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May 21, 2012

To the Board of Directors
Beckwourth Fire District
Beckwourth, California

We have audited the financial statements of Beckwourth Fire District as of and for the years ended June 30, 2011 and 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audits of the financial statements of Beckwourth Fire District as of and for the years ended June 30, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Beckwourth Fire District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

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1. Prior Audit Recommendations:

(a) Adopt a fixed asset policy.

Follow up – District now has a policy. However, we would also recommend that the Fire Chief review the depreciation schedule and list of fixed assets on an annual basis.

(b) Board minutes not signed.

Follow up – most fire districts have the Recording Secretary sign “as submitted” and the Board President “as approved.”

(c) District should review billing procedures.

Follow up – District staff believes current billing procedures are adequate.

2. Comparison of Operating Results:

	June 30		Favorable (Unfavorable) Variance
	<u>2010</u>	<u>2011</u>	
Revenues	\$ 297,627	\$ 232,110	\$(65,517)
Expenditures	<u>320,571</u>	<u>216,094</u>	<u>104,477</u>
Excess of revenues (expenditures)	\$(<u>22,944</u>)	\$ <u>16,016</u>	\$ <u>38,960</u>
Cash	\$ <u>90,175</u>	\$ <u>102,992</u>	\$ <u>12,817</u>

Observation:

- 2011 had better financial results:
 - Surplus of \$16,016
 - Cash increase of \$12,817

3. Budget:

Observation – the following recommendations are made for the Board’s consideration:

- (a) Workmen’s Comp. be separated from “salaries and benefits” and shown as a separate item.
- (b) Equipment loan payments be shown as “debt service” rather than current year property expenditures.
- (c) Professional services – delete; specify the particular service e.g. audit, engineering, etc.
- (d) Contingency – exceeds \$80,000; normally a much smaller amount.

* * *

The budget is important because it becomes the chart of accounts used by the County to code revenues and expenditures.

4. Monthly Financial Statements:

Observation – the County-prepared financial statements are not presented to the Board.

Recommendation – the County prepares a monthly balance sheet and statement of revenues and expenditures (compared to budget). These financial statements should be presented to the Board and a motion made to approve them.

If necessary, the financial statement format could be simplified to facilitate easier understanding.