

**CREST FOREST FIRE PROTECTION  
DISTRICT  
APPLICATION**

**Comprehensive Financial Report for  
June 30, 2014 and 2013  
Including Audits**

**Attachment 2b**

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San Bernardino County

**CREST FOREST FIRE PROTECTION DISTRICT**

**Basic Financial Statements**

**For the Year Ended June 30, 2014**

**CREST FOREST FIRE PROTECTION DISTRICT**  
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**June 30, 2014**

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## Independent Auditors' Report

To the Board of Directors  
Crest Forest Fire Protection District

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Crest Forest Fire Protection District as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Special Revenue

fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 our report dated January 19, 2015, on our consideration of Crest Forest Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crest Forest Fire Protection District's internal control over financial reporting and compliance.

*Starbuck Walsh, LLP*

Starbuck Walsh, LLP  
Apple Valley, CA  
January 19, 2015

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The Crest Forest Fire Protection District offers readers of its financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

**The District**

The Crest Forest Fire Protection District (CFFD) provides a variety of services to the communities of Agua Fria, Cedar Pines Park, Crestline, Lake Gregory, Rim Forest, Twin Peaks, Valley of Enchantment, and parts of Blue Jay and Grass Valley. The approximate District resident population served is 20,000, while the summertime population may double with vacationers.

The District operates from the main 24 hour staffed station, with administrative offices, in Crestline (Station 25); a second 24 hour staffed station at Twin Peaks (Station 26); and four other paid call (PCF) fire stations at Cedar Pines Park (Station 24), Lake Gregory (Station 29), Rim Forest (Station 30), and Valley of Enchantment (Station 28). One additional Paid Call Firefighter (PCF) company responds with a rescue unit out of station 26. One additional fire engine is also housed at station 26 and is owned and maintained by the California Office of Emergency Service (OES), under a contract with CFFD to staff that vehicle when needed for major statewide disasters.

The majority of the calls the District receives are emergency medical calls and traffic collisions. Anyone transported by The CFFD ambulance is billed for service rendered. If local residents receiving ambulance services have no insurance or owe additional fees after the District receives some insurance payment, they are given a letter notifying them that the remaining bill is covered by the District's ambulance assessment.

Initial response to areas covered by the District boundaries, approximately 23 square miles, are started from the two 24 hour staffed stations, depending on the type and location of the call. Additional PCF units are called as necessary to abate the particular emergency. The career staff consists of two division chiefs, a receptionist, six fire captains, six engineers (apparatus operators), twelve firefighters, a part-time fire inspector, and a fire mechanic. Fourteen of the line career staff members are also cross-trained as paramedics. Approximately 35 PCF staff supplement emergency response as needed. Also, twelve Support Services volunteers and a contract finance officer assist in meeting the District's mission.

The District operates a total fleet of emergency response vehicles valued at just over two million dollars. The Fleet consists of eight fire engines, one brush engine, four ambulances, two snow cats, one rescue unit, one front loader, one water tender, three staff vehicles, two response pickups, one utility truck, a mechanic's vehicle, and two support services vans. Various other specialized equipment supports the emergency response system. This equipment includes, but is not limited to, firefighting turnouts (safety clothing), radios, self-contained breathing apparatus, extrication equipment, medical equipment, pumps, hoses, ladders, fittings, extinguishers, hand tools, air compressors, over-the-side rescue rope, snow plows, and lighting equipment.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Crest Forest Fire Protection District's basic financial statements, which consist of the following components:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds – Budget and Actual
- Notes to the Financial Statements

These statements help to illustrate the status of the District as a whole. The *Statement of Net Position* and *Statement of Activities* report information about the District as a whole, and include all assets and liabilities, using the full accrual basis of accounting. Capital assets and long-term liabilities are included in these two statements. These statements report the District's net position and all of the current year's revenues and expenses.

The Fund Statements, which include the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*, are based on the modified accrual basis of accounting. These statements present only current assets and current liabilities and exclude capital assets and long-term liabilities.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. As of June 30, 2014, the District had total assets of \$2,227,414 and total liabilities of \$2,223,979 resulting in net position of \$3,435. This represents an increase of \$175,003 from total net position reported at June 30, 2013.

*Current Assets* include cash and investments, cash held with trustee, and receivables. *Non-current Assets* include capital assets, net of related depreciation. The Crest Forest Fire Protection District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources; the capital assets themselves cannot be used to pay off these liabilities. The District's secured debt currently exceeds the capital assets net of accumulated depreciation by \$354,530.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

*Current Liabilities* include accounts payable and accrued expenses, and salaries and benefits payable. *Long-term Liabilities* include non-current liabilities due within one year and non-current liabilities due in more than one year.

The remaining *Net Position* is divided between those that are restricted and those that are unrestricted. Restricted net position is the portion of net position that is restricted to uses specified by third parties. Unrestricted net position can be used to meet the district's ongoing obligations and to provide services to the community.

***Statement of Net Position***

Assets	2014	2013	Increase (Decrease) 2014/2013
Current Assets			
Cash and investments	\$ 327,156	\$ 583,378	\$ (256,222)
Receivables (net of allowance for uncollectibles)	89,788	40,970	48,818
Total Current Assets	<u>416,944</u>	<u>624,348</u>	<u>(207,404)</u>
Non-Current Assets			
Capital assets, net of accumulated depreciation	1,810,470	1,916,297	(105,827)
Total Non-Current Assets	<u>1,810,470</u>	<u>1,916,297</u>	<u>(105,827)</u>
Total Assets	<u>2,227,414</u>	<u>2,540,645</u>	<u>(313,231)</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	-	30,043	(30,043)
Salaries and benefits payable	10,105	140,598	(130,493)
Total Current Liabilities	<u>10,105</u>	<u>170,641</u>	<u>(160,536)</u>
Long-Term Liabilities			
Non-Current Liabilities			
Due within one year	118,374	312,772	(194,398)
Due in more than one year	2,095,500	2,228,800	(133,300)
Total Long-Term Liabilities	<u>2,213,874</u>	<u>2,541,572</u>	<u>(327,698)</u>
Total Liabilities	<u>2,223,979</u>	<u>2,712,213</u>	<u>(488,234)</u>
Net Position			
Invested in capital assets, net of related debt	(354,530)	(312,503)	(42,027)
Unrestricted	357,965	140,935	217,030
Total Net Position	<u>\$ 3,435</u>	<u>\$ (171,568)</u>	<u>\$ 175,003</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The following *Statement of Activities* compares key elements in the change in net assets during the fiscal years 2014 and 2013, as well as the District's revenues and expenses for the same two periods:

	2014	2013	Increase (Decrease) 2014/2013
Net Position at Beginning of Year	\$ (171,568)	\$ (1,609)	\$ (169,959)
General Revenues			
Property taxes	3,540,437	3,447,736	92,701
Special assessments	487,296	481,879	5,417
Investment income	4,105	6,632	(2,527)
Gain on disposition of assets	119,831	-	119,831
Total General Revenues	<u>4,151,669</u>	<u>3,936,247</u>	<u>215,422</u>
Program Revenues			
Charges for services	255,858	335,366	(79,508)
Operating grants and contributions	71,624	354,889	(283,265)
Capital grants and contributions	-	13,799	(13,799)
Total Program Revenues	<u>327,482</u>	<u>704,054</u>	<u>(376,572)</u>
Total Revenues	4,479,151	4,640,301	(161,150)
Less: General Expenses	<u>(4,304,148)</u>	<u>(4,810,260)</u>	<u>506,112</u>
Increase (Decrease) in Net Position	<u>175,003</u>	<u>(169,959)</u>	<u>344,962</u>
Net Position at Year End	\$ <u><u>3,435</u></u>	\$ <u><u>(171,568)</u></u>	\$ <u><u>175,003</u></u>

The Governmental Funds *Balance Sheet* presents the current assets, liabilities and fund balances of the District as of June 30, 2014. The Balance Sheet assets of \$416,944 exclude capital assets, net of accumulated depreciation and include amounts due from other funds. The assets presented on the Balance Sheet are as follows:

Total Assets from Statement of Net Position	\$ 2,227,414
Less: Capital Assets, net of Accumulated Depreciation	<u>(1,810,470)</u>
Assets Reported on Balance Sheet	<u>\$ 416,944</u>

The Balance Sheet liabilities exclude non-current liabilities due within one year, or \$118,374, and non-current liabilities due in more than one year, or \$2,095,500. They also include amounts due to other funds. The liabilities presented on the Balance Sheet are as follows:

Total Liabilities from Statement of Net Position	\$ 2,223,979
Less: Non-Current Liabilities: Due within One Year	(118,374)
Less: Non-Current Liabilities: Due in More than One Year	<u>(2,095,500)</u>
Liabilities Reported on Balance Sheet	<u>\$ 10,105</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The assets reported on the Balance Sheet equal liabilities and fund balance:

