



February 8, 2007

Mr. Mike Wakefield
11874 Charlton Road
Madera, CA 93638

Dear Mr. Wakefield:

We are in receipt of your letter of December 7, 2006. We apologize for being slow to respond to your lengthy list of questions but as a volunteer board, we do not have unlimited resources. Please see below our detailed responses to your questions. We believe that some of the issues raised by you were factually incorrect.

Detailed response

You suggested we get input from a CPA about how correctly to present financial information. Our Board President is the head of a firm of CPAs, our secretary/treasurer while not a CPA herself; daily reviews the detailed financial statements of many companies to determine in which stocks she will invest. Our Member at Large, Mr. Fox, is also a CPA. We work to make sure that our financial presentations and statements are based on standards which we believe fairly represent the financial condition and operations of HLVFD.

Why are the pieces of equipment listed at replacement value when 1) they were purchased with donated money and 2) we may have acquired them for less than replacement value? We believe there is confusion between what we record in our financial records and what we use to determine the funding requirements to maintain the operations of the fire department and ensure that funds will be available to replace equipment as it wears out. Equipment is recorded in our financial records at historical cost when acquired and at fair market value when equipment is contributed. Our financial records depreciate the equipment based on these values. For purposes of determining our request for charitable contributions, we estimate, or budget, the cost required for operations as well as the cost to replace equipment when it wears out. The replacement reserve portion of this budget is based on the estimated replacement cost of the equipment and the remaining estimated useful life of the equipment. It is our intent not only to properly represent the value of the equipment but to also assure that those who come after us in 20 years or so will have the funds available to replace the equipment that we have worked so hard to have at the service of our community.



“Why give up confirmed funding of \$23,160 from HLA?” First, there may be some confusion about who HLA represents. HLA represents only the cabins and businesses for collecting donations to the Department. The Huntington Association, a separate legal entity, represents the brown condos, the Eagles Nest Association represents the white and green condos above the Brown ones. The homeowners in Regatta Vista and the Old College tracts likewise have their own owners’ associations not affiliated with HLA. Thus, it is not correct to lump the 100% participation of the condo owners in with the cabin owners. The correct figure for the cabins for 2006 is approximately \$15,779, a figure that reflects the continued decline in revenue from the HLA to the Fire department. Therefore, the reason we want to approach the cabins directly is that the HLA funding is declining, and we feel a more direct approach will be beneficial.

We do not feel the Fire Department fund raising should be a part of the HLA activities. The fundamental mission of the HLA is to function as a lobbying entity representing the cabin property lease holders with the Forest Service. Collecting monies for the Fire Department is not (nor should it be) an integral part of that mission and, accordingly, is not a major focus of HLA’s personnel. Our fund raising should be the responsibility of the people involved in the Fire Department. That way if we are doing something our constituents do not like, they can tell us directly and we can act on it.

“Why is the Department going directly to the Cabins and not through the HLA or the Tracts?” The HLA part of this question is answered above. We are approaching the tract presidents directly and asking for their help to collect the donations we need to run the Fire Department. However, we recognize that some tract presidents and/or tract boards may choose not to be involved. That is their option. In any event, we want each tract president to be aware of the contributions his or her tract is making because the lack of giving may send a signal to the tract as well as to our Department of a lack satisfaction with our service.

In your item 3, you express concerns that we in the Fire Department are trying to hide something from the tracts, cabins or other parts of our constituency. Nothing could be further from the truth. As we hope you are aware, we started sending a newsletter this year directly to our constituents and asked for their feedback on priorities, a first in the history of the Department. We have also, at no cost to the Department, generated our own website on which we publish copies of the newsletter and have a running narrative about news from the Lake. Both of these are intended to keep our constituency informed about what is going on. We have provided e-mail contacts (Chief, Training, Gifts, and Comments @HLVFD.org) for the community to direct questions, complaints or other comments to personnel in the Department. When questions are posed that are relevant to more than just the asker, we will put the response in the News section of the website. We will also continue to look for ways to expand the information on our website to keep our community informed.



A key thrust of the HLVFD team is to increase the transparency of our operations both to the constituency and our regulatory authorities. A complaint that we had heard too frequently in the past was that the Department appeared to be a “private club”. That is why we now publish financial budgets and results for the year (a first), why we have written Board of Director meeting notes, why personnel policies are now in writing and the subject of formal Board action, and why we are reaching out to the community for feedback on operations.

Your questions 4 and 5 were also in your first letter and are covered in the first response above.

