

**OPHIR HILL  
FIRE PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2019**

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# Ophir Hill Fire Protection District

P.O. Box 940 ♦ 12668 Colfax Hwy ♦ Cedar Ridge, CA 95924  
(530) 273-8351 ♦ Fax (530) 273-0453 ♦ [ophirhillfire.org](http://ophirhillfire.org)



March 10, 2020

County of Nevada  
Auditor-Controller's Office  
950 Maidu Avenue  
Nevada City, CA 95959

RE: Ophir Hill Fire Protection District – Annual Audited Financial Report

Dear Sir/Madame:

Please find enclosed your copy of this District's Report to cover fiscal year ending June 30, 2019.

Should you have any questions, please contact me directly.

Sincerely,

A handwritten signature in cursive that reads "Kris Stoeckle".

Kris Stoeckle  
Administrative Assistant  
Ophir Hill Fire Protection District  
[kstoeckleohfpd@gmail.com](mailto:kstoeckleohfpd@gmail.com)

Enclosure: Financial Report FY 2019





**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2019**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**OPHIR HILL FIRE PROTECTION DISTRICT**  
**List of Officials**  
**For the Year Ended June 30, 2019**

**Board of Directors**

|                  |               |
|------------------|---------------|
| Buckley Armacher | Chairman      |
| Steve Borgnis    | Vice Chairman |
| Monte Martin     | Director      |
| Anne Sousa       | Director      |
| Eric Peterson    | Director      |

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Required Supplementary Information**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Ophir Hill Fire Protection District  
Cedar Ridge, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Ophir Hill Fire Protection District, California (District), as of and for the year ended June 30, 2019, 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  
Ophir Hill Fire Protection District  
Cedar Ridge, 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, 2019, 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 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.

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*

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 it.

To the Board of Directors  
Ophir Hill Fire Protection District  
Cedar Ridge, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2020, 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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in black ink.

Smith & Newell CPAs  
Yuba City, California  
February 12, 2020

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

|   | <u>Total<br/>Governmental<br/>Activities</u> |
|---|--|
| <b>ASSETS</b>                               |  |
| Cash and investments                        | \$ 1,091,263                                 |
| Receivables:                                |  |
| Accounts                                    | 21,076                                       |
| Interest                                    | 1,615  |
| Taxes                                       | 22,494                                       |
| Assessments                                 | 11,557                                       |
| Intergovernmental                           | 65,509                                       |
| Capital assets:                             |  |
| Non-depreciable                             | 103,000                                      |
| Depreciable, net                            | 901,728                                      |
| Total capital assets                        | <u>1,004,728</u>                             |
| <b>Total Assets</b>                         | <u>2,218,242</u>                             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |  |
| Pension adjustments                         | <u>178,668</u>                               |
| <b>Total Deferred Outflows of Resources</b> | <u>178,668</u>                               |
| <b>LIABILITIES</b>                          |  |
| Accounts payable                            | 17,495                                       |
| Salaries and benefits payable               | 13,737                                       |
| Long-term liabilities:                      |  |
| Due within one year                         | 5,061  |
| Due in more than one year                   | 31,262                                       |
| Net pension liability                       | <u>244,853</u>                               |
| <b>Total Liabilities</b>                    | <u>312,408</u>                               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |  |
| Pension adjustments                         | <u>53,271</u>                                |
| <b>Total Deferred Inflows of Resources</b>  | <u>53,271</u>                                |
| <b>NET POSITION</b>                         |  |
| Investment in capital assets                | 1,008,722                                    |
| Restricted for:                             |  |
| Public protection                           | 21,641                                       |
| Unrestricted                                | <u>1,000,868</u>                             |
| <b>Total Net Position</b>                   | <u>\$ 2,031,231</u>                          |