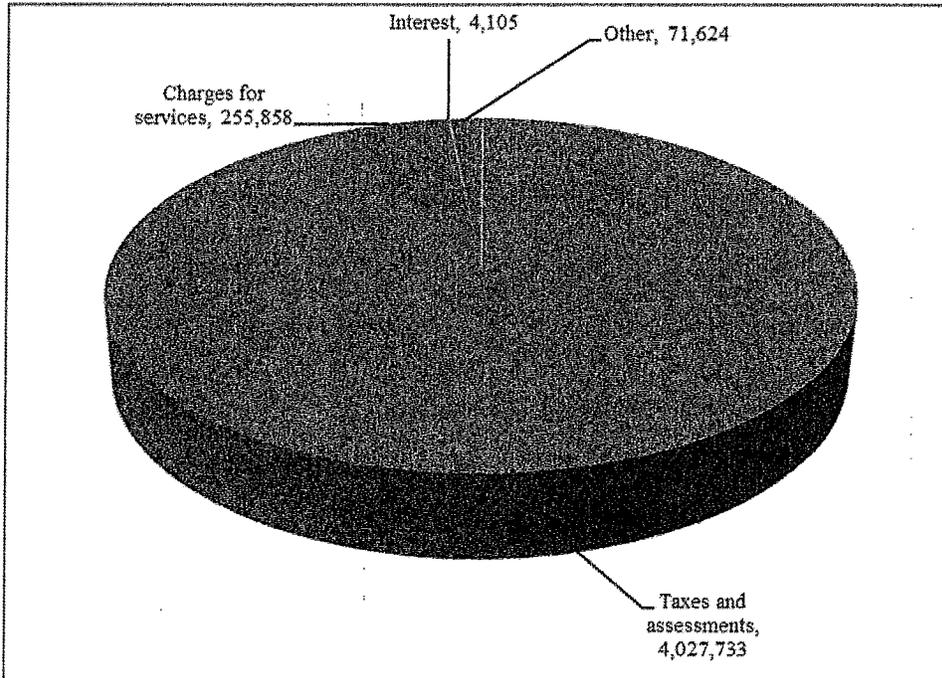
Assets Reported on Balance Sheet	\$ <u>416,944</u>
Liabilities Reported on Balance Sheet	10,105
Fund Balance	<u>406,839</u>
Total Liabilities and Fund Balance	\$ <u>416,944</u>

The *Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position* reconciles the difference between the fund balances of governmental funds of \$406,839 and the smaller number representing the District's net position of \$3,435.

End of year fund balance – Governmental Funds	\$ 406,839
Capital Assets, Net of Accumulated Depreciation	1,810,470
Long-Term Liabilities	
Due within one year	(118,374)
Due in more than one year	<u>(2,095,500)</u>
Net Position of Governmental Activities	\$ <u>3,435</u>

The revenues in the *Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds* present the detail of Revenues and Expenditures for the District. Revenues total \$4,359,320 and consist of the following:

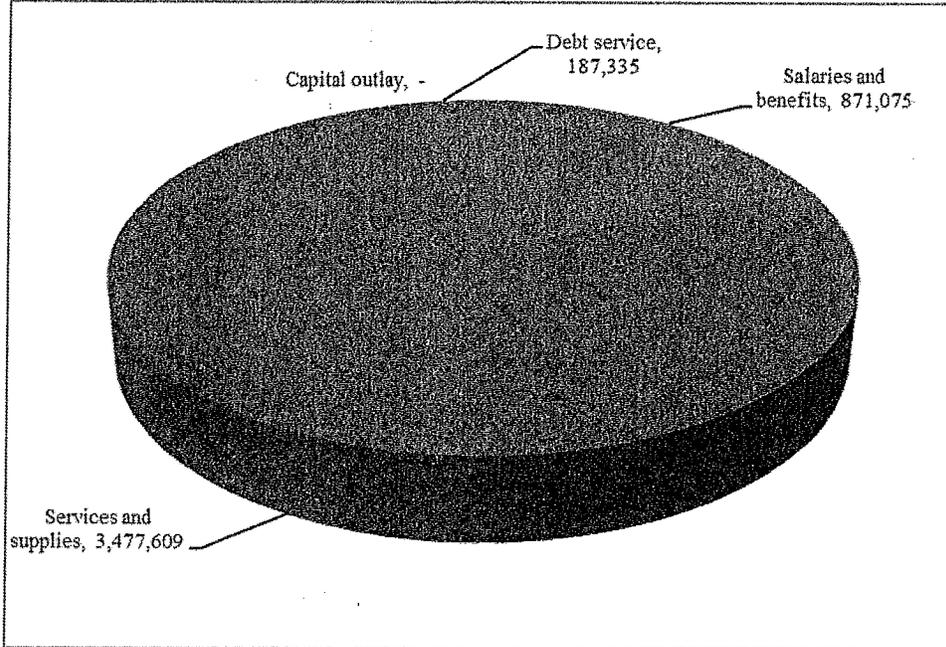
**Revenues**



**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The expenditures in the *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds* total \$4,536,019 and consist of the following:

**Expenditures**



**Economic Factors and Next Year's Budget**

The District's 2014-2015 budget includes increases in expenditures for services and supplies resulting from increases in costs for its contract with the County of San Bernardino. During the 2013-2014 fiscal year, the District opened discussions with San Bernardino County's *Local Agency Formation Committee* ("LAFCO") regarding the annexation of the District with San Bernardino County Fire. The District hopes to complete the annexation process by the beginning of the 2015-2016 fiscal year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Management at P.O. Box 3220 Crestline, CA 92325.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Cash	\$	327,156
Accounts receivable, net		8,000
Taxes and assessments receivable		81,788
Capital assets, net of accumulated depreciation		<u>1,810,470</u>
Total Assets		<u>2,227,414</u>
<b>LIABILITIES</b>		
Salaries and benefits payable		10,105
Noncurrent liabilities		
Due within one year		118,374
Due in more than one year		<u>2,095,500</u>
Total Liabilities		<u>2,223,979</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt		(354,530)
Unrestricted		<u>357,965</u>
Total Net Position	\$	<u>3,435</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Fire prevention and suppression	\$ 4,279,365	\$ -	\$ 71,624	\$ -	\$ (4,207,741)
Paramedic services	24,783	255,858	-	-	231,075
<b>Total Governmental Activities</b>	\$ 4,304,148	\$ 255,858	\$ 71,624	\$ -	(3,976,666)
<b>General Revenues</b>					
Property taxes and special assessments					4,027,733
Investment income					4,105
Gain on disposition of property and equipment					119,831
<b>Total General Revenues</b>					4,151,669
<b>Change in Net Position</b>					175,003
<b>Net Position at Beginning of Year</b>					(171,568)
<b>Net Position at End of Year</b>					\$ 3,435

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Special Revenue Fund: Paramedic	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 131,237	\$ 195,919	\$ 327,156
Receivables:			
Accounts	-	8,000	8,000
Taxes and assessments	63,837	17,951	81,788
Total Assets	195,074	221,870	416,944
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Salaries and benefits payable	10,105	-	10,105
Total Liabilities	10,105	-	10,105
Fund Balances			
Restricted for:			
Debt service	69,600	-	69,600
Committed to:			
Facilities and equipment	106,209	-	106,209
Unassigned	9,160	221,870	231,030
Total Fund Balances	184,969	221,870	406,839
Total Liabilities and Fund Balances	\$ 195,074	\$ 221,870	\$ 416,944

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2014**

Fund balance of the governmental funds	\$	406,839
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,810,470
Some liabilities are not due and payable in the current period and therefore are not reported in funds:		
Installment loan		(2,165,100)
Compensated absences payable		<u>(48,774)</u>
Net position of governmental activities	\$	<u>3,435</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds**  
**For the Year Ended June 30, 2014**

	General Fund	Special Revenue Fund: Paramedic	Total Governmental Funds
<b>Revenues</b>			
Property taxes and assessments	\$ 3,540,437	\$ 487,296	\$ 4,027,733
Charges for services	-	255,858	255,858
Interest	2,998	1,107	4,105
Grants	71,624	-	71,624
<b>Total Revenues</b>	<b>3,615,059</b>	<b>744,261</b>	<b>4,359,320</b>
<b>Expenditures</b>			
Salaries and benefits	871,075	-	871,075
Services and supplies	3,466,204	11,405	3,477,609
Debt service:			
Principal	63,700	-	63,700
Interest	122,930	705	123,635
<b>Total Expenditures</b>	<b>4,523,909</b>	<b>12,110</b>	<b>4,536,019</b>
Excess revenues over (under) expenditures	(908,850)	732,151	(176,699)
<b>Other Sources (Uses)</b>			
Proceeds from sale of assets	129,831	-	129,831
Operating transfers in	977,682	-	977,682
Operating transfers out	(362,041)	(615,641)	(977,682)
<b>Total Other Sources (Uses)</b>	<b>745,472</b>	<b>(615,641)</b>	<b>129,831</b>
Excess revenues and other source over (under) expenditures	(163,378)	116,510	(46,868)
Fund balance, July 1, 2013	348,347	105,360	453,707
Fund balance, June 30, 2014	\$ 184,969	\$ 221,870	\$ 406,839

