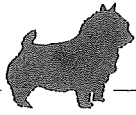


**FORESTHILL
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2020**

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Robert W. Johnson
an accountancy corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foresthill Fire Protection District
Foresthill, California

Report on the Financial Statements

We have audited the accompanying financial statements of Foresthill Fire Protection District, as of and for the year ended June 30, 2020, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foresthill Fire Protection District as of June 30, 2020, 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 this missing information.

Other Information

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 of Foresthill Fire Protection District. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 W. Johnson, An Accountancy Corporation

Citrus Heights, California

June 18, 2021

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2020

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and investments (Note 3)	\$ 749,084	\$ -	\$ 749,084
Accounts receivable – ambulance billing	222,884	-	222,884
Accounts receivable – other	474	-	474
Capital assets (Note 4)	-	2,717,271	2,717,271
Less, accumulated depreciation	<u>-</u>	<u>(1,453,774)</u>	<u>(1,453,774)</u>
Total assets	<u>\$ 972,442</u>	<u>\$ 1,263,497</u>	<u>\$ 2,235,939</u>
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 79,567	\$ -	\$ 79,567
Compensated absences	50,838	-	50,838
Equipment loans (Note 5)	<u>-</u>	<u>260,594</u>	<u>260,594</u>
Total liabilities	<u>130,405</u>	<u>260,594</u>	<u>390,999</u>
 FUND BALANCES/NET POSITION			
Fund balances (Note 6):			
Restricted	63,902	(63,902)	-
Committed	353,810	(353,810)	-
Unassigned	<u>424,325</u>	<u>(424,325)</u>	<u>-</u>
Total fund balances	<u>842,037</u>	<u>(842,037)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 972,442</u>		
Net position (Note 6):			
Net investment in capital assets		1,002,903	1,002,903
Restricted		63,902	63,902
Unrestricted		<u>778,135</u>	<u>778,135</u>
Total net position		<u>\$ 1,844,940</u>	<u>\$ 1,844,940</u>

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$1,920,558	\$ -	\$1,920,558
Support services	13,547	-	13,547
Capital outlay	720,279	(720,279)	-
Debt service	82,578	(75,278)	7,300
Depreciation	-	92,479	92,479
Total program expenditures/expenses	<u>2,736,962</u>	<u>(703,078)</u>	<u>2,033,884</u>
Program revenues:			
Charge for services			
Strike team revenue	-	-	-
Ambulance	421,580	-	421,580
Grants	<u>196,639</u>	<u>-</u>	<u>196,639</u>
	<u>618,219</u>	<u>-</u>	<u>618,219</u>
General revenues:			
Taxes	509,521	-	509,521
Special assessment	1,074,551	-	1,074,551
Development fees	36,128	-	36,128
Interest	4,971	-	4,971
Donations	99,965	-	99,965
Other	20,991	-	20,991
Proceeds from equipment financing	<u>387,334</u>	<u>(387,334)</u>	<u>-</u>
Total general revenues	<u>2,133,461</u>	<u>(387,334)</u>	<u>1,746,127</u>
Excess of revenues (expenditures)/ change in net position	14,718	315,744	330,462
Beginning fund balances/ net position, as originally stated	827,319	635,697	1,463,016
Prior period adjustment (Note 12)	<u>-</u>	<u>51,462</u>	<u>51,462</u>
Beginning fund balances/ net position, as restated	<u>827,319</u>	<u>687,159</u>	<u>1,514,478</u>
Ending fund balances/net position	<u>\$ 842,037</u>	<u>\$1,002,903</u>	<u>\$1,844,940</u>

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2020

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Tax Income	\$ 506,015	\$ 509,521	\$ 3,506
Direct Charges	1,080,320	1,074,551	(5,769)
Interest Income	3,000	4,971	1,971
Ambulance Income	243,617	421,580	177,963
Development Fees	-	36,128	36,128
Strike Teams	-	-	-
Grants	36,639	196,639	160,000
Donations	750	99,965	99,215
Other	7,595	20,990	13,395
Equipment	-	387,334	387,334
	Total Revenues	2,751,680	873,744
Expenditures:			
Salaries and Benefits	\$ 1,349,609	\$ 1,422,754	\$ (73,146)
Workers Compensation	66,650	62,592	4,058
Firefighter Health and Safety	10,106	10,130	(24)
Interdepartmental Transfers	186,639	-	186,639
Fire Prevention	100	200	(100)
Emergency Operations	46,460	30,019	16,441
Liability Insurance	18,881	21,907	(3,026)
Special Tax Collection Fee	11,007	11,065	(58)
Property Tax Collection Fee	8,514	9,011	(497)
Ambulance Billing Fee	15,000	24,984	(9,984)
Other Administration	53,991	134,282	(80,291)
Fuel for Ambulances and Fire Engines	25,000	27,108	(2,108)
Building Maintenance	2,250	4,167	(1,917)
Electricity	10,000	7,906	2,094
Telephone and Cell	11,000	10,486	514
Other Station and Grounds	14,762	21,567	(6,805)
Fire Engine Parts and Repairs	27,130	71,768	(44,639)
Ambulance Parts and Repairs	9,000	14,689	(5,689)
Other Support Services	11,838	4,011	7,827
Capital Purchases	-	528,708	(528,708)
Payment on Long Term Debt	-	82,578	(82,578)
Grant Fund Expense	-	160,000	(160,000)
General Reserve Expense	-	77,030	(77,030)
	Total Expenditures	2,736,962	(859,026)
Excess of Revenues/(Expenditures)	\$ -	\$ 14,718	\$ 14,718

