

**PLACER HILLS
FIRE PROTECTION DISTRICT,
CALIFORNIA**

**Draft Report
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Use Only**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2021**

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PLACER HILLS FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2021

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials	i
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (Unaudited)	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet.....	9
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities.....	12
Notes to Basic Financial Statements	13-30
Required Supplementary Information (Unaudited):	
District Pension Plan – Schedule of Proportionate Share of Net Pension Liability	31
District Pension Plan – Schedule of Contributions	32
District Pension Plan – Notes to Direct Pension Plan	33
Budgetary Comparison Schedule – General Fund	34
Note to Budgetary Comparison Schedules.....	35
OTHER REPORT AND SCHEDULES	
Independent Auditor’s 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	36-37
Schedule of Findings and Recommendations	38-42
Schedule of Prior Year Findings and Recommendations	43
Management’s Corrective Action Plan	44-45

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INTRODUCTORY SECTION

- **List of Officials**

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PLACER HILLS FIRE PROTECTION DISTRICT
List of Officials
For the Year Ended June 30, 2021

Board of Directors

Peter Hills	President
Alex Harvey	Vice President
Fred Lofrano	Director
Russell McCray	Director
Mark Wright	Secretary/Treasurer

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Placer Hills Fire Protection District
Meadow Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Placer Hills Fire Protection District, California (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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.

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 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.

To the Board of Directors
Placer Hills Fire Protection District
Meadow Vista, California

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 the District as of June 30, 2021, and the respective changes in financial position thereof 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, District Pension Plan information, and budgetary comparison information as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated XXX, 2022, on our consideration of the 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 solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Smith & Newell CPAs
Yuba City, California
XXX, 2022

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**Management's Discussion and Analysis
(Unaudited)**

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Basic Financial Statements

- **Government-Wide Financial Statements**

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PLACER HILLS FIRE PROTECTION DISTRICT
Statement of Net Position
June 30, 2021

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,902,284
Receivables:	
Accounts	479
Capital assets:	
Non-depreciable	303,747
Depreciable, net	2,429,860
Total capital assets	<u>2,733,607</u>
Total Assets	<u>4,636,370</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	<u>354,323</u>
Total Deferred Outflows of Resources	<u>354,323</u>
LIABILITIES	
Accrued salaries and benefits	17,115
Long-term liabilities:	
Due within one year	279,050
Due in more than one year	622,975
Net pension liability	<u>927,251</u>
Total Liabilities	<u>1,846,391</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	<u>28,236</u>
Total Deferred Inflows of Resources	<u>28,236</u>
NET POSITION	
Net investment in capital assets	1,948,470
Restricted for:	
Public protection	79,544
Unrestricted	<u>1,088,052</u>
Total Net Position	<u><u>\$ 3,116,066</u></u>

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The notes to the basic financial statements are an integral part of this statement.

PLACER HILLS FIRE PROTECTION DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Governmental Activities</u>
Governmental activities:					
Public protection	\$ 3,305,960	\$ 1,934,979	\$ 301,944	\$ 7,183	\$ (1,061,854)
Interest on long-term debt	29,286	-	-	-	(29,286)
Total Governmental Activities	<u>3,335,246</u>	<u>1,934,979</u>	<u>301,944</u>	<u>7,183</u>	<u>(1,091,140)</u>
Total	<u>\$ 3,335,246</u>	<u>\$ 1,934,979</u>	<u>\$ 301,944</u>	<u>\$ 7,183</u>	<u>(1,091,140)</u>
General revenues:					
Taxes:					
Property taxes					1,304,519
Interest and investment earnings					22,513
Miscellaneous					46,102
					<u>1,373,134</u>
					Change in Net Position
					281,994
					<u>2,834,072</u>
					Net Position - Beginning
					<u>\$ 3,116,066</u>
					Net Position - Ending

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Basic Financial Statements

- **Fund Financial Statements**

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PLACER HILLS FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,822,740	\$ 79,544	\$ 1,902,284
Receivables:			
Accounts	479	-	479
Total Assets	<u>\$ 1,823,219</u>	<u>\$ 79,544</u>	<u>\$ 1,902,763</u>
LIABILITIES			
Accrued salaries and benefits	\$ 17,115	-	\$ 17,115
Total Liabilities	<u>17,115</u>	<u>-</u>	<u>17,115</u>
FUND BALANCES			
Restricted	-	79,544	79,544
Unassigned	1,806,104	-	1,806,104
Total Fund Balances	<u>1,806,104</u>	<u>79,544</u>	<u>1,885,648</u>
Total Liabilities and Fund Balances	<u>\$ 1,823,219</u>	<u>\$ 79,544</u>	<u>\$ 1,902,763</u>

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The notes to the basic financial statements are an integral part of this statement.