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net change in fund balance – governmental funds	\$	(46,868)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.		(95,828)
Governmental funds report gross proceeds from the sale of capitalized assets as revenue. However, in the statement of activities, only the gain or loss resulting from the disposition of the assets is reported. This is the amount of the difference between the gross proceeds from the sale of capitalized assets and the gain from the sale.		(10,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount of the change in compensated absences.		263,999
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.		<u>63,700</u>
Change in net position of governmental activities	\$	<u>175,003</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund and Special Revenue Fund - Budget and Actual**  
**For the Year Ended June 30, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Property taxes and assessments	\$ 3,434,757	\$ 3,434,757	\$ 3,540,437	\$ 105,680
Charges for services				
Interest	2,899	2,899	2,998	99
Other	71,624	71,624	71,624	-
Total Revenues	<u>3,509,280</u>	<u>3,509,280</u>	<u>3,615,059</u>	<u>105,779</u>
Expenditures				
Salaries and benefits	648,295	648,295	871,075	222,780
Services and supplies	3,876,112	3,876,112	3,466,204	(409,908)
Debt service	183,207	183,207	186,630	3,423
Capital outlay	105,713	105,713	-	(105,713)
Total Expenditures	<u>4,813,327</u>	<u>4,813,327</u>	<u>4,523,909</u>	<u>(289,418)</u>
Excess revenues over (under) expenditures	<u>(1,304,047)</u>	<u>(1,304,047)</u>	<u>(908,850)</u>	<u>395,197</u>
Other Sources (Uses)				
Proceeds from sale of assets	-	-	129,831	129,831
Operating transfers in	1,228,081	1,228,081	977,682	(250,399)
Operating transfers out	(362,041)	(362,041)	(362,041)	-
Total Other Sources (Uses)	<u>866,040</u>	<u>866,040</u>	<u>745,472</u>	<u>(120,568)</u>
Excess revenues and other sources over (under) expenditures	<u>(438,007)</u>	<u>(438,007)</u>	<u>(163,378)</u>	<u>274,629</u>
Fund Balance, July 1, 2013	348,347	348,347	348,347	-
Fund Balance, June 30, 2014	<u>\$ (89,660)</u>	<u>\$ (89,660)</u>	<u>\$ 184,969</u>	<u>\$ 274,629</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund and Special Revenue Fund - Budget and Actual**  
**For the Year Ended June 30, 2014**

	Special Revenue			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Property taxes and assessments	\$ 486,557	\$ 486,557	\$ 487,296	\$ 739
Ambulance fees	330,000	330,000	255,858	(74,142)
Interest	1,000	1,000	1,107	107
Other	-	-	-	-
<b>Total Revenues</b>	<b>817,557</b>	<b>817,557</b>	<b>744,261</b>	<b>(73,296)</b>
Expenditures				
Salaries and benefits	8,642	8,642	-	(8,642)
Services and supplies	11,735	11,735	11,405	(330)
Debt service	-	-	705	705
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>20,377</b>	<b>20,377</b>	<b>12,110</b>	<b>(8,267)</b>
Excess revenues over (under) expenditures	797,180	797,180	732,151	(65,029)
Other Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(866,040)	(866,040)	(615,641)	(250,399)
<b>Total Other Sources (Uses)</b>	<b>(866,040)</b>	<b>(866,040)</b>	<b>(615,641)</b>	<b>(250,399)</b>
Excess revenues and other sources over (under) expenditures	(68,860)	(68,860)	116,510	185,370
Fund Balance, July 1, 2013	105,360	105,360	105,360	-
<b>Fund Balance, June 30, 2014</b>	<b>\$ 36,500</b>	<b>\$ 36,500</b>	<b>\$ 221,870</b>	<b>\$ 185,370</b>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1: Summary of Activities and Significant Accounting Policies**

The accounting policies of Crest Forest Fire Protection District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

**A. Description of the Reporting Entity**

The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as (1) the ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

**B. Description of Funds**

The accounts of the District are organized in two funds, which are considered separate accounting entities. The operations of the funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes. The fund is used to account for ambulance operations. Revenues in this fund are derived from special assessments paid by property owners within the District boundaries, and from user fees paid by service recipients who do not live within the District boundaries.

Both the General Fund and the Special Revenue Fund are Governmental Fund Types.

**C. Financial Presentation**

The accounting policies of the Crest Forest Fire Protection District conform to accounting principles generally accepted in the United States as applicable to governmental units.

**D. Basis of Accounting/Measurement Focus**

Government-wide Financial Statements

The District's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the District.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**D. Basis of Accounting/Measurement Focus (Continued)**

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as long-term debt, 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 they are earned while expenses 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 reported in three categories: 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. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements.

All 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 current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**E. Claims and Judgments**

In accordance with Governmental Accounting Standards Board (GASB) Code Section C50.110, the District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

**F. Capital Assets**

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-wide Financial Statements. Capital assets are defined by the District as all land, buildings, vehicles, computers, equipment, and improvements with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is recorded in the Government-wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings	40 years
Improvements other than buildings	5-50 years
Machinery and equipment	3-20 years

**G. Budgetary Practice**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is adopted by the Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
2. The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Sec. 2400.109) covers District expenditures in the Governmental Funds. Budget figures used in the accompanying financial statements are the final adjusted amounts.
3. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Also, unencumbered appropriations lapse at year-end.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**H. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. Use of Restricted Resources**

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.

**J. Compensated Absences**

The District's policy for accruals and payout of sick and vacation time varies among the different classes of employees and their longevity with the District. Payout of varying maximum accruals upon retirement, death or resignation varies from 30% to 100%.

**K. Accounts Receivable**

The District uses its past collection history to determine its allowance for doubtful accounts. As of June 30, 2014, the allowance for doubtful accounts was 20% of billings.

**L. Fund Balances – Governmental Funds**

Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District had no nonspendable funds as of June 30, 2014.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board, which is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** – all other spendable amounts.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**L. Fund Balances – Governmental Funds (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**M. Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**Note 2: Cash and Investments**

Authorized Investments

In accordance with Section 53601 of the California Government Code, the District's Board of Directors has directed the District to invest in the following:

- San Bernardino County Treasurer (County Pool)
- Other investments which are expressly permitted by the District's Board of Directors

Pooled Deposits/Credit Risk

The District may waive collateral requirements for deposits which are fully insured by Federal depository insurance.

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with security held by the pledging financial institution or by its trust department or agent but not in the District's name.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2: Cash and Investments (Continued)**

Credit Risk, Carrying Amount, and Market Value of Investments

- Category 1: Insured or registered, with securities held by the District or by its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the pledging financial institution's or counterparty's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Amount</u>
Cash in banks	\$ -	\$ -	\$ -	\$ -	-
Pooled investments:					
*County Treasurer				<u>327,156</u>	<u>327,156</u>
				<u>\$ 327,156</u>	<u>\$ 327,156</u>

\*Not subject to categorization.

\*\*The San Bernardino County Treasurer has indicated to the District that as of June 30, 2014, the carrying amount of the pool was \$4,197,610,000 and the estimated market value of the pool (including accrued interest) was \$4,216,691,088. The District's proportionate share of that value is \$327,156.

Fair Value of Investments

GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and County Treasury investment pools); investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statements. The San Bernardino County Treasury Pool is a government investment pool managed and directed by the County Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State and San Bernardino County officials, provides oversight to the management of the fund. The daily operations and responsibility fall under the auspices of the County Treasurer's office. It is the District's understanding that the values of shares in the County Pool reflect "fair value." The District is a voluntary participant in the pool.

**Note 3: Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and distributes them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 4: Capital Assets and Depreciation**

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-wide Statement of Net Position. The following table presents the capital assets activity for the year ended June 30, 2014.

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 198,675	\$ -	\$ 9,999	\$ 188,676
Total Capital Assets Not Being Depreciated	<u>198,675</u>	<u>-</u>	<u>9,999</u>	<u>188,676</u>
Capital Assets Being Depreciated				
Improvements to land	16,649	-	-	16,649
Structures and improvements	3,509,408	-	200,000	3,309,408
Vehicles and equipment	2,321,272	-	61,260	2,260,012
Total Capital Assets Being Depreciated	<u>5,847,329</u>	<u>-</u>	<u>261,260</u>	<u>5,586,069</u>
<i>Less Accumulated Depreciation for</i>				
<i>Buildings and other improvements</i>	<i>3,238,662</i>	<i>83,155</i>	<i>200,000</i>	<i>3,121,817</i>
<i>Vehicles and equipment</i>	<i>891,045</i>	<i>12,673</i>	<i>61,260</i>	<i>842,458</i>
Total Accumulated Depreciation	<u>4,129,707</u>	<u>95,828</u>	<u>261,260</u>	<u>3,964,275</u>
Total Capital Assets Being Depreciated, Net	<u>1,717,622</u>	<u>(95,828)</u>	<u>-</u>	<u>1,621,794</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,916,297</u>	<u>\$ (95,828)</u>	<u>\$ 9,999</u>	<u>\$ 1,810,470</u>

Depreciation expense in the amount of \$95,828 was charged to the District's governmental functions as follows for the year ended June 30, 2014:

Fire prevention and suppression	\$ 83,155
Paramedic services	<u>12,673</u>
Total depreciation expense	<u>\$ 95,828</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5: Long-Term Debt**

Change in long-term debt activity is as follows:

Description	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Amount Due 2014-2015
Long-term debt:					
City National Bank	\$ 2,228,800	\$ -	\$ 63,700	\$ 2,165,100	\$ 69,600
Compensated absences	312,772	-	263,998	48,774	48,774
Total	\$ 2,541,572	\$ -	\$ 327,698	\$ 2,213,874	\$ 118,374

Interest expense of \$119,507 has been charged to the fire prevention and suppression on the Statement of Activities for the year ended June 30, 2014.