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2020

1. Organization:

Foresthill Fire Protection District (the “District”) exists in order to provide Local Services relating to the Protection of Lives and Property which are critical to the Public Peace, Health and Safety of the Community and Visitors of Foresthill.

The Board of Directors has continuously provided Fire Protection Services, First-Responder Emergency Medical Services, Rescue Services, Hazardous Material Emergency Response Services, and Other Services relating to the Protection of Life and Property to the best of their ability given their budgetary restraints.

Foresthill Fire Protection District is located in Placer County, East of Interstate 80 and includes an unincorporated area that serves as residence for approximately 6,000 persons. The District covers an area of about 81 square miles and is also responsible for 500 square miles covered by our Ambulance contract with Sierra Sacramento Valley EMS. The District consists of scattered semi-urban residential clusters and forested lands. The District is semi-rural, semi-urban with low density development.

The District has an Administrative Office housing the Fire Chief, Operations Assistant Chief, Emergency Medical Services Assistant Chief, Human Resources/Business Manager and Training Room. The fiscal management of the District is run through this location.

The District has Three Fire Stations. Station 88, equipped with one Type I Engine, one Type III Brush Engine and 1 ALS Ambulance operates 24 hours per day, 7 days per week. Station 90, equipped with one Type I Engine, one Type III Brush Engine 1 ALS Ambulance and one Rescue Unit also operates 24 hours per day, 7 days per week. They are collectively staffed by 9 Full Time employees and 2 Part Time employees. Station 89 is equipped with one Water Tender and is un-staffed.

The District’s current ISO rating is, residence living in the Foresthill Fire Protection District boundaries, within 5 miles of a fire station and within 1000 feet of a fire hydrant will now have an ISO rating of class 3, beyond 1000 feet of a hydrant but within 5 miles of a fire station would be a special 3Y classification and beyond 5 road miles of a fire station will be rated a class 10. This is on a scale of 1 to 10 where “1” is the best.

The District averages 700-750 calls per year. Seventy-five percent of which are medical aids.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

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, as 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.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease and purchased goodwill is included in depreciation. Structures and equipment and goodwill 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 balances with the Treasurer of Placer County in an interest-bearing pooled investment account.

Compensated Absences

Vested or accumulated vacation and sick pay that are expected to be liquidated with expendable available financial resources are reported as an expense and as a current liability.

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.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies (continued):

Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 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.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

2. Summary of Significant Accounting Policies (continued):

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District’s Board of Directors.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

FORESTHILL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

3. Cash and Investments:

The District maintains certain portions of its funds with Placer 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 secured by federal depository insurance.

At year-end the carrying amount of the District's deposits was \$102,690 and the bank balance was \$109,010.

	Balance June 30, <u>2020</u>
Checking (2 bank accounts)	\$ 102,690
Cash with County - General Fund	372,107
Cash with County - Capital Fund (restricted)	63,902
Cash with County – GEMT	15,073
Cash with County – Board designated reserves	<u>195,312</u>
	<u>\$ 749,084</u>

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

4. Changes in Capital Assets:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Structures and improvements	458,308	-	-	458,308
Fleet – fire	1,150,789	439,994	(420,000)	1,170,783
Equipment - other	432,008	132,945	(152,391)	412,562
Fleet – ambulance	399,339	147,340	(30,000)	516,679
Goodwill - ambulance	<u>58,939</u>	<u>-</u>	<u>-</u>	<u>58,939</u>
	<u>\$2,599,383</u>	<u>\$ 720,279</u>	<u>\$ (602,391)</u>	<u>\$2,717,271</u>

FORESTHILL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2020 consist of:

	<u>Balance</u> <u>7/1/2019</u>	<u>Financing</u>	<u>Principal</u> <u>Payments</u>		<u>Balance</u> <u>6/30/2020</u>	<u>Current</u> <u>Portion</u>
Spartan Type 1 Fire Engine	\$ -	\$ 239,994	\$ 96,118	Note 1	\$ 143,876	\$ 46,268
Northstar Ambulance	<u>-</u>	<u>147,340</u>	<u>30,622</u>		<u>116,718</u>	<u>28,057</u>
	<u>\$ -</u>	<u>\$ 387,334</u>	<u>\$ 126,740</u>		<u>\$ 260,594</u>	<u>\$ 74,325</u>

Note 1: 1st installment payment was made in the previous fiscal year.