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

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

| <u>Functions/Programs</u>            | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------------------|-------------------------|--|--|--|
| Expenses                             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Total<br>Governmental<br>Activities                        |
| Governmental activities:             |                         |  |  |  |
| Public protection                    | \$ 1,235,263            | \$ 233,990                               | 619,032                                | -  |
| <b>Total Governmental Activities</b> | 1,235,263               | 233,990                                  | 619,032                                | -  |
| <b>Total</b>                         | \$ 1,235,263            | \$ 233,990                               | \$ 619,032                             | \$ -   |
| <b>General revenues:</b>             |                         |  |  |  |
| Taxes:                               |                         |  |  |  |
| Property taxes                       |                         |  |  | 426,228  |
| Prop 172                             |                         |  |  | 55,911   |
| Interest and investment earnings     |                         |  |  | 6,650  |
| Miscellaneous income                 |                         |  |  | (851)  |
| <b>Total General Revenues</b>        |                         |  |  | 487,938  |
| <b>Change in Net Position</b>        |                         |  |  | 105,697  |
| <b>Net Position - Beginning</b>      |                         |  |  | 1,925,534  |
| <b>Net Position - Ending</b>         |                         |  |  | \$ 2,031,231   |

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

|   | <b>General<br/>Fund</b> | <b>Mitigation</b> | <b>Capital<br/>Reserve</b> | <b>Totals</b>       |
|---|-------------------------|-------------------|----------------------------|---------------------|
| <b>ASSETS</b>   |                         |                   |                            |                     |
| Cash and investments  | \$ 1,062,315            | \$ 18,801         | \$ 10,147                  | \$ 1,091,263        |
| Receivables:  |                         |                   |                            |                     |
| Accounts  | 21,076                  | -                 | -                          | 21,076              |
| Interest  | 1,615                   | -                 | -                          | 1,615               |
| Taxes   | 22,494                  | -                 | -                          | 22,494              |
| Due from other funds  | -                       | 2,840             | -                          | 2,840               |
| Assessments   | 11,557                  | -                 | -                          | 11,557              |
| Intergovernmental   | 65,509                  | -                 | -                          | 65,509              |
|   | <b>\$ 1,184,566</b>     | <b>\$ 21,641</b>  | <b>\$ 10,147</b>           | <b>\$ 1,216,354</b> |
| <b>LIABILITIES</b>  |                         |                   |                            |                     |
| Accounts payable  | \$ 17,495               | \$ -              | \$ -                       | \$ 17,495           |
| Salaries and benefits payable   | 13,737                  | -                 | -                          | 13,737              |
| Due to other funds  | 2,840                   | -                 | -                          | 2,840               |
|   | <b>34,072</b>           | <b>-</b>          | <b>-</b>                   | <b>34,072</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                         |                   |                            |                     |
| Unavailable revenue   | 65,333                  | -                 | -                          | 65,333              |
|   | <b>65,333</b>           | <b>-</b>          | <b>-</b>                   | <b>65,333</b>       |
| <b>FUND BALANCES</b>  |                         |                   |                            |                     |
| Restricted  | -                       | 21,641            | -                          | 21,641              |
| Committed   | -                       | -                 | 10,147                     | 10,147              |
| Unassigned  | 1,085,161               | -                 | -                          | 1,085,161           |
|   | <b>1,085,161</b>        | <b>21,641</b>     | <b>10,147</b>              | <b>1,116,949</b>    |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b> | <b>\$ 1,184,566</b>     | <b>\$ 21,641</b>  | <b>\$ 10,147</b>           | <b>\$ 1,216,354</b> |

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

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Government-Wide Statement of**  
**Net Position - Governmental Activities**  
**June 30, 2019**

|  |                            |
|--|----------------------------|
| <b>Total Fund Balances - Total Governmental Funds</b>  | <b>\$ 1,116,949</b>        |
| 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.                          | 1,004,728                  |
| Deferred outflows of resources related to pension are not reported in the governmental funds.  | 178,668                    |
| Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds. | 65,333                     |
| Deferred inflows of resources related to pension are not reported in the governmental funds.   | (53,271)                   |
| Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.                                   |                            |
| Compensated absences   | (36,323)                   |
| Net pension liability  | <u>(244,853)</u>           |
| <b>Net Position of Governmental Activities</b>   | <b><u>\$ 2,031,231</u></b> |