The District's long-term debt consists of the following at June 30, 2014:

Installment Loan

The District has an installment loan with City National Bank. The loan is secured by structures and improvements, bears interest at 5.4% per annum, and matures in 2031. Remaining maturities are as follows:

Fiscal Year Ending June 30,	Interest	Principal	Total
2015	\$ 115,989	\$ 69,600	\$ 185,589
2016	112,217	70,500	182,717
2017	108,338	76,100	184,438
2018	104,085	86,800	190,885
2019	99,325	92,300	191,625
2020-2024	411,394	590,200	1,001,594
2025-2029	221,241	857,800	1,079,041
2030-2031	17,574	321,800	339,374
	\$ 1,190,163	\$ 2,165,100	\$ 3,355,263

Compensated Absences

Because all of the District employees were terminated in July 2013 when the District contracted with the San Bernardino County Fire Protection District for services, all of the vacation and sick leave was paid at the time, either directly to employees, or to County Fire on behalf of the employees, with the exception of \$48,774 in annual leave paid subsequent to fiscal year end.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6:           Classifications of Net Assets and Fund Balance**

In the Government-wide financial statements, net position is classified as follows:

Invested in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and further reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position

This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the District that are not externally restricted for any project or other purpose.

In the fund financial statements, the District's governmental fund balances are classified as follows:

Fund Balances

Restricted for:

Debt service	\$	69,600
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Committed to:

Facilities and equipment		106,209
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Unassigned		231,030
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Total Fund Balances	\$	406,839
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**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7: 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.

Workers' Compensation

The District remains a member of the Public Agency Self Insurance System of San Bernardino County (PASIS) which provides workers' compensation insurance services. Effective July 2013, all of the District's employees were terminated pursuant to the commencement of a contract for services with San Bernardino County Fire. At that time, the District retained its balance with PASIS for the purpose of liquidating workers' compensation claims that arose from events occurring prior to the termination of the employees.

PASIS is set up as a banking system where the members share the expenses, and each member is responsible for its own losses up to a \$300,000 per occurrence self-insured retention. Losses above the self-insured retention are covered by reinsurance, purchased by PASIS. The District makes an annual contribution based on past and projected future claims. Projections of future ultimate losses are inherently uncertain because of the random nature of claims occurrences. Therefore, future loss rates are projected judgmentally based on the historical rates.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses do not include an estimate of claims that have been incurred but not reported. At June 30, 2014, the amount of potential outstanding claims liability is estimated to be \$356,008. The District's balance with PASIS at June 30, 2014 was \$475,861.

*Three Year Trend Information of Funding for PASIS*

Year Ending June 30,	Cash Balance Beginning of Year	Premiums and Interest Earned	Claims and Payments	Cash Balance End of Year	Potential Outstanding Claims Liability at End of Year
2012	\$ 646,400	\$ 158,468	\$ 297,960	\$ 506,908	\$ 299,393
2013	\$ 506,908	\$ 209,523	\$ 158,661	\$ 557,770	\$ 310,000
2014	\$ 557,770	\$ 1,209	\$ 83,118	\$ 475,861	\$ 356,008

**CREST FOREST FIRE PROTECTION DISTRICT**

**Notes to Financial Statements  
June 30, 2014**

**Note 8: Operating Transfers**

Interfund activities at June 30, 2014 are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>		<u>Interfund Transfers In</u>		<u>Interfund Transfers Out</u>
General Fund	\$ -	\$	-	\$	615,641	\$	-
Special Revenue Fund	-		-		-		615,641
	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>615,641</u>	<u>\$</u>	<u>615,641</u>

Operating transfers were made to distribute cash resources between fund types to cover budgeted expenditures.

**Note 9: Retirement Plan**

Prior to the termination of all employees in July 2013, the District participated in defined benefit pension plans that were included in San Bernardino County Employees' Retirement Association (SBCERA), an agent multiple-employer plan administered by the San Bernardino County Employees' Retirement Association, which acts as a common investment and administrative agent for participating public employers within the County of San Bernardino.

Upon termination of all its employees, the District was required to pay SBCERA its portion of SBCERA's unfunded accrued actuarial liability. Total payments of \$476,116 were made during the 2014 fiscal year to satisfy the commitment. The amount is included in the fire prevention and suppression function of the statement of activities.

**Note 10: Commitments**

The District signed an agreement with San Bernardino County Fire Department ("County Fire") in which County Fire will provide fire prevention services, fire investigation, fire suppression, advanced life support services, ambulance transport, and rescue services. The District's required semi-annual debt service payments (See Note 5) are included in the contract payments. The agreement commenced July 13, 2013, and terminates June 30, 2023, unless terminated earlier by either party. In no case can the agreement be terminated before June 30, 2016.

Terms of the agreement require the District to pay County Fire the cost of providing the services enumerated above, along with an annual contract management fee. Contract costs will be negotiated annually. Future minimum payments are as follows:

Year ending June 30,		
2015	\$	4,061,465
2016		<u>4,061,465</u>
	\$	<u>8,122,930</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 11:        Going Concern**

The District has experienced declining revenues and increasing expenditures over the past several years. These factors have created an uncertainty about the District's ability to continue as a going concern.

Management and the District's Board of Directors have contracted with San Bernardino County Fire Department in an attempt to utilize resources in the most cost-effective manner. During the 2014 fiscal year, the District applied with Local Agency Formation Commission for San Bernardino County ("LAFCO") to annex the District to San Bernardino County Fire Department.



Jennifer L. Starbuck, CPA

Joseph P. Walsh, CPA

**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***

To the Board of Directors  
Crest Forest Fire Protection District

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 governmental activities and each major fund of Crest Forest Fire Protection District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Crest Forest Fire Protection District's basic financial statements, and have issued our report thereon dated January 19, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Crest Forest Fire Protection 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 Crest Forest Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Crest Forest Fire Protection 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 Crest Forest Fire Protection 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*.

**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.

*Starbuck Walsh, LLP*

Starbuck Walsh, LLP

Apple Valley, CA

January 19, 2015

**CREST FOREST FIRE PROTECTION DISTRICT**

**Basic Financial Statements**

**For the Year Ended June 30, 2013**

**CREST FOREST FIRE PROTECTION DISTRICT**  
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**June 30, 2013**

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Jennifer L. Starbuck, CPA

Joseph P. Walsh, CPA

## Independent Auditors' Report

To the Board of Directors  
Crest Forest Fire Protection District

We have audited the accompanying financial statements of the governmental activities and each major fund of Crest Forest Fire Protection District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Crest Forest Fire Protection District as of June 30, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Special Revenue

fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statements No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress for the agent retirement plan on pages 3-8 and 32 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 in 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 our report dated December 16, 2013, on our consideration of Crest Forest Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crest Forest Fire Protection District's internal control over financial reporting and compliance.

*Starbuck Walsh, LLP*

Starbuck Walsh, LLP

Apple Valley, CA

December 16, 2013

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

The Crest Forest Fire Protection District offers readers of its financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

**The District**

The Crest Forest Fire Protection District (CFFD) provides a variety of services to the communities of Agua Fria, Cedar Pines Park, Crestline, Lake Gregory, Rim Forest, Twin Peaks, Valley of Enchantment, and parts of Blue Jay and Grass Valley. The approximate District resident population served is 20,000, while the summertime population may double with vacationers.

The District operates from the main 24 hour staffed station, with administrative offices, in Crestline (Station 25); a second 24 hour staffed station at Twin Peaks (Station 26); and four other paid call (PCF) fire stations at Cedar Pines Park (Station 24), Lake Gregory (Station 29), Rim Forest (Station 30), and Valley of Enchantment (Station 28). One additional station site is owned by the District and is located in Agua Fria (Station 27). Station 27 houses one reserve ambulance and is being used for storage. One additional Paid Call Firefighter (PCF) company responds with a rescue unit out of station 26. One additional fire engine is also housed at station 26 and is owned and maintained by the California Office of Emergency Service (OES), under a contract with CFFD to staff that vehicle when needed for major statewide disasters.

The majority of the calls the District receives are emergency medical calls and traffic collisions. Anyone transported by The CFFD ambulance is billed for service rendered. If local residents receiving ambulance services have no insurance or owe additional fees after the District receives some insurance payment, they are given a letter notifying them that the remaining bill is covered by the District's ambulance assessment.

