>42,376</u>	<u>42,256</u>
Change in net OPEB payable obligation			
Medical premium contributions	<u>(42,000)</u>	<u>(39,600)</u>	<u>(39,600)</u>
Total change in net OPEB payable obligation	500	2,776	2,656
OPEB payable – beginning of year	<u>14,959</u>	<u>12,183</u>	<u>9,527</u>
OPEB payable – end of year	<u>\$ 15,459</u>	<u>14,959</u>	<u>12,183</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the three preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>						
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Medical Premium Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>		
2015	\$ 42,500	42,000	98.82%	\$ 15,459		
2014	42,376	39,600	93.45%	14,959		
2013	42,256	39,600	93.71%	12,183		

**Funded Status and Funding Progress of the Plan**

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$646,190. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$908,317. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 71.14%.

See the Schedule of Funding Status of the District's Other Post-Employment Benefits Obligation in the Required Supplementary Information Section on page 41.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(8) Other Post-Employment Benefits Payable, continued**

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization
Amortization period	30 year closed period
Remaining amortization period	25 year open period
Asset valuation method	Not applicable
Actuarial assumptions:	
Investment rate of return	4.75% per year
Inflation – discount rate	2.75% per year
Projected salary increase	2.75% per year
Healthcare cost trend rates	4.00% per year

**(9) Defined Benefit Pension Plans**

***Plans' Description***

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

***Benefits Provided***

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS Safety 3.0% at 55 and Miscellaneous 2.0% at 60, Risk Pool Retirement Plans to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS Safety 3.0% at 62 Retirement Plan or the Miscellaneous 2.0% at 62 Retirement Plan under PEPRA.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(9) Defined Benefit Pension Plans, continued**

*Benefits Provided, continued*

The District's Safety and Miscellaneous Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	<b>Safety Plan</b>		<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 1</b>	<b>Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	3.0% @ 55	3.0% @ 62	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	55 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	3.0% to 3.5%	3.0% to 3.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	2.00%	6.25%	7.00%	6.25%
Required employer contribution rates	18.315%	6.25%	0.000%	6.25%

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District's Safety and Miscellaneous PEPRA tiers. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions recognized as part of pension expense for the Plans' were as follows:

<b>Contribution Source</b>	<b>Safety Plan 2015</b>	<b>Miscellaneous Plan 2015</b>
Contributions – employer	\$ 202,006	2,163
Contributions – employee (paid by employer)	53,722	-
Total employer paid contributions	<u>\$ 255,728</u>	<u>2,163</u>

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(9) Defined Benefit Pension Plans, continued**

***Net Pension Liability***

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

<u>Plan Description</u>	<u>Proportionate Share of Pension (Asset)/Liability 2015</u>
Safety Plan	\$ (59,307)
Miscellaneous Plan	2,061,198
Total Safety & Miscellaneous Plan	<u>\$ 2,001,891</u>

The District's net pension liability for the Plans' is measured as the proportionate share of the net pension liability. The net pension liability of the Plans' is measured as of June 30, 2014, and the total pension liability for the Plans' used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans' relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the pension liability for the District's Plans' as of the June 30, 2013 and June 30, 2014, was as follows:

	<u>District's Safety &amp; Misc Plan</u>
Proportional share – June 30, 2013	0.03126%
Proportional share – June 30, 2014	<u>0.03218%</u>
Change – Increase (Decrease)	<u>0.00092%</u>

As a result of the implementation of the GASB 68 pronouncement, the District recognized pension expense of \$168,877 at June 30, 2015.

