

**SIERRA COUNTY
FIRE PROTECTION DISTRICT #1**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	3
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	4
Statement of Revenues and Expenditures – Compared to Budget	5-6
Notes to Financial Statements	7-13
Supplemental Information:	
Principal Officials	15
Schedule of Cash Flows	16



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sierra County Fire Protection District #1
Sierraville, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra County Fire Protection District #1, as of and for the year ended June 30, 2019, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra County Fire Protection District #1 as of June 30, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert. Johnson, An Accounting Corporation

Citrus Heights, California

February 18, 2020

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2019

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$ 232,752	\$ -	\$ 232,752
Accounts receivable	13,968	-	13,968
Capital assets (Note 4)	-	949,911	949,911
Less, accumulated depreciation	<u>-</u>	<u>(504,730)</u>	<u>(504,730)</u>
Total assets	<u>\$ 246,720</u>	<u>\$ 445,181</u>	<u>\$ 691,901</u>
 LIABILITIES			
Accounts payable	\$ 17,812	\$ -	\$ 17,812
Long-term debt (Note 6)	<u>-</u>	<u>46,909</u>	<u>46,909</u>
Total liabilities	<u>17,812</u>	<u>46,909</u>	<u>64,721</u>
 FUND BALANCES/NET POSITION			
Fund balances (Note 5):			
Restricted	-	-	-
Committed	17,592	(17,592)	-
Unassigned	<u>211,316</u>	<u>(211,316)</u>	<u>-</u>
Total fund balances	<u>228,908</u>	<u>(228,908)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 246,720</u>		
Net position (Note 5):			
Net investment in capital assets		398,272	398,272
Restricted		-	-
Unrestricted		<u>228,908</u>	<u>228,908</u>
Total net position		<u>\$ 627,180</u>	<u>\$ 627,180</u>

See notes to financial statements

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 98,917	\$ -	\$ 98,917
Support services	47,428	-	47,428
Capital outlay	78,583	(78,583)	-
Debt service:			
- principal	4,391	(4,391)	-
- interest	1,696	-	1,696
Depreciation	<u>-</u>	<u>31,230</u>	<u>31,230</u>
Total program expenditures/expenses	<u>231,015</u>	<u>(51,744)</u>	<u>179,271</u>
Program revenues:			
Charges for services - fire income	<u>6,730</u>	<u>-</u>	<u>6,730</u>
Total program revenues	<u>6,730</u>	<u>-</u>	<u>6,730</u>
General revenues:			
Tax revenues	136,907	-	136,907
Donation income	22,204	-	22,204
Interest income	3,020	-	3,020
Grant income	1,968	-	1,968
Other income	<u>28,064</u>	<u>-</u>	<u>28,064</u>
Total general revenues	<u>192,163</u>	<u>-</u>	<u>192,163</u>
Excess of revenues (expenditures)/ changes in net position	(32,122)	51,744	19,622
Beginning fund balances/net position	<u>261,030</u>	<u>346,528</u>	<u>607,558</u>
Ending fund balances/net position	<u>\$ 228,908</u>	<u>\$ 398,272</u>	<u>\$ 627,180</u>

See notes to financial statements

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Tax revenue	\$ 132,600	\$ 136,907	\$ 4,307
Mitigation fees	16,668	-	(16,668)
Fire income	15,000	6,730	(8,270)
Interest income	30	3,020	2,990
Grant income	5,296	1,968	(3,328)
Donations	-	22,204	22,204
Annexation	30,000	-	(30,000)
Rental income	1,200	-	(1,200)
Other income	-	7,644	7,644
Sale of equipment	-	<u>20,420</u>	<u>20,420</u>
 Total revenues	 <u>200,794</u>	 <u>198,893</u>	 <u>(1,901)</u>
Expenditures:			
Fire protection	21,000	17,453	3,547
Fire protection - Verdi	-	6,003	(6,003)
Vehicle expense	20,500	23,186	(2,686)
Compensation insurance	22,000	2,532	19,468
Insurance - liability	15,801	13,601	2,200
Utilities	9,950	10,568	(618)
Building maintenance	15,000	8,308	6,692
Communications	9,200	9,986	(786)
EMS supplies	4,000	3,356	644
EMS training	3,000	3,924	(924)
Audit	3,600	3,800	(200)
Clerical	12,000	11,187	813
Office expense	1,000	1,957	(957)
Bank fee	50	101	(51)
Annexation	30,000	28,912	1,088
Grant expense	10,592	-	10,592
Other	2,550	1,471	1,079
Debt service expense	-	6,087	(6,087)