Initial response to areas covered by the District boundaries, approximately 23 square miles, are started from the two 24 hour staffed stations, depending on the type and location of the call. Additional PCF units are called as necessary to abate the particular emergency. The career staff consists of two division chiefs, a receptionist, six fire captains, six engineers (apparatus operators), twelve firefighters, a part-time fire inspector, and a fire mechanic. Fourteen of the line career staff members are also cross-trained as paramedics. Approximately 35 PCF staff supplement emergency response as needed. Also, twelve Support Services volunteers and a contract finance officer assist in meeting the District's mission.

The District operates a total fleet of emergency response vehicles valued at just over two million dollars. The Fleet consists of eight fire engines, one brush engine, four ambulances, two snow cats, one rescue unit, one front loader, one water tender, three staff vehicles, two response pickups, one utility truck, a mechanic's vehicle, and two support services vans. Various other specialized equipment supports the emergency response system. This equipment includes, but is not limited to, firefighting turnouts (safety clothing), radios, self-contained breathing apparatus, extrication equipment, medical equipment, pumps, hoses, ladders, fittings, extinguishers, hand tools, air compressors, over-the-side rescue rope, snow plows, and lighting equipment.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Crest Forest Fire Protection District's basic financial statements, which consist of the following components:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds – Budget and Actual
- Notes to the Financial Statements

These statements help to illustrate the status of the District as a whole. The *Statement of Net Position* and *Statement of Activities* report information about the District as a whole, and include all assets and liabilities, using the full accrual basis of accounting. Capital assets and long-term liabilities are included in these two statements. These statements report the District's net position and all of the current year's revenues and expenses.

The Fund Statements, which include the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*, are based on the modified accrual basis of accounting. These statements present only current assets and current liabilities and exclude capital assets and long-term liabilities.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. As of June 30, 2013, the District had total assets of \$2,540,645 and total liabilities of \$2,712,213, resulting in negative net position of \$ (171,568). This represents a decrease of \$169,959 from total net position reported at June 30, 2012.

*Current Assets* include cash and investments, cash held with trustee, and receivables. *Non-current Assets* include capital assets, net of related depreciation. The Crest Forest Fire Protection District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources; the capital assets themselves cannot be used to pay off these liabilities. The District's secured debt currently exceeds the capital assets net of accumulated depreciation by \$312,503.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

*Current Liabilities* include accounts payable and accrued expenses, and salaries and benefits payable. *Long-term Liabilities* include non-current liabilities due within one year and non-current liabilities due in more than one year.

The remaining *Net Position* is divided between those that are restricted and those that are unrestricted. Restricted net position is the portion of net position that is restricted to uses specified by third parties. Unrestricted net position can be used to meet the district's ongoing obligations and to provide services to the community.

***Statement of Net Position***

Assets	2013	2012	Increase (Decrease) 2013/2012
<b>Current Assets</b>			
Cash and investments	\$ 583,378	\$ 747,870	\$ (164,492)
Receivables (net of allowance for uncollectibles)	40,970	68,041	(27,071)
<b>Total Current Assets</b>	<u>624,348</u>	<u>815,911</u>	<u>(191,563)</u>
<b>Non-Current Assets</b>			
Capital assets, net of accumulated depreciation	1,916,297	2,017,125	(100,828)
<b>Total Non-Current Assets</b>	<u>1,916,297</u>	<u>2,017,125</u>	<u>(100,828)</u>
<b>Total Assets</b>	<u>2,540,645</u>	<u>2,833,036</u>	<u>(292,391)</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	30,043	27,569	2,474
Salaries and benefits payable	140,598	162,929	(22,331)
<b>Total Current Liabilities</b>	<u>170,641</u>	<u>190,498</u>	<u>(19,857)</u>
<b>Long-Term Liabilities</b>			
<b>Non-Current Liabilities</b>			
Due within one year	312,772	53,632	259,140
Due in more than one year	2,228,800	2,590,515	(361,715)
<b>Total Long-Term Liabilities</b>	<u>2,541,572</u>	<u>2,644,147</u>	<u>(102,575)</u>
<b>Total Liabilities</b>	<u>2,712,213</u>	<u>2,834,645</u>	<u>(122,432)</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	(312,503)	(269,475)	(43,028)
Unrestricted	140,935	267,866	(126,931)
<b>Total Net Position</b>	<u>\$ (171,568)</u>	<u>\$ (1,609)</u>	<u>\$ (169,959)</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

The following *Statement of Activities* compares key elements in the change in net assets during the fiscal years 2013 and 2012, as well as the District's revenues and expenses for the same two periods:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) 2013/2012</u>
Net Assets at Beginning of Year	\$ (1,609)	\$ 372,650	\$ (374,259)
General Revenues			
Property taxes	3,447,736	3,463,776	(16,040)
Special assessments	481,879	467,296	14,583
Use of property and money	6,632	6,730	(98)
Total General Revenues	<u>3,936,247</u>	<u>3,937,802</u>	<u>(1,555)</u>
Program Revenues			
Charges for services	335,366	353,347	(17,981)
Operating grants and contributions	354,889	298,341	56,548
Capital grants and contributions	13,799	-	13,799
Total Program Revenues	<u>704,054</u>	<u>651,688</u>	<u>52,366</u>
Total Revenues	4,640,301	4,589,490	50,811
Less: General Expenses	<u>(4,810,260)</u>	<u>(4,963,749)</u>	<u>(153,489)</u>
Decrease in Net Position	<u>(169,959)</u>	<u>(374,259)</u>	<u>(204,300)</u>
Net Position at Year End	\$ <u>(171,568)</u>	\$ <u>(1,609)</u>	\$ <u>(169,959)</u>

The Governmental Funds *Balance Sheet* presents the current assets, liabilities and fund balances of the District as of June 30, 2013. The Balance Sheet assets of \$624,348 exclude capital assets, net of accumulated depreciation and include amounts due from other funds. The assets presented on the Balance Sheet are as follows:

Total Assets from Statement of Net Position	\$ 2,540,645
Less: Capital Assets, net of Accumulated Depreciation	<u>(1,916,297)</u>
Assets Reported on Balance Sheet	<u>\$ 624,348</u>

The Balance Sheet liabilities exclude non-current liabilities due within one year, or \$312,772, and non-current liabilities due in more than one year, or \$2,228,800. They also include amounts due to other funds. The liabilities presented on the Balance Sheet are as follows:

Total Liabilities from Statement of Net Position	\$ 2,712,213
Less: Non-Current Liabilities: Due within One Year	(312,772)
Less: Non-Current Liabilities: Due in More than One Year	<u>(2,228,800)</u>
Liabilities Reported on Balance Sheet	<u>\$ 170,641</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

The assets reported on the Balance Sheet equal liabilities and fund balance:

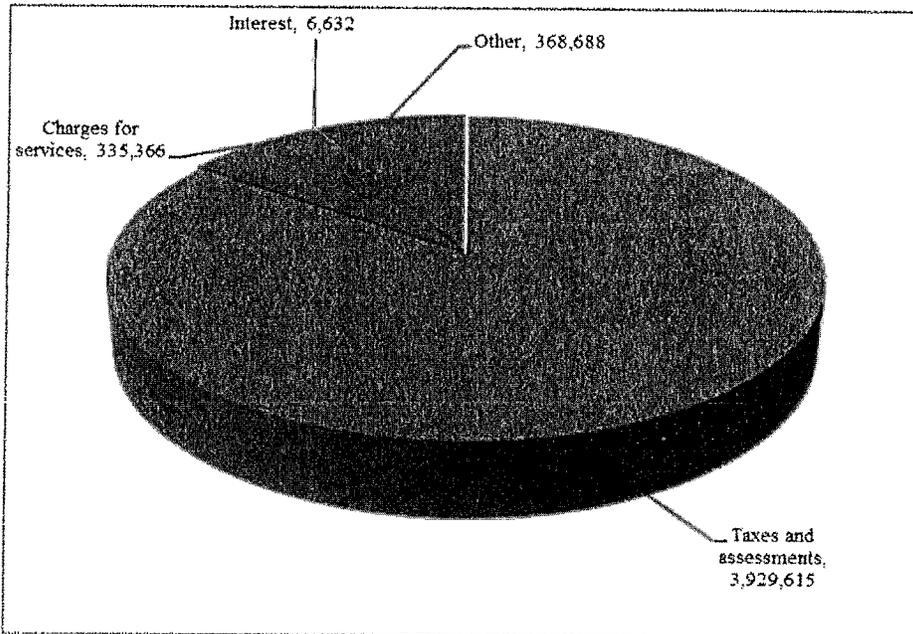
Assets Reported on Balance Sheet	\$ <u>624,348</u>
Liabilities Reported on Balance Sheet	170,641
Fund Balance	<u>453,707</u>
Total Liabilities and Fund Balance	\$ <u><u>624,348</u></u>

The *Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position* reconciles the difference between the fund balances of governmental funds of \$453,707 and the smaller number representing the District's net position of \$(171,568).