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

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

|                                    | General<br>Fund     | Mitigation       | Capital<br>Reserve | Totals              |
|------------------------------------|---------------------|------------------|--------------------|---------------------|
| <b>REVENUES</b>                    |                     |                  |                    |                     |
| Taxes and assessments              | \$ 657,378          | \$ -             | \$ -               | \$ 657,378          |
| Intergovernmental revenue          | 645,724             | -                | -                  | 645,724             |
| Use of money                       | 4,354               | 424              | 1,872              | 6,650               |
| Mitigation fees                    | -                   | 2,840            | -                  | 2,840               |
| Other revenues                     | (851)               | -                | -                  | (851)               |
| <b>Total Revenues</b>              | <b>1,306,605</b>    | <b>3,264</b>     | <b>1,872</b>       | <b>1,311,741</b>    |
| <b>EXPENDITURES</b>                |                     |                  |                    |                     |
| Current public protection:         |                     |                  |                    |                     |
| Salaries and benefits              | 972,451             | -                | -                  | 972,451             |
| Clothing and uniforms              | 26,079              | -                | -                  | 26,079              |
| Household                          | 2,696               | -                | -                  | 2,696               |
| Communications                     | 7,377               | -                | -                  | 7,377               |
| Insurance                          | 9,766               | -                | -                  | 9,766               |
| Maintenance:                       |                     |                  |                    |                     |
| Equipment                          | 12,653              | -                | -                  | 12,653              |
| Structures                         | 8,439               | -                | -                  | 8,439               |
| Automobiles                        | 25,443              | -                | -                  | 25,443              |
| Membership                         | 984                 | -                | -                  | 984                 |
| Medical supplies                   | 1,565               | -                | -                  | 1,565               |
| Miscellaneous                      | 19,896              | -                | -                  | 19,896              |
| Supplies                           | 645                 | -                | -                  | 645                 |
| Professional services              | 16,444              | -                | -                  | 16,444              |
| Small tools                        | 26,828              | -                | -                  | 26,828              |
| Training                           | 4,675               | -                | -                  | 4,675               |
| Travel                             | 909                 | -                | -                  | 909                 |
| Fuel                               | 15,947              | -                | -                  | 15,947              |
| Utilities                          | 9,955               | -                | -                  | 9,955               |
| Capital outlay                     | 40,149              | -                | 55,805             | 95,954              |
| <b>Total Expenditures</b>          | <b>1,202,901</b>    | <b>-</b>         | <b>55,805</b>      | <b>1,258,706</b>    |
| <b>Net Change in Fund Balances</b> | <b>103,704</b>      | <b>3,264</b>     | <b>(53,933)</b>    | <b>53,035</b>       |
| <b>Fund Balances - Beginning</b>   | <b>981,457</b>      | <b>18,377</b>    | <b>64,080</b>      | <b>1,063,914</b>    |
| <b>Fund Balances - Ending</b>      | <b>\$ 1,085,161</b> | <b>\$ 21,641</b> | <b>\$ 10,147</b>   | <b>\$ 1,116,949</b> |

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

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the**  
**Government-Wide Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2019**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 53,035**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays 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   | 95,954   |
| Less: current year depreciation   | (73,689) |
| Various capital asset adjustments | (4,065)  |

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 from the sale of capital assets.

(1,514)

Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.

|                               |        |
|-------------------------------|--------|
| Change in unavailable revenue | 29,219 |
|-------------------------------|--------|

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 | 58,602   |
| Change in deferred inflows of resources related to pension  | (43,723) |

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  | (5,061) |
| Change in net pension liability | (3,061) |

**Change in Net Position of Governmental Activities** **\$ 105,697**

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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**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Ophir Hill Fire Protection District was organized in 1956 and established in September 1963 to provide for fire prevention and suppression and rescue services in the Cedar Ridge area of Nevada County. Revenues are derived principally from the county-wide tax levy and a special assessment on improved and unimproved parcels within the District.

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 primary government 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.

**Component Units**

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.

**Joint Agencies**

The District is a participant in Nevada County Fire and Emergency Services Joint Powers Agency (JPA), the purpose of which is to provide emergency dispatch and other services. The District participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

The District is a participant in Fire District's Association of California - Fire Agencies Self Insurance System (FDAC-FASIS), the purpose of which is to provide workers' compensation benefits to each member agency including claims administration and program administration. FDAC-FASIS is composed of approximately 200 members and is governed by a board of directors appointed by the members. Complete financial information can be obtained from the Association office at 700 R Street, Sacramento, California 95811. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information on all 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 governmental activities of the District, which are normally supported by property taxes and special assessments. The District had no business-type activities at June 30, 2019.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis Presentation (Continued)**

**Government-Wide Financial Statements (Continued)**

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 presented instead as general revenues.