(continued)

See notes to financial statements

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
 STATEMENT OF REVENUES AND EXPENDITURES, continued
 COMPARED TO BUDGET
 for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Expenditures, continued:			
Capital outlay	\$ <u>61,086</u>	\$ <u>78,583</u>	\$(<u>17,497</u>)
Total expenditures	<u>241,329</u>	<u>231,015</u>	<u>10,314</u>
Excess of revenues/ (expenditures)	\$(<u>40,535</u>)	\$(<u>32,122</u>)	\$ <u>8,413</u>

See notes to financial statements

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Sierra County Fire Protection District #1 (the "District") was formed in 1930 under Section 13801 of the California Health and Safety Code. The District operates through a Board of Commissioners and provides fire protection services for a portion of eastern Sierra County. The District boundaries are approximately 200 square miles which comprises the towns of Sierraville, Sattley and Calpine and also includes Verdi, California and the subdivisions at Parazzo Meadows and Jackson Meadows.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred,

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final budget for each fiscal year.

Investments

The District maintains cash with the Treasurer of Sierra County in an interest-bearing pooled investment account.

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Property Taxes

The District receives property taxes from Sierra County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash:

Cash at June 30, 2019 consists of:

Cash with County	\$ 105,055
Checking	7,091
Savings – Annexation	5,149
– General	<u>115,457</u>
	<u>\$ 232,752</u>

The District maintains certain portions of its funds with Sierra County. The County is authorized to deposit cash and invest excess funds by the California Government code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

At year end the carrying amount of the District's deposits was \$127,697 and the depository balance was \$135,391. All cash held by the financial institution is fully covered by Federal depository insurance or collateralized.

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance, end of year</u>
Equipment	\$ 72,438	\$ 35,208	\$ -	\$ 107,646
Vehicles	557,478	43,375	70,000	530,853
Land and Buildings	<u>311,412</u>	<u>-</u>	<u>-</u>	<u>311,412</u>
	<u>\$ 941,328</u>	<u>\$ 78,583</u>	<u>\$ 70,000</u>	<u>\$ 949,911</u>

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS, continued

5. Equity:

General fund:

Total fund balances consist of:

Restricted for:

Mitigation fees

\$ -

Committed for:

Annex

\$ 5,149

Rolling stock replacement fund

8,822

Special fund

3,621

17,592

Unassigned:

211,316

\$ 228,908

Statement of net position:

Total net position consists of:

Net investment in capital assets

\$ 398,272

Restricted:

Mitigation fees

-

Unrestricted:

Board designated:

Annex

\$ 5,149

Rolling stock replacement fund

8,822

Special fund

3,621

17,592

Undesignated:

211,316

228,908

\$ 627,180

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS, continued

6. Vehicle Purchase:

On March 6, 2018, the Sierra County Fire Protection District #1 purchased a new 2017 Ford F550 Light Rescue 4x4. The total cost of the project was \$156,920. The Rescue Truck was paid in 2 parts, the first payment was made on 10/10/2017 & the final payment was made on 2/13/2018.

The truck was funded in 4 parts:

1. By donation from Sierraville Fire Department in the amount of:	\$ 35,000
2. USDA Community Facilities Grant Agreement in the amount of:	50,100
3. Sierra County Fire Protection District #1 Share of Cost:	20,520
4. USDA Rural Development Loan in the amount of:	<u>51,300</u>
	<u>\$156,920</u>

Long-term Debt:

Long-term debt activities for the year ended June 30, 2019 consist of:

	Balance <u>6/30/2018</u>	<u>Financing</u>	<u>Payments</u>	Balance <u>6/30/2019</u>	<u>Current Portion</u>
USDA	\$ <u>51,300</u>	\$ <u>-</u>	\$ <u>4,391</u>	\$ <u>46,909</u>	\$ <u>4,541</u>

The 10 year loan requires a semi-annual payment of \$3,043 including an interest rate of 3.3750% through March 6, 2028.