PLACER HILLS FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Fund Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 1,885,648
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 governmental funds balance sheet.	2,733,607
Deferred outflows of resources related to pension are not reported in the governmental funds.	354,323
Deferred inflows of resources related to pension are not reported in the governmental funds.	(28,236)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Capital lease	(785,137)
Compensated absences	(116,888)
Net pension liability	(927,251)
Net Position of Governmental Activities	<u>\$ 3,116,066</u>

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The notes to the basic financial statements are an integral part of this statement.

PLACER HILLS FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Totals</u>
REVENUES			
Taxes and assessments	\$ 2,907,242	\$ -	\$ 2,907,242
Use of money and property	22,139	374	22,513
Intergovernmental	301,944	-	301,944
Charges for services	191,384	140,872	332,256
Other revenues	46,102	-	46,102
Total Revenues	<u>3,468,811</u>	<u>141,246</u>	<u>3,610,057</u>
EXPENDITURES			
Public protection:			
Salaries and benefits	2,402,900	-	2,402,900
Services and supplies	591,047	5,000	596,047
Debt service:			
Principal	105,380	172,473	277,853
Interest	13,981	15,305	29,286
Capital outlay	177,083	37,500	214,583
Total Expenditures	<u>3,290,391</u>	<u>230,278</u>	<u>3,520,669</u>
Net Change in Funds Balances	<u>178,420</u>	<u>(89,032)</u>	<u>89,388</u>
Fund Balances - Beginning	1,533,483	168,576	1,702,059
Prior period adjustment	94,201	-	94,201
Fund Balances - Beginning, Restated	<u>1,627,684</u>	<u>168,576</u>	<u>1,796,260</u>
Fund Balances - Ending	<u>\$ 1,806,104</u>	<u>\$ 79,544</u>	<u>\$ 1,885,648</u>

The notes to the basic financial statements are an integral part of this statement.

PLACER HILLS FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of the Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 89,388
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	214,583
Less current year depreciation	(184,482)
Donated capital asset	7,183
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. There were no significant proceeds.	(41,782)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal retirements	277,853
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	17,176
Change in deferred inflows of resources related to pension	15,950
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.	
Change in compensated absences	(22,687)
Change in net pension liability	(91,188)
Change in Net Position of Governmental Activities	\$ 281,994

The notes to the basic financial statements are an integral part of this statement.

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Placer Hills Fire Protection District was formed in 1988 from the annexation of the Meadow Vista Fire Protection District, Company No. 31 and the Ponderosa Fire Brigade. An independent five-member Board of Directors elected by the voters govern the District.

The District provides fire protection, emergency medical and code enforcement services to residents and businesses located in Meadow Vista, Applegate, and Weimar, encompassing 34 square miles within Placer County. As a California Special District, the District is not subject to income taxes but must file an annual report with the California State Controller.

The Board of Directors has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the District is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the intergovernmental activities of the District, which are normally supported by property taxes, special assessments, and intergovernmental revenues. The District had no business-type activities at June 30, 2021.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the District are organized into two funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General fund includes such activities as fire safety and protection.
- The Mitigation Fees fund is a special revenue fund used to account for all revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and assessments, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which they are levied. 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. Property taxes and assessments, interest, certain state and federal grants, and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within thirty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

The District pools all cash and investments, other than cash in a checking account, with the County of Placer. The Placer County Treasury is an external investment pool for the District and the District is considered an involuntary participant. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

F. Receivables

Receivables for governmental activities consist mainly of amounts due from others. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Other Assets

Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences and Other Postemployment Benefits

The District's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements the expenditures related to those obligations are recognized only when they mature.