**Fund Financial Statements**

Fund financial statements of the District are organized into three 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, each displayed in a separate column.

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 protection.
- The Mitigation fund is a special revenue fund used to accumulate fees collected for capital outlay for new development in the District.
- The Capital Reserve fund is a capital projects fund used to accumulate revenue for capital outlay.

**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 recorded 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 tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes 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. Charges for services, operating grants, and use of money and property 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.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Non-Current Government 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.

**E. Investments**

The District pools all investments, other than cash in checking accounts, with the State of California Local Agency Investment Fund (LAIF). The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in LAIF 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 interest, property taxes, assessments and intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**G. 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 defined by the District as assets with a cost of \$1,000 or more. Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable. Contributed capital assets are recorded at their estimated acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

| <u>Depreciable Asset</u>    | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Equipment                   | 10 to 40 years         |
| Structures and improvements | 50 years               |

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.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Property Tax**

Nevada County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Nevada 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.

**J. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

**K. 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 includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

The District does not currently provide other postemployment benefits.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Pension**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2017                 |
| Measurement Date   | June 30, 2018                 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item relates to the pension adjustment and is reportable on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. One item, unavailable revenue, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to the inflows from changes in the net pension liability and is reported on the Statement of Net Position.

**N. Estimates**

The preparation of the 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.

**O. 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. 83**, Certain Asset Retirement Obligations (AROs). This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing, and Direct Placements.** This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resources flows.

**P. Future Accounting Pronouncements**

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

|  |  |
|--|--|
| Statement No. 84 "Fiduciary Activities"      | The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20) |
| Statement No. 87 "Leases"                    | The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21) |
| Statement No. 90 "Majority Equity Interests" | The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20) |
| Statement No. 91 "Conduit Debt Obligations"  | The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22) |

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2019, the District's cash and investments consisted of the following:

|  |                     |
|--|---------------------|
| Cash:  |                     |
| Deposits (less outstanding checks)             | \$ <u>895,598</u>   |
| Total Cash                                     | <u>895,598</u>      |
| Investments:                                   |                     |
| California Local Agency Investment Fund (LAIF) | <u>195,665</u>      |
| Total Investments                              | <u>195,665</u>      |
| Total Cash and Investments                     | <u>\$ 1,091,263</u> |

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$895,598 and the bank balance was \$895,818. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**B. Cash (Continued)**

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. At June 30, 2019, the uninsured and uncollateralized deposits were \$569,341.

**C. Investments**

Investments are selected based on safety, liquidity and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Banker's acceptances
- Commercial paper
- Local Agency Investment Fund (LAIF)
- Mutual funds
- Medium-term corporate notes
- Money market funds
- Negotiable certificates of deposit
- Repurchase agreements/ Reverse repurchase agreements
- Securities of the Federal government or its agencies

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 investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2019, 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 | -                 | \$ -                                 | \$ -           | \$ -           |
| Investments in External Investment Pool  |                   |                                      |                |                |
| LAIF                                     | 195,665           |                                      |                |                |
| Total Investments                        | \$ 195,665        |                                      |                |                |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

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 District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations. The District limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

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 District's investment policy sets specific parameters by type of investment to be met at the time of purchase.

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 investments in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. All investments of the District are in LAIF which contain a diversification of investments.