Your question 6 was covered in our latest (December) newsletter. We have a three year purchase/lease for engine 62 and have invested the funds that will be used to repay that lease in financial instruments that yield us a profit compared to the cost of the lease. These funds are encumbered and not usable for anything other than repayment of the lease.

“7 Are E62 and E262 fully paid for?” – Engine 262 was paid for in cash at time of delivery. E62 is being paid for on a lease/purchase as described above.

“8 Has a new water tender been acquired?” - No. While SCE has committed the funds to us, they have not delivered the funds. Until we have cash in hand (or an enforceable note), we will not commit to the expenditure of funds.

“9 Will the ‘extra’ \$100 just create a slush fund and is it justified?” The \$100 will cover the shortfall in operating funds that has been made up by several extraordinary donors, like those who gave us our new structure engine, and by the firefighters personally over the past few years and will create the reserves to replace our current equipment in 20 years. In addition to the normal annual appeals for the operating contribution of \$140 per residential unit, we will continue to conduct annual capital appeals for new and unplanned items e.g., by the end of 2007 we MUST replace our SCBA units (at a cost of between \$25,000 and \$30,000), with new ones that incorporate the new fire standards or we are at risk of being deemed “consciously negligent” in not providing our personnel with the “accepted standard of safety gear”.

“10 Quote from a fire department person” - The unnamed person you quote is incorrect. We have a budget (published at the start of the year) that names the categories and planned amounts of money to be spent in each category. Any expenditures outside these budget categories must first be funded by money from new sources, not normal operating funds and must be approved by the Board.



11 Questions about the composition of the Board. -The composition of the Board is in compliance with our organizational documents on file with the State of California. Our Board members are named. Five of them are Cabin owners, one is a property owner and the final member is the Chief, the Chief Operating Officer of the organization. In approaching candidates, our critical requirements were: Time, Talent and Treasure. We expect each Board member to be able to give all three. Other than Mr. Leach, no Board member had given a large amount of money to the Department until after he or she agreed to serve. Our emphasis was on selecting individuals who could contribute positively to the community's objectives for the Fire Department. We were not interested in selecting people who felt they had a closed agenda for a special interest group.

Since the appointment of this Board, there has been more information published to the community than ever before. Our financial records have been accurately prepared to reflect proper accounting principles and conventions. We continue to work to credit all of the contributions in kind that have been made in the past and not been visible to the community in our reports. For example, Rancheria Enterprises and Lakeshore Resort have given substantially for many years, yet they have not received appropriate recognition nor has their contribution been properly reflected as an offset to the real costs we incurred in running the Department. We placed advertisements in the local papers to give notice of a public hearing on the purchase of the new engine and conducted that hearing (at Lakeshore); another first for the Department. We have created a communication vehicle with response capability (e-mail) at no incremental cost to the Department for all the community to be able to express concerns. We are all aware that you are on record stating concern about the composition and actions of the Board.

Your question number 13 suggests that some dialog from the Board has not been truthful. That certainly is of concern to us and absolutely not our intent. We would like to know of any instance in which we have given out false information.

You also asked about the rescue boggin. We have trained new winter responders who are managing the rescue boggin. Our arrangement with them calls for it to be covered and ready for immediate response. We will investigate this point with them.

Finally, in your closing remarks, you make reference to the Department spending our funds "frivolously and not prudently". We pride ourselves on having conducted the business of the Department in a prudent and frugal manner. We are not aware of any instance of "frivolous and imprudent" use of funds. You also seem to imply in your remarks about the orange cover on the rescue boggin that we should not be providing environmentally correct, logo-badged equipment to our personnel for making calls. The alternative to the Department funding this is for the firefighters to buy their own. That simply hides the real cost of operating the Department by having firefighters make unrecorded contributions in kind as well as adding to the cost of being a volunteer. We



always want our responders in appropriate, logo-badged equipment so that there is never confusion at the scene of an incident about who is an authorized HLVFD responder and who is just a concerned citizen. You may be interested to know that the winter response gear purchase was funded by a gift from a donor who restricted the gift to be used only for that purchase.

We hope this letter answers your questions. We recognize that the Fire Department's funding comes entirely from donations. The community must feel that it is receiving a valuable service, and we believe it is. As noted above, we have dramatically improved the communication with the community and encourage feedback and questions from everyone. We will, based on your comments, add a section to our website for the posting of minutes from our board meetings to keep the Huntington community better informed.

We are very proud of the dedication of every member of our volunteer fire department and the progress we have made over the years to make Huntington Lake a better place to live, work and play. We appreciate the positive contributions you made while you were a member of the department and would appreciate your continued support.

Sincerely,

The Board.