The District does not currently provide other postemployment benefits.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Tax

Placer County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Placer up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1, and becomes delinquent if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

K. Special Taxes

Measure A

On January 16, 2019, the District Board of Directors passed Resolution No. 2018-04 calling for an election to be held for a special fire tax for emergency medical response and fire protection services. This resolution was submitted to the Placer County Registrar of Voters and was assigned the name of “Measure A.” Measure A was placed on the ballot of the election held on May 7, 2019 and passed by a vote of 79.46% in support.

Placer County assesses properties, bills and collects and distributes assessments to the District.

Assessments are due in two installments (secured roll), on November 1 and March 1 and become delinquent after December 10 and April 10, respectively.

L. Estimates

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

M. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 84, “Fiduciary Activities.” The requirements of this statement are effective for periods beginning after December 15, 2019. The District does not have any fiduciary activities to report for the year ended June 30, 2021.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of Governmental Accounting Standards Board (GASB) Statements (Continued)

Statement No. 90, “Majority Equity Interest.” In September 2018, the GASB issued Statement No. 90, an amendment of GASB Statements No. 14 and No. 61. The requirements of this statement will take effect for financial statement starting with the fiscal year that ends June 30, 2021. The District does not have any majority equity interests to report for the year ended June 30, 2021.

N. Future Accounting Pronouncements

The following GASB Statements will be implemented in future financial statements, if applicable:

Statement No. 87 “Leases” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period” The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

Statement No. 91 “Conduit Debt Obligations” The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)

Statement No. 92 “Omnibus 2020” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 93 “Replacement of Interbank Offered Rates” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Restatement of Fund Balance

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning fund balance. During the current year the District reported a prior period adjustment to remove compensated absences from the fund financial statements.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Restatement of Fund Balance (Continued)

The impact of the restatement on the fund balance of the fund financial statements as previously reported is presented below:

	General Fund
Fund Balance, June 30, 2020 as previous reported	\$ 1,533,483
Adjustment associated with:	
Adjustment to compensated absences	94,201
Total Adjustments	94,201
Fund Balance, July 1, 2020 as restated	\$ 1,627,684

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2021, the District's cash and investments consisted of the following:

Cash:	
Deposits (less outstanding checks)	(\$ <u>9,696</u>)
Total Cash	(<u>9,696</u>)
Investments:	
Placer County Treasurer's Pool	1,911,980
Total Investments	1,911,980
Total Cash and Investments	\$ 1,902,284

B. Cash

At year end, the carrying amount of the District's cash deposits was (\$9,696) and the bank balance was \$110,728. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The entire amount of the District's deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2021, all investments of the District were in the Placer County investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Local Agency Obligations
- US Treasury Securities
- US Agency Securities
- Banker's Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit
- Collateralized Certificates of Deposit
- Repurchase Agreements
- Corporate Notes
- Local Agency Investment Fund (LAIF)
- CDARS Certificates of Deposit
- Supranationals - Washington Dollar - Denominated IBRD, IFC or IAD

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2021, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Placer County Treasurer's Pool	<u>1,911,980</u>			
Total Investments	<u>\$ 1,911,980</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2021, the District's investments were all held with the County of Placer investment pool, which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. As of June 30, 2021, all investments of the District were in the Placer County investment pool, which contains a diversification of investments.

D. Investments in External Pool

The Placer County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Placer County Pooled Investment Fund are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Placer's financial statements may be obtained by contacting the County of Placer Auditor-Controller's office at 2970 Richardson Drive, Auburn, CA 95603.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Adjustments/ Retirements	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 243,747	\$ -	\$ -	\$ 243,747
Construction in progress	-	60,000	-	60,000
Total Capital Assets, Not Being Depreciated	243,747	60,000	-	303,747
Capital Assets, Being Depreciated:				
Buildings and improvements	964,656	39,678	(42,650)	961,684
Equipment	517,051	16,493	(9,499)	524,045
Vehicles	2,473,501	105,595	(251,346)	2,327,750
Total Capital Assets, Being Depreciated	3,955,208	161,766	(303,495)	3,813,479
Less Accumulated Depreciation For:				
Buildings and improvements	(344,256)	(21,435)	864	(364,827)
Equipment	(125,437)	(33,406)	9,500	(149,343)
Vehicles	(991,157)	(129,641)	251,349	(869,449)
Total Accumulated Depreciation	(1,460,850)	(184,482)	261,713	(1,383,619)
Total Capital Assets, Being Depreciated, Net	2,494,358	(22,716)	(41,782)	2,429,860
Total Capital Assets, Net	\$ 2,738,105	\$ 37,284	(\$ 41,782)	\$ 2,733,607