Spartan Fire Engine:

On April 11, 2019 the Board of Directors passed Resolution No. 2019-04 approving the municipal lease/purchase of a Spartan ER 2017 Type 1 Fire Engine. The total purchase price of the engine is \$399,994 to be reduced by \$160,000 in grant funding received in November 2019. The remaining balance of the purchase, \$239,994 was financed through a five-year municipal lease. Delivery and financing of the engine took place in the 2019-20 fiscal year; as such the District's books and records recorded the capital expenditure and lease financing at that time. The District was required to make the first annual payment of \$51,462 in April 2019, prior to delivery of the engine. The remaining four payments of \$51,462 including interest of 3.61% are due annually on April 30 through 2023, to be paid with mitigation fees.

FORESTHILL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

5. Long-term Debt, continued:

Northstar Ambulance:

On December 30, 2019 the Board of Directors passed Resolution 2019-08 approving the municipal lease/purchase of a 2017 Northstar Ambulance. The cost of the ambulance is \$147,340. Annual payments of \$31,116 including interest of 2.82% are due in January through 2024, to be paid with Capital Improvement Plan funds.

The future annual maturities of all long-term borrowings as of June 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 74,325	\$ 8,253	\$ 82,578
2022	76,731	5,847	82,578
2023	79,216	3,362	82,578
2024	<u>30,321</u>	<u>795</u>	<u>31,116</u>
	<u>\$ 260,593</u>	<u>\$ 18,257</u>	<u>\$ 278,850</u>

FORESTHILL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2020

6. Equity:

General fund:

Total fund balances consist of:

Restricted for:

Capital improvement reserve (mitigation fees)	\$ 63,902
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Committed for:

General reserve	\$ 328,810	
Contingency reserve	<u>25,000</u>	353,810

Unassigned:	<u>424,325</u>
-------------	----------------

\$ 842,037

Statement of net position:

Total net position consist of:

Net investment in capital assets	\$1,002,903
----------------------------------	-------------

Restricted:

Capital improvement reserve (mitigation fees)	63,902
---	--------

Unrestricted:

Board designated:

General reserve	\$ 328,810
Contingency reserve	<u>25,000</u>
	353,810

Undesignated:	<u>424,325</u>
---------------	----------------

778,135

\$1,844,940

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

7. Employee Retirement Plan:

In 2013 the District implemented an Internal Revenue Code Section 457(b) deferred compensation retirement for the benefit of its eligible employees. In 2019 the plan was amended to include an employer contribution of 9% of base pay (overtime is excluded) for all eligible employees. In addition to the 9% employer contribution, the District also allows employees to defer any portion of their unused healthcare allowance (currently set at \$1,000 per month) into their 457(b) account. The Plan allows for elective contributions by employees.

8. Subsequent Events:

Management has evaluated subsequent events through June 18, 2021, the date these June 30, 2020 financial statements were available to be issued.

9. Management Agreement:

At a November 22, 2019 special meeting of the Foresthill Fire Protection District Board of Directors, the Board terminated the shared services agreement, effective November 25, 2019. The District entered into three employment agreements for the positions of Fire Chief and Assistant Fire Chief. The term of both contracts is December 1, 2019 to June 30, 2020 at an annual base salary of \$60,000 (Chief) and \$25,000 (Assistant Chief). Both positions are part time; average 20 hours per week for the Chief and 10 hours per week for the assistant Chief.

In accordance with the agreement with Placer Hills Fire for Chief and administrative services, a 90-day notice of intent to terminate agreement was given on November 23, 2019. The termination was effective at 0800 hours on November 25, 2019. In order to fulfill the 90-day notice requirement, the District continued paying the contract amount to Placer Hills Fire until February 23, 2020.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2020

10. Passage of Measure B:

On May 7, 2019 the voters of the District passed Measure B, a special property tax of \$240.38 per year per parcel, raising approximately \$750,000 annually. Special tax was effective on the July 1, 2019 – June 30, 2020 property tax roll.