End of year fund balance – Governmental Funds	\$ 453,707
Capital Assets, Net of Accumulated Depreciation	1,916,297
Long-Term Liabilities	
Due within one year	(312,772)
Due in more than one year	<u>(2,228,800)</u>
Net Position of Governmental Activities	\$ <u><u>(171,568)</u></u>

The revenues in the *Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds* present the detail of Revenues and Expenditures for the District. Revenues total \$4,640,301 and consist of the following:

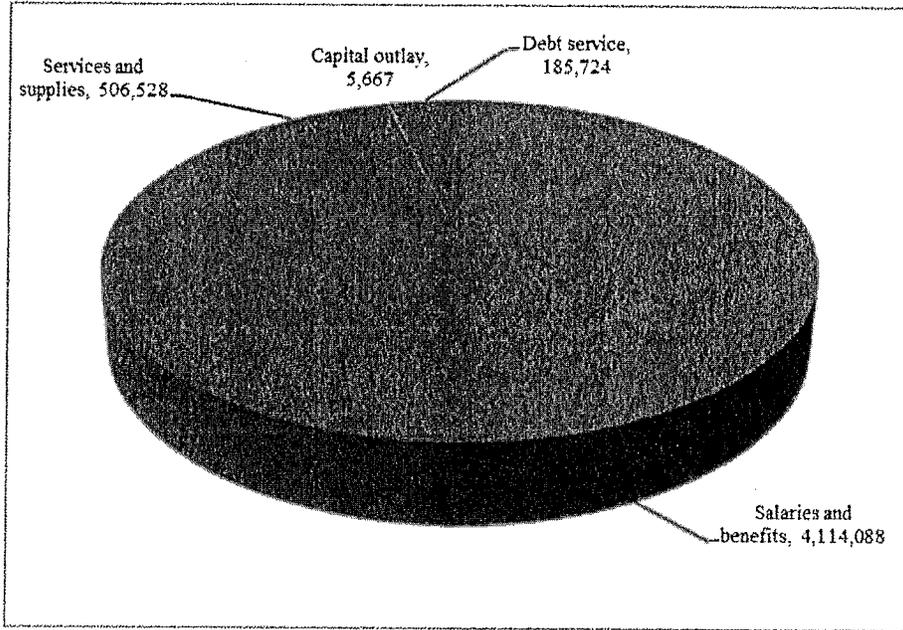
**Revenues**



**CREST FOREST FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2013**

The expenditures in the *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds* total \$4,812,007 and consist of the following:

**Expenditures**



**Economic Factors and Next Year's Budget**

The District expects its 2013-2014 governmental revenues to be within 1% to 2% of its current revenues. In July 2013, the District signed a contract with San Bernardino County Fire Department ("County Fire"). The District's budgeted expenditures from July 13, 2013 through June 30, 2014 consist of the contract expenses of \$3,976,835.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Management at P.O. Box 3220 Crestline, CA 92325.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2013**

		Governmental Activities
<b>ASSETS</b>		
Cash	\$	583,378
Accounts receivable, net		9,612
Taxes and assessments receivable		31,358
Capital assets, net of accumulated depreciation		1,916,297
Total Assets		2,540,645
<b>LIABILITIES</b>		
Accounts payable and accrued expenses		30,043
Salaries and benefits payable		140,598
Noncurrent liabilities		
Due within one year:		
Compensated absences		312,772
Due in more than one year:		
Installment note		2,228,800
Total Liabilities		2,712,213
<b>NET POSITION</b>		
Invested in capital assets, net of related debt		(312,503)
Unrestricted		140,935
Total Net Position	\$	(171,568)

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	<u>Program Revenues</u>			<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>	
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>	
			<u>Contributions</u>	<u>Net Position</u>	
			<u>Capital</u>	<u>Total</u>	
			<u>Grants and</u>	<u>Governmental</u>	
			<u>Contributions</u>	<u>Activities</u>	
<b>Governmental Activities</b>					
Fire prevention and suppression	\$ 3,892,738	\$ 12,925	\$ 354,264	\$ 13,799	\$ (3,511,750)
Paramedic services	917,522	322,441	625	-	(594,456)
<b>Total Governmental Activities</b>	<u>\$ 4,810,260</u>	<u>\$ 335,366</u>	<u>\$ 354,889</u>	<u>\$ 13,799</u>	<u>(4,106,206)</u>
General Revenues					
Property taxes and special assessments					3,929,615
Investment income					6,632
Total General Revenues					3,936,247
Change in Net Position					(169,959)
Net Position at Beginning of Year					<u>(1,609)</u>
Net Position at End of Year					<u>\$ (171,568)</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Special Revenue Fund: Paramedic	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 482,666	\$ 100,712	\$ 583,378
Receivables:			
Accounts	-	9,612	9,612
Taxes and assessments	5,951	25,407	31,358
Total Assets	488,617	135,731	624,348
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued expenses	24,393	5,650	30,043
Salaries and benefits payable	115,877	24,721	140,598
Total Liabilities	140,270	30,371	170,641
Fund Balances			
Restricted for:			
Debt service	63,700	-	63,700
Committed to:			
Facilities and equipment	345,797	24,807	370,604
Extra pay period	29,814	6,889	36,703
Unassigned	(90,964)	73,664	(17,300)
Total Fund Balances	348,347	105,360	453,707
Total Liabilities and Fund Balances	\$ 488,617	\$ 135,731	\$ 624,348

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2013**

Fund balance of the governmental funds	\$	453,707
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,916,297
Some liabilities are not due and payable in the current period and therefore are not reported in funds:		
Installment loan		(2,228,800)
Compensated absences payable		<u>(312,772)</u>
Net position of governmental activities	\$	<u>(171,568)</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds**  
**For the Year Ended June 30, 2013**

	General Fund	Special Revenue Fund: Paramedic	Total Governmental Funds
<b>Revenues</b>			
Property taxes and assessments	\$ 3,431,759	\$ 497,856	\$ 3,929,615
Charges for services	12,925	322,441	335,366
Intergovernmental	367,691	-	367,691
Interest	5,449	1,183	6,632
Contributions	372	625	997
<b>Total Revenues</b>	<b>3,818,196</b>	<b>822,105</b>	<b>4,640,301</b>
<b>Expenditures</b>			
Salaries and benefits	3,327,061	787,027	4,114,088
Services and supplies	393,332	113,196	506,528
Capital outlay	5,667	-	5,667
Debt service:			
Principal	57,800	-	57,800
Interest	126,765	1,159	127,924
<b>Total Expenditures</b>	<b>3,910,625</b>	<b>901,382</b>	<b>4,812,007</b>
Excess revenues over (under) expenditures	(92,429)	(79,277)	(171,706)
<b>Other Sources (Uses)</b>			
Operating transfers in	110,000	130,000	240,000
Operating transfers out	(240,000)	-	(240,000)
<b>Total Other Sources (Uses)</b>	<b>(130,000)</b>	<b>130,000</b>	<b>-</b>
Excess revenues and other source over (under) expenditures	(222,429)	50,723	(171,706)
Fund balance, July 1, 2012	570,776	54,637	625,413
Fund balance, June 30, 2013	<u>\$ 348,347</u>	<u>\$ 105,360</u>	<u>\$ 453,707</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the**  
**Governmental Funds with the Statement of Activities**  
**For the Year Ended June 30, 2013**

Net change in fund balance – governmental funds	\$ (171,706)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.	(100,828)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount of the change in compensated absences.	44,775
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	<u>57,800</u>
Change in net position of governmental activities	\$ <u>(169,959)</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund and Special Revenue Fund - Budget and Actual**  
**For the Year Ended June 30, 2013**

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Property taxes and assessments	\$ 3,443,419	\$ 3,443,419	\$ 3,431,759	\$ (11,660)
Charges for services	11,000	11,000	12,925	1,925
Interest	6,517	6,517	5,449	(1,068)
Other	318,063	318,063	368,063	50,000
Total Revenues	<u>3,778,999</u>	<u>3,778,999</u>	<u>3,818,196</u>	<u>39,197</u>
Expenditures				
Salaries and benefits	3,436,487	3,436,487	3,327,061	(109,426)
Services and supplies	345,862	345,862	393,332	47,470
Debt service	213,709	213,709	184,565	(29,144)
Capital outlay	350,338	350,338	5,667	(344,671)
Total Expenditures	<u>4,346,396</u>	<u>4,346,396</u>	<u>3,910,625</u>	<u>(435,771)</u>
Excess revenues over (under) expenditures	<u>(567,397)</u>	<u>(567,397)</u>	<u>(92,429)</u>	<u>(474,968)</u>
Other Sources (Uses)				
Operating transfers in	148,845	148,845	110,000	(38,845)
Operating transfers out	(305,763)	(305,763)	(240,000)	65,763
Total Other Sources (Uses)	<u>(156,918)</u>	<u>(156,918)</u>	<u>(130,000)</u>	<u>26,918</u>
Excess revenues and other sources over (under) expenditures	<u>(724,315)</u>	<u>(724,315)</u>	<u>(222,429)</u>	<u>501,886</u>
Fund Balance, July 1, 2012	570,776	570,776	570,776	-
Fund Balance, June 30, 2013	<u>\$ (153,539)</u>	<u>\$ (153,539)</u>	<u>\$ 348,347</u>	<u>\$ 501,886</u>