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ 184,482
Total Depreciation Expense	<u>\$ 184,482</u>

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

Type of Indebtedness	Balance July 1, 2020	Adjustments/ Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Direct borrowing					
loans payable	\$ 437,561	\$ -	(\$ 92,233)	\$ 345,328	\$ 95,021
Capital leases	625,429	-	(185,620)	439,809	125,586
Compensated absences	94,201	65,215	(42,528)	116,888	58,443
Total	<u>\$ 1,157,191</u>	<u>\$ 65,215</u>	<u>(\$ 320,381)</u>	<u>\$ 902,025</u>	<u>\$ 279,050</u>

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2021, are as follows:

Loans from Direct Borrowings:

Placer County Loan, dated October 2019, payable in semi-annual installments of \$52,337, with an interest rate of 3%, and maturity of October 18, 2024. The loan proceeds were used to finance the purchase of the administration building.	<u>\$ 345,328</u>
Total Loans from Direct Borrowings	<u><u>\$ 345,328</u></u>

Following is a schedule of debt payment requirements to maturity for long-term debt, excluding compensated absences that have indefinite maturities and capital leases which are reported in Note 6.

<u>Year Ended June 30</u>	Loans from Direct Borrowings		
	Principal	Interest	Totals
2022	\$ 95,021	\$ 9,653	\$ 104,674
2023	97,893	6,780	104,673
2024	100,852	3,822	104,674
2025	51,562	773	52,335
Total	<u>\$ 345,328</u>	<u>\$ 21,028</u>	<u>\$ 366,356</u>

NOTE 6: LEASES

Rental Income from Lease

In October 2019, the District purchased an administration building. The administration building has four units, two units are being used by the District. The other two are being rented out on a month-to-month basis.

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2021</u>
Governmental activities	2.82%	\$ 439,809
Total		<u><u>\$ 439,809</u></u>

Equipment and related accumulated depreciation under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 574,723
Less: accumulated depreciation	(57,473)
Net Value	<u><u>\$ 517,250</u></u>

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 6: LEASES (CONTINUED)

Capital Leases (Continued)

As of June 30, 2021, capital lease annual amortization is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>
2022	\$ 134,423
2023	134,423
2024	134,423
2025	<u>58,552</u>
Total Requirements	461,821
Less Interest	<u>(22,012)</u>
Present Value of Remaining Payments	<u>\$ 439,809</u>

NOTE 7: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and 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.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects and other special revenue fund purposes.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all governmental funds as of June 30, 2021, were distributed as follows:

	General Fund	Mitigation Fees	Totals
Restricted for:			
Capital improvement	\$ -	\$ 79,544	\$ 79,544
Unassigned	1,806,104	-	1,806,104
Total	\$ 1,806,104	\$ 79,544	\$ 1,885,648

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8: FUND BALANCES (CONTINUED)

Fund Balance Policy

The Board of Directors has not established a fund balance policy which would establish procedures for reporting fund balance classifications and establish a hierarchy for fund balance expenditures.

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent employees are eligible to participate in the District's Safety Fire and Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District motion. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the District added a retirement tier for the Miscellaneous Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six month break in service. Applicable new hires to the District defined as classic employees as determined by PERS will be subject to the non-PEPRA plan. New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013
Safety	Safety fire members hired before January 1, 2013

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous plan members if the membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's specific provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	55	1.092% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	62	1.000% to 2.500%
Safety Fire	2.0% @ 55	55	1.426% to 2.000%
Safety PEPRA	2.0% @ 57	57	1.426% to 2.000%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	10.484%	7.000%	0.000%
Miscellaneous PEPRA	7.732%	6.750%	0.000%
Safety	11.114%	10.000%	0.000%
Safety PEPRA	14.810%	7.000%	0.000%

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 18,438 ¹	\$ -
Safety	158,503 ¹	-

¹ Adjusted to actual contributions made for fiscal year ended June 30, 2020.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<u>Proportion June 30, 2020</u>	<u>Proportion June 30, 2021</u>	<u>Change – Increase (Decrease)</u>
Miscellaneous	0.00279%	0.00290%	0.00011%
Safety	0.01160%	0.01208%	0.00048%