11. Risk of Loss:

Foresthill Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2020 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

12. Prior Period Adjustment:

The books were restated by \$51,462, the first payment on the Spartan Engine, made in the prior year (April 2019). As discussed in Note 5 to the financial statements, the first payment was made prior to the District taking delivery of the engine.

13. COVID-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. The District is committed to maintaining emergency services response and other essential services to its service area. There has been minimal adverse effect on the District's financial position and operations delivery, given the necessity of fire and emergency medical services to the Foresthill community.

SUPPLEMENTAL DATA

FORESTHILL FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2020

Board of Directors:

John Michelini	Chairman
Troy Simonick	Vice Chairman
Chris Reams	Director
Tyler Harkness	Director
Ray Miller	Director

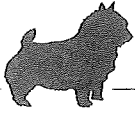
Operations:

Michael Ridley	Fire Chief
Jared "Jed" Matcham	Assistant Chief
David Whitt	Assistant Chief
Patrice Metz	District Manager

**FORESTHILL
FIRE PROTECTION DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

for the year ended June 30, 2020



Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

June 18, 2021

To the Board of Directors
Foresthill Fire Protection District
Foresthill, California

We have audited the financial statements of Foresthill Fire Protection District as of and for the year ended June 30, 2020. 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 Foresthill Fire Protection District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Foresthill Fire Protection 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 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 second 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. 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:

Statement of Activities – “Business Basis”			
	June 30, <u>2020</u>	June 30, <u>2019</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues	\$2,364,346	\$1,285,452	\$1,078,894
Expenses	<u>2,033,884</u>	<u>1,416,590</u>	(<u>617,294</u>)
Net income (loss)	\$ <u>330,462</u>	\$(<u>131,138</u>)	\$ <u>461,600</u>
Cash	\$ <u>749,084</u>	\$ <u>653,474</u>	\$ <u>95,610</u>

Observations:

- 2019-20 was the first fiscal year of Measure B special tax revenue with \$730,694 reported.
- In 2019-20 expenses increased by \$600,000 over the previous fiscal year. These expenses (on the business basis) are largely related to public protection, including salary and wages, and do not consider long term debt repayment or capital expenditures.

2. Cash Reserve Accounts:

Observation:

The District has one Cash account with the County that combines unrestricted and restricted (Mitigation fees aka development fees.) At 6/30/20 year end, the cash with County balance was \$646,393.

During the 2019-20 fiscal year, the District created at least fifteen (15) reserve accounts on its Quickbooks accounting books. The result is this—the District's 6/30/20 balance sheet reflects the \$646,393 in County cash allocated among seventeen accounts. At present we understand that more cash accounts have been added to the balance sheet, some even have credit balances. We understand that the Board wishes to create board-designated reserves at Board discretion for target reserve and budgetary planning. However, the creation of so many cash accounts (on a single bank account) is resulting in a large number of accounting entries to cash, which ultimately can lead to accounting errors, or even worse, potentially, to fraud.

Recommendation:

Develop a clear and concise method for tracking Board-designated reserves. Other fire districts set up subledgers (excel) and/or create equity reserves. Cash accounts on the District books should not be burdened with multiple accounts that make bookkeeping and reconciliation difficult. Many entries are currently being made to cash accounts such as monthly increases to record reserves and to relieve reserves for approved expenditures.

3. Mitigation Fees:

Observation:

We understand that the District has opened another QB Company file to track mitigation fee cash, mitigation fee income, including interest income, and to record approved mitigation expenditures.

Recommendation:

We agree that mitigation cash is best kept separate from operating cash. We encourage the District to continue to work with Joe Alire, Placer County Auditor-Controller to set up a separate mitigation cash account.

Meanwhile, effective July 1, 2020, with one only County bank account and two separate Quickbooks files, bookkeeping may become more difficult. District's unadjusted 6/30/20 financial statements had mistakenly reversed out both mitigation fees and capital purchases paid with mitigation fees. Restorative proposed adjusting journal entries were made to correct 6/30/20 books.

4. Sick Leave Accruals:

Observation:

The District's current MOU for personnel policies, Chapter 3, Article 4: Sick Leave and Vacation states, in part, the following:

"Sick leave shall have no cap, and, sick leave may be cashed out at 60% of value upon separation from employment except for separation for cause."

The District's books are currently accruing employee sick leave liability at 100% rather than 60%.

Recommendation:

Accounting convention is to record sick leave accruals at "vested" amounts; in the District's case, unlimited sick leave accruals multiplied by 60%. Vested amounts are easier understood by theoretically envisioning if the District ceased operations at a set date in time, what amounts would the employees be paid? Although all sick leave accruals and usages should be tracked in full, accrual on the District's books and records should only reflect vested amounts to avoid potential liability overstatement, especially given the District's lack of sick leave caps.