The accompanying notes are an integral part of these financial statements.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund and Special Revenue Fund - Budget and Actual**  
**For the Year Ended June 30, 2013**

	Special Revenue				Over (Under) Budget
	Original Budget	Final Budget	Actual	Actual	
Revenues					
Property taxes and assessments	\$ 474,119	\$ 474,119	\$ 497,856	\$ 23,737	23,737
Ambulance fees	365,000	365,000	322,441	(42,559)	(42,559)
Interest	906	906	1,183	277	277
Other	-	-	625	625	625
<b>Total Revenues</b>	<b>840,025</b>	<b>840,025</b>	<b>822,105</b>	<b>(17,920)</b>	<b>(17,920)</b>
Expenditures					
Salaries and benefits	881,994	881,994	787,027	(94,967)	(94,967)
Services and supplies	119,877	119,877	113,196	(6,681)	(6,681)
Debt service	2,000	2,000	1,159	(841)	(841)
Capital outlay	15,502	15,502	-	(15,502)	(15,502)
<b>Total Expenditures</b>	<b>1,019,373</b>	<b>1,019,373</b>	<b>901,382</b>	<b>(117,991)</b>	<b>(117,991)</b>
Excess revenues over (under) expenditures	(179,348)	(179,348)	(79,277)	(100,071)	(100,071)
Other Sources (Uses)					
Operating transfers in	159,340	159,340	130,000	(29,340)	(29,340)
Operating transfers out	(2,422)	(2,422)	-	2,422	2,422
<b>Total Other Sources (Uses)</b>	<b>156,918</b>	<b>156,918</b>	<b>130,000</b>	<b>(26,918)</b>	<b>(26,918)</b>
Excess revenues and other sources over (under) expenditures	(22,430)	(22,430)	50,723	73,153	73,153
Fund Balance, July 1, 2012	54,637	54,637	54,637	-	-
Fund Balance, June 30, 2013	\$ 32,207	\$ 32,207	\$ 105,360	\$ 73,153	\$ 73,153

The accompanying notes are an integral part of these financial statements.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 1: Summary of Activities and Significant Accounting Policies**

The accounting policies of Crest Forest Fire Protection District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

**A. Description of the Reporting Entity**

The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as (1) the ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

**B. Description of Funds**

The accounts of the District are organized in two funds, which are considered separate accounting entities. The operations of the funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes. The fund is used to account for ambulance operations. Revenues in this fund are derived from special assessments paid by property owners within the District boundaries, and from user fees paid by service recipients who do not live within the District boundaries.

Both the General Fund and the Special Revenue Fund are Governmental Fund Types.

**C. Financial Presentation**

The accounting policies of the Crest Forest Fire Protection District conform to accounting principles generally accepted in the United States as applicable to governmental units.

**D. Basis of Accounting/Measurement Focus**

Government-wide Financial Statements

The District's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the District.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**D. Basis of Accounting/Measurement Focus (Continued)**

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as long-term debt, 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 they are earned while expenses 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 reported in three categories: 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. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements.

All 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 current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**E. Claims and Judgments**

In accordance with Governmental Accounting Standards Board (GASB) Code Section C50.110, the District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

**F. Capital Assets**

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-wide Financial Statements. Capital assets are defined by the District as all land, buildings, vehicles, computers, equipment, and improvements with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is recorded in the Government-wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings	40 years
Improvements other than buildings	5-50 years
Machinery and equipment	3-20 years

**G. Budgetary Practice**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is adopted by the Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
2. The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Sec. 2400.109) covers District expenditures in the Governmental Funds. Budget figures used in the accompanying financial statements are the final adjusted amounts.
3. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Also, unencumbered appropriations lapse at year-end.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 1: Summary of Activities and Significant Accounting Policies (Continued)**

**H. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. Use of Restricted Resources**

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.

**J. Compensated Absences**

The District's policy for accruals and payout of sick and vacation time varies among the different classes of employees and their longevity with the District. Payout of varying maximum accruals upon retirement, death or resignation varies from 30% to 100%.

**K. Accounts Receivable**

The District uses its past collection history to determine its allowance for doubtful accounts. As of June 30, 2013, the allowance for doubtful accounts was 20% of billings.

**L. Fund Balances – Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District had no nonspendable funds as of June 30, 2013.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board, which is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**L. Fund Balances – Governmental Funds (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditures is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**M. Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**N. New Accounting Pronouncements**

*GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements*

For the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The objective of the Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in the Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 61 – The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*

For the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34." The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34 – Basic Financial Statements

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**N. New Accounting Pronouncements (Continued)**

– and Management’s Discussion and Analysis – for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of the Statement did not have an effect on these financial statements.

*GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

For the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations, (2) Accounting Principles Board Opinions, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. The implementation of the Statement did not have an effect on these financial statements.

*GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

For the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. The Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District’s financial statements are explained in Note 1-M. Net Position.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 2: Cash and Investments**

Authorized Investments

In accordance with Section 53601 of the California Government Code, the District's Board of Directors has directed the District to invest in the following:

- San Bernardino County Treasurer (County Pool)
- Other investments which are expressly permitted by the District's Board of Directors

Pooled Deposits/Credit Risk

The District may waive collateral requirements for deposits which are fully insured by Federal depository insurance.

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with security held by the pledging financial institution or by its trust department or agent but not in the District's name.

Credit Risk, Carrying Amount, and Market Value of Investments

- Category 1: Insured or registered, with securities held by the District or by its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the pledging financial institution's or counterparty's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Amount</u>
Cash in banks	\$ -	\$ -	\$ -	\$ -	-
Pooled investments:					
*County Treasurer				583,378	583,378
				\$ 583,378	\$ 583,378

\*Not subject to categorization.

\*\*The San Bernardino County Treasurer has indicated to the District that as of June 30, 2013, the carrying amount of the pool was \$4,192,875,000 and the estimated market value of the pool (including accrued interest) was \$4,209,600,004. The District's proportionate share of that value is \$583,378.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 2:           Cash and Investments (Continued)**

Fair Value of Investments

GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and County Treasury investment pools); investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statements.

The San Bernardino County Treasury Pool is a government investment pool managed and directed by the County Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State and San Bernardino County officials, provides oversight to the management of the fund. The daily operations and responsibility fall under the auspices of the County Treasurer's office. It is the District's understanding that the values of shares in the County Pool reflect "fair value." The District is a voluntary participant in the pool.

**Note 3:           Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and distributes them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 4: Capital Assets and Depreciation**

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-wide Statement of Net Position. The following table presents the capital assets activity for the year ended June 30, 2013.

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 198,675	\$ -	\$ -	\$ 198,675
Total Capital Assets Not Being Depreciated	<u>198,675</u>	<u>-</u>	<u>-</u>	<u>198,675</u>
Capital Assets Being Depreciated				
Improvements to land	16,649	-	-	16,649
Structures and improvements	3,509,408	-	-	3,509,408
Vehicles and equipment	2,321,272	-	-	2,321,272
Total Capital Assets Being Depreciated	<u>5,847,329</u>	<u>-</u>	<u>-</u>	<u>5,847,329</u>
<i>Less Accumulated Depreciation for</i>				
<i>Buildings and other improvements</i>	3,150,507	88,155	-	3,238,662
<i>Equipment and vehicles</i>	878,372	12,673	-	891,045
<i>Total Accumulated Depreciation</i>	<u>4,028,879</u>	<u>100,828</u>	<u>-</u>	<u>4,129,707</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,818,450</u>	<u>(100,828)</u>	<u>-</u>	<u>1,717,622</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 2,017,125</u>	<u>\$ (100,828)</u>	<u>\$ -</u>	<u>\$ 1,916,297</u>

Depreciation expense in the amount of \$100,828 was charged to the District's governmental functions as follows for the year ended June 30, 2013:

Fire prevention and suppression	\$ 79,654
Paramedic services	<u>21,174</u>
Total depreciation expense	<u>\$ 100,828</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 5: Long-Term Debt**

Change in long-term debt activity is as follows:

Description	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Amount Due 2013-2014
Long-term debt:					
City National Bank	\$ 2,286,600	\$ -	\$ 57,800	\$ 2,228,800	\$ 63,700
Compensated absences	357,747	264,920	309,895	312,772	312,772
Total	\$ 2,644,347	\$ 264,920	\$ 367,695	\$ 2,541,572	\$ 376,472

Interest expense of \$184,872 has been charged to the fire prevention and suppression on the Statement of Activities for the year ended June 30, 2013.