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 122,168
Safety	<u>805,083</u>
Total Net Pension Liability	<u>\$ 927,251</u>

For the year ended June 30, 2021, the District recognized pension expense of \$298,104. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 221,794	\$ -
Change of assumptions	-	(3,553)
Difference between expected and actual experience	68,726	-
Difference between projected and actual earnings on pension plan investments	21,127	-
Difference between District contributions and proportionate share of contributions	16,009	(24,683)
Adjustments due to differences in proportions	<u>26,667</u>	<u>-</u>
Total	<u>\$ 354,323</u>	<u>(\$ 28,236)</u>

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

\$221,794 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended	
<u>June 30</u>	
2022	\$ 35,676
2023	36,264
2024	21,846
2025	10,507
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 104,293</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increases	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
Miscellaneous	\$ 202,991	\$ 122,168	\$ 55,387
Safety	1,405,835	805,083	312,110

PLACER HILLS FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10: 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. The District purchases coverage from a commercial carrier. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: OTHER INFORMATION

Management has evaluated events subsequent to June 30, 2021 through XXX, 2022, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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PLACER HILLS FIRE PROTECTION DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021
Last 10 Years*

Measurement Date**	2013/2014	2014/2015	2015/2016	2016/2017
Proportion of the net pension liability	0.00989%	0.01260%	0.00841%	0.00828%
Proportionate share of the net pension liability	\$ 686,009	\$ 581,491	\$ 728,281	\$ 821,271
Covered payroll	682,007	682,007	682,007	753,638
Proportionate share of the net pension liability as a percentage of covered payroll	100.59%	85.262%	106.785%	108.974%
Plan fiduciary net position as a percentage of the total pension liability	76.83%	79.59%	75.71%	76.31%

Measurement Date**	2019/2020
Miscellaneous	
Proportion of the net pension liability	0.00290%
Proportionate share of the net pension liability	\$ 122,168
Covered payroll	110,941
Proportionate share of the net pension liability as a percentage of covered payroll	110.120%
Plan fiduciary net position as a percentage of the total pension liability	79.88%

Safety	
Proportion of the net pension liability	0.01208%
Proportionate share of the net pension liability	\$ 805,083
Covered payroll	1,201,145
Proportionate share of the net pension liability as a percentage of covered payroll	67.026%
Plan fiduciary net position as a percentage of the total pension liability	81.80%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only seven years are shown.

** The prior year information was combined for both plans

<u>2017/2018</u>	<u>2018/2019</u>
0.00811%	0.00816%
\$ 781,387	\$ 836,063
1,007,979	1,170,933
77.520%	71.401%
79.64%	81.28%

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PLACER HILLS FIRE PROTECTION DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2021
Last 10 Years*

Fiscal Year**	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
Contractually required contributions (actuarially determined)	\$ 98,020	\$ 141,186	\$ 146,396	\$ 84,571
Contributions in relation to the actuarially determined contributions	<u>(98,020)</u>	<u>(173,452)</u>	<u>(146,396)</u>	<u>(84,571)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (32,266)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	682,007	682,007	761,375	753,638
Contributions as a percentage of covered payroll	14.37%	20.70%	19.23%	11.22%
Fiscal Year**	<u>2020/2021</u>			
Miscellaneous				
Contractually required contributions (actuarially determined)	\$ 18,438			
Contributions in relation to the actuarially determined contributions	<u>(18,438)</u>			
Contribution deficiency (excess)	<u>\$ -</u>			
Covered payroll	110,941			
Contributions as a percentage of covered payroll	16.62%			
Safety				
Contractually required contributions (actuarially determined)	\$ 158,503			
Contributions in relation to the actuarially determined contributions	<u>(158,503)</u>			
Contribution deficiency (excess)	<u>\$ -</u>			
Covered payroll	1,201,145			
Contributions as a percentage of covered payroll	13.20%			

* The District implemented GASB 68 for fiscal year June 30, 2015, prior year information unavailable, therefore only four years are shown.