***Deferred Pension Outflows (Inflows) of Resources***

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 137,592	-
Net differences between projected and actual earnings on plan investments of the net pension liability	-	(497,161)
Adjustment due to differences in proportions of the net pension liability	<u>14,369</u>	<u>-</u>
Total	<u>\$ 151,961</u>	<u>(497,161)</u>

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(9) Defined Benefit Pension Plans, continued**

*Deferred Pension Outflows (Inflows) of Resources, continued*

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$137,592 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (119,160)
2017	(119,160)
2018	(120,184)
2019	(124,288)
2020	-
Thereafter	-

**Actuarial Assumptions**

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* 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 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate**

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(9) Defined Benefit Pension Plans, continued**

*Discount Rate, continued*

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determine 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculates 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 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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(9) Defined Benefit Pension Plans, continued**

*Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate*

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>Discount Rate – 1%</b> <b>(6.50%)</b>	<b>Current Discount</b> <b>Rate (7.50%)</b>	<b>Discount Rate + 1%</b> <b>(8.50%)</b>
District's			
Net Pension Liability	\$ 3,236,471	2,001,891	984,634

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 39 through 40 for the Required Supplementary Schedules.

**(10) Net Investment in Capital Assets**

The calculation of net investment in capital assets is as follows:

	<b>Governmental</b> <b>Activities</b>
The balance consists of the following:	
Capital assets – not being depreciated	\$ 101,336
Capital assets – being depreciated, net	171,825
Capital lease payable – current portion	(40,595)
Loan payable – current portion	(20,936)
Capital lease payable – long-term portion	(42,447)
Loan payable – long-term portion	(44,575)
Total	\$ 124,608

**(11) Restricted Net Position**

The calculation of restricted net position is as follows:

	<b>Governmental</b> <b>Activities</b>
The balance consists of the following:	
General	\$ 200
Station Improvement	9,995
Total	\$ 10,195



**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(12) Unrestricted Net Position**

The District's Board of Directors has designated the use of the District's June 30, 2015, unrestricted net position as follows:

		<b>Governmental Activities</b>
The balance consists of the following:		
Lease debt service payments	\$	49,939
Compensated absence		28,531
Other post-employment benefits		7,760
Total		<u>86,230</u>
Unassigned		<u>(1,904,792)</u>
Total	\$	<u><u>(1,818,562)</u></u>

**(13) Adjustment to Net Position**

***Pension Related Debt – Side Fund – GASB 68 Implementation***

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District identified that CalPERS has determined that employer obligations identified as “side funds” do not conform to circumstances requiring separately recognized liabilities. Therefore the District recorded a prior period adjustment, increase to net position, of \$324,434 at July 1, 2014.

***Net Pension Liability – GASB 68 Implementation***

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a prior period adjustment, a (decrease) to net position, of \$2,519,975 at July 1, 2014. The District recorded a prior period adjustment, increase to net position, to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension of \$204,169 at July 1, 2014.

The adjustment to net position is as follows:

Net position at June 30, 2014, as previously stated	\$	<u>92,689</u>
Effect of adjustment to record net pension liability		(2,519,975)
Effect of adjustment to record deferred pension outflows		204,169
Effect of adjustment to remove pension side fund		<u>324,434</u>
Total adjustment to net position		<u>(1,991,372)</u>
Net position at July 1, 2014, as restated	\$	<u><u>(1,898,683)</u></u>

**(14) Deferred Compensation Savings Plan**

For the benefit of its employees, 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.



**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(14) Deferred Compensation Savings Plan, continued**

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. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust by Nationwide Retirement Solutions at June 30, 2015, was \$766,868.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**(15) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions, employment practices liability and employee benefits liability; Total risk financing self-insurance limits of \$10,000,000, combined single limit at \$10,000,000 per occurrence. Any employment practice claim or suit not arising in whole or in part out of any action involving discipline, demotion, reassignment or termination the deductible is \$0 per occurrence.

In addition to the coverage above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance coverage of statutory limits per occurrence and Employer's Liability Coverage up to \$5 million per occurrence.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2015, 2014, and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015, 2014, and 2013.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 74, continued***

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**Idyllwild Fire Protection District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2015**

**(17) Contingencies**

*Litigation*

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

*Grant Awards*

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

**(18) Subsequent Events**

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of December 9, 2015, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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# **Required Supplementary Information**