**D. Investments in External Pool**

Local Agency Investment Fund - The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2019, the District's investment in LAIF valued at amortized cost was \$195,665 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$105.7 billion. Of that amount, 98.23 percent is invested in non-derivative financial products and 1.77 percent in structured notes and asset-backed securities.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019, was as follows:

|  | <u>Balance</u><br><u>July 1, 2018</u> | <u>Additions</u> | <u>Adjustments/<br/>Retirements</u> | <u>Balance</u><br><u>June 30, 2019</u> |
|--|---------------------------------------|------------------|-------------------------------------|--|
| Capital Assets, Not Being Depreciated:       |                                       |                  |                                     |  |
| Land   | \$ 103,000                            | \$ -             | \$ -                                | \$ 103,000                             |
| Total Capital Assets, Not Being Depreciated  | <u>103,000</u>                        | <u>-</u>         | <u>-</u>                            | <u>103,000</u>                         |
| Capital Assets, Being Depreciated:           |                                       |                  |                                     |  |
| Buildings and improvements                   | 349,130                               | -                | -                                   | 349,130                                |
| Equipment                                    | 1,364,393                             | 95,954           | ( 87,184)                           | 1,373,163                              |
| Software                                     | <u>1,620</u>                          | <u>-</u>         | <u>( 1,620)</u>                     | <u>-</u>                               |
| Total Capital Assets, Being Depreciated      | <u>1,715,143</u>                      | <u>95,954</u>    | <u>( 88,804)</u>                    | <u>1,722,293</u>                       |
| Less Accumulated Depreciation For:           |                                       |                  |                                     |  |
| Building and improvements                    | ( 194,590)                            | ( 7,942)         | ( 70)                               | ( 202,602)                             |
| Equipment                                    | ( 634,215)                            | ( 65,747)        | 81,999                              | ( 617,963)                             |
| Software                                     | <u>( 1,296)</u>                       | <u>-</u>         | <u>1,296</u>                        | <u>-</u>                               |
| Total Accumulated Depreciation               | <u>( 830,101)</u>                     | <u>( 73,689)</u> | <u>83,225</u>                       | <u>( 820,565)</u>                      |
| Total Capital Assets, Being Depreciated, Net | <u>885,042</u>                        | <u>22,265</u>    | <u>( 5,579)</u>                     | <u>901,728</u>                         |
| Total Capital Assets, Net                    | <u>\$ 988,042</u>                     | <u>\$ 22,265</u> | <u>(\$ 5,579)</u>                   | <u>\$ 1,004,728</u>                    |

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

|  |                  |
|--|------------------|
| Public Protection                                    | <u>\$ 73,689</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 73,689</u> |

**NOTE 4: INTERFUND TRANSACTIONS**

**Due To/From Other Funds**

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2019.

|              | <u>Due From</u><br><u>Other Funds</u> | <u>Due To</u><br><u>Other Funds</u> |
|--------------|---------------------------------------|-------------------------------------|
| General fund | \$ -                                  | \$ 2,840                            |
| Mitigation   | <u>2,840</u>                          | <u>-</u>                            |
| Total        | <u>\$ 2,840</u>                       | <u>\$ 2,840</u>                     |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 5: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

| <u>Type of Indebtedness</u> | <u>Balance<br/>July 1, 2018</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>June 30, 2019</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|-----------------------------|---------------------------------|------------------|--------------------|----------------------------------|--|
| Compensated Absences        | \$ 31,261                       | \$ 18,866        | (\$ 13,804)        | \$ 36,323                        | \$ 5,061                                   |
| Total                       | <u>\$ 31,261</u>                | <u>\$ 18,866</u> | <u>(\$ 13,804)</u> | <u>\$ 36,323</u>                 | <u>\$ 5,061</u>                            |

**NOTE 6: 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.
- **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.

**NOTE 7: 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, 2019, fund balance for the 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.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 7: FUND BALANCES (CONTINUED)**

- **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 adoption of an ordinance, 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, 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, 2019, were distributed as follows:

|                        | <u>General<br/>Fund</u> | <u>Mitigation</u> | <u>Capital<br/>Reserve</u> | <u>Total</u>        |
|------------------------|-------------------------|-------------------|----------------------------|---------------------|
| <b>Restricted for:</b> |                         |                   |                            |                     |
| Mitigation             | \$ -                    | \$ 21,641         | \$ -                       | \$ 21,641           |
| Subtotal               | -                       | 21,641            | -                          | 21,641              |
| <b>Committed for:</b>  |                         |                   |                            |                     |
| Capital outlay         | -                       | -                 | 10,147                     | 10,147              |
| Subtotal               | -                       | -                 | 10,147                     | 10,147              |
| <b>Unassigned</b>      | 1,085,161               | -                 | -                          | 1,085,161           |
| <b>Total</b>           | <u>\$ 1,085,161</u>     | <u>\$ 21,641</u>  | <u>\$ 10,147</u>           | <u>\$ 1,116,949</u> |