** The prior year information was combined for both plans

<u>2018/2019</u>	<u>2019/2020</u>
\$ 97,526	\$ 176,665
<u>(97,526)</u>	<u>(176,941)</u>
<u>\$ -</u>	<u>\$ (276)</u>
1,007,979	1,170,933
9.68%	15.09%

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PLACER HILLS FIRE PROTECTION DISTRICT
Required Supplementary Information
Notes to Direct Pension Plan
For the Year Ended June 30, 2021

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2018
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining amortization period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount rate	7.00%
Payroll Growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

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PLACER HILLS FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,897,043	\$ 2,890,817	\$ 2,907,242	\$ 16,425
Use of money and property	33,000	33,250	22,139	(11,111)
Intergovernmental	116,750	212,239	301,944	89,705
Charges for services	168,300	168,300	191,384	23,084
Other revenues	10,500	10,500	46,102	35,602
Total Revenues	<u>3,225,593</u>	<u>3,315,106</u>	<u>3,468,811</u>	<u>153,705</u>
EXPENDITURES				
Public protection:				
Salaries and benefits	2,246,630	2,339,180	2,402,900	(63,720)
Services and supplies	1,150,532	1,226,250	591,047	635,203
Debt service:				
Principal	105,308	105,308	105,380	(72)
Interest	13,690	13,690	13,981	(291)
Capital outlay	-	37,500	177,083	(139,583)
Total Expenditures	<u>3,516,160</u>	<u>3,721,928</u>	<u>3,290,391</u>	<u>431,537</u>
Net Change in Fund Balances	<u>(290,567)</u>	<u>(406,822)</u>	<u>178,420</u>	<u>585,242</u>
Fund Balances - Beginning	1,533,483	1,533,483	1,533,483	-
Prior period adjustment	-	-	94,201	94,201
Fund Balances - Beginning, Restated	<u>1,533,483</u>	<u>1,533,483</u>	<u>1,627,684</u>	<u>94,201</u>
Fund Balances - Ending	<u>\$ 1,242,916</u>	<u>\$ 1,126,661</u>	<u>\$ 1,806,104</u>	<u>\$ 679,443</u>

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PLACER HILLS FIRE PROTECTION DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2021

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General fund and the major special revenue fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The fiscal officer submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) A revised adopted budget is usually drafted in April and approved by the Board in May.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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**INDEPENDENT AUDITOR’S 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
Placer Hills Fire Protection District
Meadow Vista, California

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 Placer Hills Fire Protection District, California (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated XXX, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we did identify certain deficiencies in internal control that we consider material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2021-001)

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 the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies. (2021-002, 2021-003, and 2021-004)

To the Board of Directors
Placer Hills Fire Protection District
Meadow Vista, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

District's Responses to the Findings

The District's responses to the finding identified in our audit are described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Smith & Newell CPAs
Yuba City, California
XXX, 2022

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PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-001 Prior Period Adjustment (Material Weakness)

Criteria

Generally Accepted Accounting Principles require that errors of the prior year ending balances be corrected by a prior period adjustment to beginning fund balance/net position.

Condition

We noted that compensated absences had been accrued in the fund financial statements for the fiscal year end June 30, 2020.

Cause

The compensated absences accrual had not been removed from the fund financial statements in accordance with GASB Statement No. 34.

Effect

Liabilities were overstated as of June 30, 2020 in the fund financial statements.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

Not a repeat finding.

Recommendation

We recommend that the District review all year end balances for accuracy and make adjustments as necessary.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

2021-002 Vacation Accrual (Significant Deficiency)

Criteria

Good internal controls require balances to be monitored and reviewed to be in accordance with District approved policies and procedures.

PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-002 Vacation Accrual (Significant Deficiency) (Continued)

Condition

We noted that 3 employees had vacation hours that exceeded the maximum allowable hours approved in the District policy.

Cause

Vacation balances have not been used or paid out to ensure balances do not exceed the maximum allowable hours.

Effect

Vacation balances exceed maximum allowable hours per approved District policy.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of the prior year finding.

Recommendation

We recommend that the District monitor and review all vacation accrual balances to ensure they do not exceed the maximum allowable hours or document Board approval for any balances that may exceed the maximum allowable hours.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

2021-003 District Website (Significant Deficiency)

Criteria

The District is required to maintain a website with public information available to comply with AB 2853 and SB 272.

