

**Cameron Park Airport District**

**Management Report**

**June 30, 2019**

# LARRY BAIN, CPA

An Accounting Corporation

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## COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

Board of Directors:

Cameron Park Airport District  
Cameron Park, CA

We have audited the financial statements of Cameron Park Airport District as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated March 18, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cameron Park Airport District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider findings 2019-001 to 2019-003 in the following schedule of findings to be deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider findings 2019-004 to 2019-007 in the following schedule of findings to be significant deficiencies in the District's internal control:

### **Cameron Park Airport District's Response to Findings**

The Cameron Park Airport District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, the El Dorado County Auditor Controller's Office, the California State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Larry Bain". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Larry Bain, CPA,**  
**An Accounting Corporation**  
March 18, 2020

**CAMERON PARK AIRPORT DISTRICT**  
**SCHEDULE OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES**  
**JUNE 30, 2019**

**Significant Deficiencies Deemed Material Weaknesses**

**FS 2019-001:** During our audit we noted the District did not have a written financial and accounting policy/manual that included internal control procedures. The District should create the financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met. This also should include documenting controls over processing transactions, authorizing transactions and for maintaining and safeguarding assets.

The District also relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 122 external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence.

**Current year follow up:** Condition still exists.

**Recommendation:** We recommend the District create a written financial and accounting policy. The District should also consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action if it considers the cost will outweigh the benefit. We have noted this finding in prior audits.

**FS 2019-002:** We noted in the Annual Report for Assessment District No 2009-1 prepared by NBS, there is a finding that an assessed parcel prepaid their assessment during the 2012 fiscal year. We did not observe that the prepaid assessments had been forwarded to USBR to prepay the bonds. As a result the Assessment District is continuing to accrue interest on those outstanding bonds.

**Current Year Follow Up:** During our testing we noted two additional parcels prepaid their bonds, however we did not see any evidence that the District called these bonds or the bonds that were prepaid in 2012.

**Recommendation:** We recommend the District consult with NBS to determine the amount of prepaid assessments and then take action to perform a bond call.

**Significant Deficiencies Not Deemed Material Weaknesses:**

**FS 2019-003:** During our testing of the Assessment District activity we noted the District has a reserve requirement for the USDA Loan. Per the Cameron Park Airport District Resolution of Issuance "On each Interest Payment Date, and for the first ten years of the terms of the Bonds, the Office Administrator shall cause to be placed in the Reserve Fund an amount equal to 1/10<sup>th</sup> of the maximum annual Debt Service on the Bonds." As of June 30, 2017 the Reserve Fund should have held 80% of the reserve requirement or \$75,200 as of June 30, 2017. The balance in the reserve fund as of June 30, 2017 was \$14,750. We have noted this finding in prior audits.

**2017/18 Finding:** During our testing of cash we noted the District made a journal entry in the 2017/18 fiscal year increasing restricted assessment district cash and increasing assessment district accounts payable \$70,255 in order to comply with the reserve requirement. The actual transfer was not made to the assessment District's restricted cash account until December 18, 2018 resulting in an overstatement of cash and overstatement of accounts payable at June 30, 2018. We proposed a journal entry to reverse the \$70,255 from cash and accounts payable at June 30, 2018. As a result the District was out of compliance with the reserve requirement at June 30, 2018.

**CAMERON PARK AIRPORT DISTRICT  
SCHEDULE OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES  
JUNE 30, 2019**

**Significant Deficiencies Not Deemed Material Weaknesses (Continued):**

**Current year follow up:** During our testing of cash we noted the \$70,575.25 check, noted in the June 30, 2018 finding, was deposited into the Reserve Account on December 18, 2018. After the deposit and as of June 30, 2019 the reserve fund balance was \$85,997. The reserve requirement according to NBS was \$89,094 leaving an underfunded reserve balance of \$3,096.

Recommendation: We recommend increasing the reserve fund balance by \$3,096 to comply with the debt reserve requirement.

**FS 2019-004:** We noted the District has a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have noted this finding in our prior audit.

**FS 2019-005:** During our audit we did not observe a fee ordinance for charging hangar rents, tie downs and other charges for services. We have noted this condition in past audits.

Recommendation: We recommend the District review current laws for establishing fees for services and take action to comply. The District should consult with legal counsel to ensure compliance with Proposition 218 and any other applicable laws in establishing rates.

**FS 2019-006:** During our testing we noted, the District General Manager is not maintaining timesheets or vacation/sick leave schedules to track how much vacation/sick leave is earned and used during each pay period, which are authorized by another employee or the governing board. We also noted the General Manager is being treated as salaried exempt. This designation may not be valid for the position. We have noted this condition in prior audits.

Recommendation: We recommend the District maintain the appropriate documentation to support payroll and vacation/sick leave. The timesheet and vacation/sick leave documents should also indicate authorization for the time worked and/or the compensated time off. We also recommend the District review the IRS rules for classifying an employee as exempt and determine if the general manager qualifies for exempt status.

**FS 2019-007:** During our testing of revenue we noted the District is charging several customer credit cards, for hanger and tie down rents, through their vendor, Epic, fuel credit account. Epic is then charging a processing fee for each transaction. The District is also leaving these payments in their Epic fuel account to offset the cost the District incurs for their fuel purchases.

**Current Year Follow Up:** No change

Recommendation: We recommend the District discontinue commingling customer credit card payments for hangar and tie down rents with fuel sales, and consider either not taking credit card payments for hangar and tie down rents, or open a separate credit card merchant account.

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March 18, 2020

To the Board of Directors  
Cameron Park Airport District

We have audited the financial statements of the business-type activities of Cameron Park Airport District for the years ended June 30, 2019, and have issued our report thereon dated March 18, 2020. Professional standards require that we provide you with the following information related to our audit.

## **Our responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 22, 2019 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## **Planned Scope and Timing of the Audit**

We performed the audit and issued the report within the timeline previously communicated on November 22, 2019.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cameron Park Airport District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the 2018-2019 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. No prior period adjustment were recorded in the June 30, 2019 financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Aside from the journal entries to convert from the fund financial statement presentation to government-wide presentation, all proposed audit adjustments were posted to the June 30, 2019 financial statements.

**Disagreements with Management**

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 18, 2020.

**Management Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,



Larry Bain, CPA,  
An Accounting Corporation