**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.

**Fund Balance Policy**

The Board of Directors has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications and establishes a hierarchy of fund balance expenditures.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 8: PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the District's Safety and Miscellaneous (all other) Employee Pension Plan (Plan), 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 resolution. 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 retirement tiers for both Miscellaneous and Safety Rate Tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). New 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 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 employees hired on or after January 1, 2013      |
| Closed to New Enrollment |   |
| Miscellaneous Plan       | Miscellaneous members hired before January 1, 2013      |
| Safety Plan              | Safety employees 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 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.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2019, is summarized as follows:

|               | <u>Benefit<br/>Formula</u> | <u>Retirement<br/>Age</u> | <u>Monthly Benefits as a %<br/>of Eligible Compensation</u> |
|---------------|----------------------------|---------------------------|---|
| Miscellaneous | 2.0% @ 60                  | 50-60                     | 1.092% to 2.418%  |
| Safety        | 2.0% @ 55                  | 50-55                     | 1.426% to 2.000%  |
| Safety PEPRA  | 2.0% @ 57                  | 50-57                     | 1.426% to 2.000%  |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 8: PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plan (Continued)**

**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 all Plans 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<br/>Contribution<br/>Rates</u> | <u>Employee<br/>Contribution<br/>Rates</u> | <u>Employer Paid<br/>Member<br/>Contribution Rates</u> |
|---------------|--|--|--|
| Miscellaneous | 7.634%                                     | 7.000%                                     | 8.000%   |
| Safety        | 12.848%                                    | 7.000%                                     | 9.000%   |
| Safety PEPRA  | 10.020%                                    | 9.500%                                     | 0.000%   |

For the year ended June 30, 2019, the contributions recognized as part of pension expense were as follows:

|               | <u>Contributions-Employer</u> | <u>Contributions-Employee<br/>(Paid by Employer)</u> |
|---------------|-------------------------------|--|
| Miscellaneous | \$ 3,648                      | \$ 2,349   |
| Safety        | 36,292                        | 20,741   |

**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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 (measurement dates) was as follows:

|               | <u>Proportion<br/>June 30, 2017</u> | <u>Proportion<br/>June 30, 2018</u> | <u>Change -<br/>Increase (Decrease)</u> |
|---------------|-------------------------------------|-------------------------------------|---|
| Miscellaneous | 0.00034%                            | 0.00036%                            | .00002%                                 |
| Safety        | 0.00196%                            | 0.00218%                            | .00022%                                 |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 8: PENSION PLAN (CONTINUED)**

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

|                             | <u>Proportionate<br/>Share of Net<br/>Pension Liability</u> |
|-----------------------------|---|
| Miscellaneous               | \$ 34,531   |
| Safety                      | <u>210,322</u>  |
| Total Net Pension Liability | <u>\$ 244,853</u>   |

For the year ended June 30, 2019, the District recognized pension expense of \$72,673. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions subsequent to the measurement date                            | \$ 61,099                                 | \$ -                                     |
| Change of assumptions   | 24,573                                    | ( 3,749)                                 |
| Difference between expected and actual experience                                   | 5,844                                     | ( 468)                                   |
| Difference between projected and actual earnings on pension plan investments        | 1,595                                     | -  |
| Difference between District contributions and proportionate share of contributions. | 47,767                                    | ( 48,964)                                |
| Amortization due to differences in proportions                                      | <u>37,790</u>                             | <u>( 90)</u>                             |
| Total   | <u>\$ 178,668</u>                         | <u>(\$ 53,271)</u>                       |

\$61,099 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

| Fiscal<br>Year Ended<br><u>June 30</u> |                  |
|--|------------------|
| 2020                                   | \$ 39,061        |
| 2021                                   | 27,338           |
| 2022                                   | ( 333)           |
| 2023                                   | ( 1,768)         |
| Thereafter                             | <u>-</u>         |
| Total                                  | <u>\$ 64,298</u> |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 8: PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

|                                  |   |
|----------------------------------|---|
| Valuation Date                   | June 30, 2017   |
| Measurement Date                 | June 30, 2018   |
| Actuarial Cost Method            | Entry-Age Normal Cost Method  |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 7.15%   |
| Inflation                        | 2.50%   |
| Projected Salary Increase        | Varies by entry-age and service   |
| Mortality                        | Derived using CalPERS membership data for all funds   |
| Post-Retirement Benefit Increase | Contract COLA up to 2.75% 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.