The future annual maturities of all long-term borrowings as of June 30, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,541	\$ 1,545	\$ 6,086
2021	4,695	1,391	6,086
2022	4,855	1,231	6,086
2023	5,020	1,066	6,086
2024	5,191	895	6,086
2025-2028	<u>22,607</u>	<u>1,751</u>	<u>24,358</u>
	<u>\$ 46,909</u>	<u>\$ 7,879</u>	<u>\$ 54,788</u>

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
NOTES TO FINANCIAL STATEMENTS, continued

7. Annexation:

The Sierra County Fire Protection District #1 held a public hearing on Friday, July 13, 2018 at 6:00 p.m. at the Sierraville Community Center. The District Board of Commissioners adopted a resolution initiating an annexation application to the Sierra Local Agency Formation Commission and a sphere of influence amendment pursuant to the requirements of Section 56000 et. seq. of the Government Code. Said annexation is located on property within Sierra County and located north and east of the existing district including territory in Long Valley, Verdi, Sierra Brooks, and Loyalton Pines. The City of Loyalton will be excluded from the expanded District. This annexation includes 115,627 acres.

8. Risk of Loss:

Sierra County Fire Protection District #1 is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2019 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

9. Subsequent Events:

Management has evaluated subsequent events through February 18, 2020, the date these June 30, 2019 financial statements were available to be issued.

SUPPLEMENTAL DATA

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
PRINCIPAL OFFICIALS

Board of Commissioners:

Thomas Archer	Chairperson
Richard Maddalena	Commissioner
Laurie Belli	Commissioner
Shawn Burt	Commissioner
William Copren	Commissioner
Tom Rowson	Commissioner

Operations:

Jeff McCollum	District Chief
Shana Alley	Secretary/Treasurer
James Asher	Calpine/Sierraville Battalion Chief
Jay Heubert	Sattley Battalion Chief
Mick Connolly	Division Chief

SIERRA COUNTY FIRE PROTECTION DISTRICT #1
 SCHEDULE OF CASH FLOWS
 for the year ending June 30, 2019

Cash flows from operating activities:	
Change in net position (loss)	\$ 19,622
Adjustments to reconcile change in net position to net cash provided by operating activities	
Depreciation	\$ 31,230
(Increase) decrease in: Accounts receivable	(12,000)
(Decrease) increase in: Accounts payable	<u>15,715</u>
Net cash provided by operating activities	<u>34,945</u> 54,567
Cash flows from investing activities:	
Equipment additions	(78,583)
Cash flows from financing activities:	
Principal payments of long-term debt	<u>(4,391)</u>
Net decrease in cash	(28,407)
Cash at beginning of year	<u>261,159</u>
Cash at end of year	\$ <u>232,752</u>

**SIERRA COUNTY
FIRE PROTECTION DISTRICT #1**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555
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February 18, 2020

To the Board of Directors
Sierra County Fire Protection District #1
Sierraville, California

We have audited the financial statements of Sierra County Fire Protection District #1 as of and for the year ended June 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of Sierra County Fire Protection District #1 as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Sierra County Fire Protection District #1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the effectiveness of the District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control 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

Robert W. Johnson, An Accountancy Corporation

1. Comparison of Operating Results:

	<u>2018</u>	June 30, <u>2019</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues	\$ 290,330	\$ 198,893	\$(91,437)
Expenses	<u>173,748</u>	<u>179,271</u>	(5,523)
Net income (loss)	\$ <u>116,582</u>	\$ <u>19,622</u>	\$ <u>(96,960)</u>
Cash	\$ <u>261,159</u>	\$ <u>232,752</u>	\$ <u>(28,407)</u>

Observation:

- decrease in net income for 2019 is primarily due to decrease in revenues; small increase of \$5,523 in expenses.

2. Prior Year Recommendations:

(a) Policies:

Recommendation – update District policies. Policies protect the District and assist the Board to administer the District in a consistent manner. Examples of policies include:

- personnel manual
- fixed assets policy
- Red Flag Regulations (Identity Theft Prevention Program)
- investment policy
- reserve fund policy
- use of computer policy

Follow-up – policies and bylaws were updated during the year.

3. Accounting Codes:

Observation – there were errors in posting 2019 accounting transactions because of accounting code numbers.

Recommendation – redo chart of accounts to ensure proper distribution of accounting entries.