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**Idyllwild Fire Protection District**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:					
Fire protection operations:					
Salaries and wages	\$ 931,732	-	931,732	944,229	(12,497)
Employee benefits	406,289	-	406,289	333,284	73,005
Contractual services	308,638	35,250	343,888	399,656	(55,768)
Materials and supplies	56,410	7,493	63,903	63,442	461
Interest	8,000	-	8,000	8,530	(530)
Capital outlay	-	-	-	89,370	(89,370)
Principal – long-term debt	78,395	-	78,395	69,504	8,891
<b>Total expenditures/expenses</b>	<u>1,789,464</u>	<u>42,743</u>	<u>1,832,207</u>	<u>1,908,015</u>	<u>(75,808)</u>
Program revenues:					
Charges for services – ambulance services	618,511	(2,607)	615,904	664,222	48,318
Charges for services – fire protections services	-	-	-	5,555	5,555
Charges for services – mutual aid services	34,000	50,000	84,000	164,869	80,869
Operating grants and contributions – fire protection	-	-	-	19,239	19,239
<b>Total program revenues</b>	<u>652,511</u>	<u>47,393</u>	<u>699,904</u>	<u>853,885</u>	<u>153,981</u>
General revenues:					
Property taxes	1,140,376	-	1,140,376	1,189,908	49,532
Licenses and permits	5,180	(2,000)	3,180	4,109	929
Interest earnings	170	-	170	16	(154)
Other non-operating revenues	-	-	-	4,399	4,399
<b>Total general revenues</b>	<u>1,145,726</u>	<u>(2,000)</u>	<u>1,143,726</u>	<u>1,198,432</u>	<u>54,706</u>
<b>Total revenues</b>	<u>1,798,237</u>	<u>45,393</u>	<u>1,843,630</u>	<u>2,052,317</u>	<u>208,687</u>
<b>Excess of revenues over(under) expenditures</b>	<u>8,773</u>	<u>2,650</u>	<u>11,423</u>	<u>144,302</u>	<u>132,879</u>
Other financing sources(uses):					
Transfers in(out)	-	-	-	4,033	4,033
<b>Net change in fund balance</b>	<u>8,773</u>	<u>2,650</u>	<u>11,423</u>	<u>148,335</u>	<u>136,912</u>
Fund balance – beginning of year	512,537	-	512,537	512,537	
Fund balance – end of year	<u>\$ 521,310</u>	<u>2,650</u>	<u>523,960</u>	<u>660,872</u>	

**Notes to Required Supplementary Information**

**(1) Budgets and Budgetary Data**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's District Manager and Fiscal Officer prepares and submits an operating budget to the Board of Directors for the General Fund and Mitigation Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally approved.

**Idyllwild Fire Protection District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2015**  
**Last Ten Years\***

<u>Description</u>	<u>Measurement Date</u> <u>6/30/2014 (a)</u>
District's Proportion of the Net Pension Liability	0.03218%
District's Proportionate Share of the Net Pension Liability	\$ 2,001,891
District's Covered-Employee Payroll (b)	\$ 606,002
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	340.13%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
- \* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

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**Idyllwild Fire Protection District**  
**Schedule of Pension Plan Contributions**  
**As of June 30, 2015**  
**Last Ten Years\***

<b>Schedule of Pension Plan Contributions (a):</b>	<b>Fiscal Year</b>
	<b>2013-2014</b>
Actuarially Determined Contribution (b)	\$ 166,765
Contributions in Relation to the Actuarially Determined Contribution (b)	(166,765)
Contribution Deficiency (Excess)	\$ -
Covered Payroll (c), (d)	\$ 606,002
Contribution's as a percentage of Covered-employee Payroll (c)	27.52%

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
  - (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
  - (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
  - (d) Payroll from prior year (\$651,021) was assumed to increase by the 3.00 percent payroll growth assumption.
- \* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.



**Idyllwild Fire Protection District**  
**Schedule of Funding Status – Other Post-Employment Benefits Obligation**  
**For the Fiscal Year Ended June 30, 2015**

*Required Supplemental Information – Schedule of Funding Progress*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
07/01/13	\$ -	\$ 646,190	\$ 646,190	0.00%	\$ 908,317	71.14%

Funding progress is presented for the year that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will

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# **Report on Compliance and Internal Controls**

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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 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, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 9, 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.

**Fedak & Brown LLP**  
Cypress, California  
December 9, 2015

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