The District's long-term debt consists of the following at June 30, 2013:

Installment Loan

The District has an installment loan with City National Bank. The loan is secured by structures and improvements, bears interest at 5.4% per annum, and matures in 2030. Remaining maturities are as follows:

Fiscal Year Ending June 30,	Interest	Principal	Total
2014	\$ 119,507	\$ 63,700	\$ 183,207
2015	115,989	69,600	185,589
2016	112,217	70,500	182,717
2017	108,338	76,100	184,438
2018	104,085	86,800	190,885
2019-2023	441,529	547,500	989,028
2024-2028	265,091	797,100	1,062,191
2029-2030	42,914	517,500	560,414
	\$ 1,309,670	\$ 2,228,800	\$ 3,538,470

Compensated Absences

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$312,772 (\$181,309 vacation and \$131,463 sick leave) at June 30, 2013. Vacation benefits will be recorded as an expenditure in the governmental funds when the related current liability is incurred. The long-term portion of the vacation liability, along with all of the sick leave, will be recorded as an expenditure at the time of employees' termination, death, or retirement. Because all of the District employees were terminated in July 2013 when the District contracted with the San Bernardino County Fire Protection District for services, all of the vacation and sick leave was paid at the time, either directly to employees, or to County Fire on behalf of the employees.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 6:           Classifications of Net Assets and Fund Balance**

In the Government-wide financial statements, net position is classified as follows:

Invested in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and further reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position

This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the District that are not externally restricted for any project or other purpose.

In the fund financial statements, the District's governmental fund balances are classified as follows:

Fund Balances

Restricted for:		
Debt service	\$	<u>63,700</u>
Committed to:		
Facilities and equipment		352,686
Extra pay period		<u>54,621</u>
Total committed		<u>407,307</u>
Unassigned		<u>(17,300)</u>
Total Fund Balances	\$	<u>453,707</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 7: 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.

Workers' Compensation

The District is a member of the Public Agency Self Insurance System of San Bernardino County (PASIS). PASIS provides workers' compensation insurance services. PASIS is set up as a banking system where the members share the expenses, and each member is responsible for its own losses up to a \$300,000 per occurrence self-insured retention. Losses above the self-insured retention are covered by reinsurance, purchased by PASIS. The District makes an annual contribution based on past and projected future claims. Projections of future ultimate losses are inherently uncertain because of the random nature of claims occurrences. Therefore, future loss rates are projected judgmentally based on the historical rates.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses do not include an estimate of claims that have been incurred but not reported. At June 30, 2013, the amount of potential outstanding claims liability is estimated to be \$310,000. The District is able to access its accumulated balance with PASIS. During the year ended June 30, 2013, the District charged a premium of \$158,661 to governmental activities. Funds available as of June 30, 2013 in excess of the \$75,000 minimum required deposit were \$482,770.

*Three Year Trend Information of Funding for PASIS*

Year Ending June 30,	Cash Balance Beginning of Year	Premiums and Interest Earned	Claims and Payments	Cash Balance End of Year	Potential Outstanding Claims Liability at End of Year
2011	\$ 696,874	\$ 187,121	\$ 237,595	\$ 646,400	\$ 185,629
2012	\$ 646,400	\$ 158,468	\$ 297,960	\$ 506,908	\$ 299,393
2013	\$ 506,908	\$ 209,523	\$ 158,661	\$ 557,770	\$ 310,000

**Note 8: Operating Transfers**

Interfund activities at June 30, 2013 are as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ -	\$ -	\$ 110,000	\$ 240,000
Special Revenue Fund	-	-	130,000	-
	\$ -	\$ -	\$ 240,000	\$ 240,000

Operating transfers were made to distribute cash resources between fund types to cover budgeted expenditures.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 9:           Retirement Plan**

Plan Description

The District's defined benefit pension plans, The Safety and General Plans of the Crest Forest Fire Protection District (the "Plans") provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the General and Safety portion of the San Bernardino County Employees' Retirement Association (SBCERA), an agent multiple-employer plan administered by the San Bernardino County Employees' Retirement Association, which acts as a common investment and administrative agent for participating public employers within the County of San Bernardino. A menu of benefit provisions, as well as other requirements, is established in accordance with state and local statute. The District selects benefit provisions from the benefit menu by contract with SBCERA and adopts those benefits through local ordinance. SBCERA issues a separate comprehensive annual financial report (CAFR). Copies of the SBCERA annual financial report may be obtained from the SBCERA office at 348 West Hospitality Lane, Third Floor, San Bernardino, CA 92415.

Funding Policy

Active plan members in the Safety and General Plans are required to contribute 10% to 16% of their annual salaries. The contribution rates vary with employees' ages. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For the year ending June 30, 2013, the amounts required were 46.91% and 22.38%, respectively, of annual covered salaries. The actuarial methods and assumptions used are those adopted by the SBCERA Board of Retirement. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and may be amended by SBCERA. In addition to contributing the actuarially required employer amounts, the District also pays 6% of the employees' required contributions.

Annual Pension Cost

For fiscal year 2012-2013, the District's annual pension cost was \$1,022,692. The District paid \$985,292 of this by June 30, 2013, and recognized a liability for the remaining \$37,400 at year end. The required contribution for fiscal year 2012-2013 was determined as part of the June 30, 2010 actuarial valuation.

The actuarial assumptions included (a) 7.75 percent rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.75% to 14.00%; and (c) a cost of living adjustment contingent upon CPI but not to exceed 2.0%. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments. Additionally, at its October 2002 meeting, the Board of Retirement elected to amortize the Association's unfunded actuarial accrued liability as of June 30, 2002 over a declining 20-year period.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 9: Retirement Plan (Continued)**

Three-Year Trend Information for the SBCERA

Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 258,128,000	100%	-
2012	\$ 278,091,000	100%	-
2013	\$ 303,080,000	100%	-

Funded Status of SBCERA

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/11	\$ 8,189,645,890	\$ 6,484,506,557	\$ 1,705,139,333	79.18%	\$ 1,244,554,740	137.01%
6/30/12	\$ 8,606,576,657	\$ 6,789,492,338	\$ 1,817,084,319	78.89%	\$ 1,260,309,037	144.18%
6/30/13	\$ 9,088,635,907	\$ 7,204,918,478	\$ 1,833,717,429	79.27%	\$ 1,262,751,964	149.18%

**Note 10: Going Concern**

At June 30, 2013, the District reported a negative net position of \$171,568 and a decrease in net position of \$169,959 on its government-wide financial statements, as well as a net excess of expenditures over revenues of \$171,706 on its fund financial statements. These factors have created an uncertainty about the District's ability to continue as a going concern.

Management and the District's Board of Directors have contracted with San Bernardino County Fire Department (see Note 11) in an attempt to utilize resources in the most cost-effective manner.

**Note 11: Subsequent Event**

Commitment

Subsequent to fiscal year end, the District signed an agreement with San Bernardino County Fire Department ("County Fire") in which County Fire will provide fire prevention services, fire investigation, fire suppression, advanced life support services, ambulance transport, and rescue services. The agreement commenced July 13, 2013, and terminates June 30, 2023, unless terminated earlier by either party. In no case can the agreement be terminated before June 30, 2016.

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 11:      Subsequent Event (Continued)**

Terms of the agreement require the District to pay County Fire the cost of providing the services enumerated above, along with an annual contract management fee. Contract costs will be negotiated annually. Future minimum payments are as follows:

Year ending June 30,		
2014	\$	3,976,835
2015		4,061,465
2016		<u>4,061,465</u>
	\$	<u>12,099,765</u>

**CREST FOREST FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Agent Retirement Plans (SBCERA)**  
**June 30, 2013**

Retirement Plan

The funded status of the plan as of the most recent valuation date, June 30, 2011, along with the actuarial assumptions and methods used in those valuations follow:

Funded Status of SBCERA

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/11	\$ 8,189,645,890	\$ 6,484,506,557	\$ 1,705,139,333	79.18%	\$ 1,244,554,740	137.01%
6/30/12	\$ 8,606,576,657	\$ 6,789,492,338	\$ 1,817,084,319	78.89%	\$ 1,260,309,037	144.18%
6/30/13	\$ 9,088,635,907	\$ 7,204,918,478	\$ 1,833,717,429	79.27%	\$ 1,262,751,964	149.18%

Actuarial Assumptions

The actuarial assumptions included (a) 7.75 percent rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.75% to 14.00%; and (c) a cost of living adjustment contingent upon CPI but not to exceed 2.0%. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments. Additionally, at its October 2002 meeting, the Board of Retirement elected to amortize the Association's unfunded actuarial accrued liability as of June 30, 2002 over a declining 20-year period.



Jennifer L. Starbuck, CPA

Joseph P. Walsh, CPA

**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***

To the Board of Directors  
Crest Forest Fire Protection District

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 governmental activities and each major fund of Crest Forest Fire Protection District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Crest Forest Fire Protection District's basic financial statements, and have issued our report thereon dated December 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Crest Forest Fire Protection 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 Crest Forest Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Crest Forest Fire Protection 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 Crest Forest Fire Protection 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*.

**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.

*Starbuck Walsh, LLP*

Starbuck Walsh, LLP  
Apple Valley, CA  
December 16, 2013