Condition

We noted that the District is missing information on the District website as required by AB 2853 and SB 272.

PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-003 District Website (Significant Deficiency) (Continued)

Cause

The District has not updated the website to include all information required by AB 2853 and SB 272.

Effect

The District is not in compliance with AB 2853 and SB 272.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of a prior year finding.

Recommendation

We recommend that the District update its website to include all information as required by AB 2853 and SB 272.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

2021-004 Policies and Procedures (Significant Deficiency)

Criteria

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved District policy.

Condition

During our audit we noted that the District has developed policies and procedures for many District operations. However, these policies and procedures need to be reviewed for accuracy, updated as needed, and organized into a system, which allows for easy access. In addition, we noted that the District has not adopted written policies for fund balance or a capitalization policy.

Cause

The District has accumulated and adopted policies and procedures over the years, but does not have an adopted policy for fund balance or capitalization.

PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-004 Policies and Procedures (Significant Deficiency) (Continued)

Effect

Without written procedures, tasks may not be performed in a consistent manner and internal control may be compromised.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is not a repeat of a prior year finding.

Recommendation

We recommend that the District develop and review for accuracy all policies and procedures regarding District operations.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

2021-005 Reconciliation of Payroll Accounts (Significant Deficiency)

Criteria

Year end balances should be reconciled and adjusted as needed.

Condition

We noted that the payroll liability accounts were not reconciled and required adjustments.

Cause

The payroll liability accounts had not been reconciled on a regular basis.

Effect

Liabilities and expenditures were overstated by approximately \$17,000. The risk of errors occurring and not being corrected is increased when account balances are not reconciled on a regular basis.

Questioned Cost

No questioned costs were identified as a result of our procedures.

PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-005 Reconciliation of Payroll Accounts (Significant Deficiency) (Continued)

Context

We examined the controls over payroll reconciliations and the accuracy of the balance on the balance sheet at June 30, 2021.

Repeat Finding

This is not a repeat of a prior year finding.

Recommendation

We recommend that the payroll liability accounts be reconciled on a regular basis.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

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PLACER HILLS FIRE PROTECTION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2021

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
N/A	<p>Vacation Accrual</p> <p>Recommendation</p> <p>Possible recommendations to vacation cap policy:</p> <ul style="list-style-type: none"> • revise policy and pay out hours over the cap annually, or • follow the policy and cap vacation accrual per employee manual. <p>Status</p> <p>Not Implemented</p>
N/A	<p>District Website</p> <p>Recommendation</p> <p>It appears that three requirements may still need to be added to the website, including:</p> <ul style="list-style-type: none"> • the State Controller’s reports for the District’s Financial Transaction Report (or a link to the State Controller’s website), • the State Controller’s report for the District’s Board and Staff Compensation Report (or a link to the State Controller’s website), • and the Enterprise System Catalog (as required by SB 272). <p>Status</p> <p>Not Implemented</p>

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PLACER HILLS FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2021

Finding 2021-001 Prior Period Adjustment (Material Weakness)

We recommend that the District review all year end balances for accuracy and make adjustments as necessary.

Management's Response:

Responsible Individual:

Corrective Action Plan:

Anticipated Completion Date:

Finding 2021-002 Vacation Accrual (Significant Deficiency)

We recommend that the District monitor and review vacation accrual balances to ensure they do not exceed the maximum allowable hours or document Board approval for any balances that may exceed the maximum allowable hours.

Management's Response:

Responsible Individual:

Corrective Action Plan:

Anticipated Completion Date:

Finding 2021-003 District Website (Significant Deficiency)

We recommend that the District update its website to include all information required by AB 2853 and SB 272.

Management's Response:

Responsible Individual:

Corrective Action Plan:

Anticipated Completion Date:

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**PLACER HILLS FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2021**

Finding 2021-004 Policies and Procedures (Significant Deficiency)

We recommend that the District develop and review for accuracy all policies and procedures regarding District operations.

Management's Response:

Responsible Individual:

Corrective Action Plan:

Anticipated Completion Date:

Finding 2021-005 Reconciliation of Payroll Accounts (Significant Deficiency)

We recommend that the payroll liability accounts be reconciled on a regular basis.

Management's Response:

Responsible Individual:

Corrective Action Plan:

Anticipated Completion Date:

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