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 returns of all 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.

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.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 8: PENSION PLAN (CONTINUED)**

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

**Discount Rate (Continued)**

| <u>Asset Class</u> | <u>Assumed<br/>Asset<br/>Allocation</u> | <u>Real Return<br/>Years 1-10(a)</u> | <u>Real Return<br/>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%<br/>Decrease<br/>6.15%</u> | <u>Discount<br/>Rate<br/>7.15%</u> | <u>1%<br/>Increase<br/>8.15%</u> |
|---------------|----------------------------------|------------------------------------|----------------------------------|
| Miscellaneous | \$ 61,036                        | \$ 34,531                          | \$ 12,652                        |
| Safety        | 372,976                          | 210,322                            | 77,058                           |

**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 9: 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 has joined together with other fire districts in the State to participate in the Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for 152 member fire districts. The District has also joined together with other fire districts in the State to participate in the Northern California Fire District Association. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for liability and automobile coverage for its member districts.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 9: RISK MANAGEMENT (CONTINUED)**

The District pays an annual premium to both of these joint ventures for its insurance coverage. The agreements with the joint ventures provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10: OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**B. Subsequent Events**

Management has evaluated events subsequent to June 30, 2019 through February 12, 2020, 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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**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2019**  
**Last 10 Years\***

| Measurement Date  | 2013/2014  | 2014/2015  | 2015/2016  | 2016/2017  |
|---|------------|------------|------------|------------|
| <b>Miscellaneous</b>  |            |            |            |            |
| Proportion of the net pension liability   | 0.00036%   | 0.00028%   | 0.00032%   | 0.00034%   |
| Proportionate share of the net pension liability                                    | \$ 22,185  | \$ 18,967  | \$ 28,084  | \$ 34,097  |
| Covered payroll   | 36,107     | 36,916     | 38,019     | 38,926     |
| Proportionate share of the net pension liability as a percentage of covered payroll | 61.44%     | 51.38%     | 73.87%     | 87.59%     |
| Plan fiduciary net position as a percentage of the total pension liability          | 82.94%     | 86.33%     | 81.60%     | 80.82%     |
| <b>Safety</b>   |            |            |            |            |
| Proportion of the net pension liability   | 0.00229%   | 0.00164%   | 0.00196%   | 0.00209%   |
| Proportionate share of the net pension liability                                    | \$ 142,505 | \$ 112,257 | \$ 169,693 | \$ 207,695 |
| Covered payroll   | 251,311    | 258,673    | 275,298    | 274,200    |
| Proportionate share of the net pension liability as a percentage of covered payroll | 56.70%     | 43.40%     | 61.64%     | 75.75%     |
| Plan fiduciary net position as a percentage of the total pension liability          | 81.28%     | 86.23%     | 81.12%     | 80.55%     |

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

2017/2018

0.00036%  
\$ 34,531  
32,746

105.45%

79.94%

0.00218%  
\$ 210,323  
340,964

61.68%

80.32%

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2019**  
**Last 10 Years\***

| Fiscal Year   | 2014/2015       | 2015/2016       | 2016/2017         | 2017/2018       |
|---|-----------------|-----------------|-------------------|-----------------|
| <b>Miscellaneous</b>  |                 |                 |                   |                 |
| Contractually required contribution (actuarially determined)          | \$ 3,031        | \$ 2,955        | \$ 2,787          | \$ 2,416        |
| Contributions in relation to the actuarially determined contributions | <u>(3,031)</u>  | <u>(2,955)</u>  | <u>(3,648)</u>    | <u>(2,416)</u>  |
| Contribution deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ (861)</u>   | <u>\$ -</u>     |
| Covered payroll   | \$ 36,916       | \$ 38,019       | \$ 38,926         | \$ 32,746       |
| Contributions as a percentage of covered payroll                      | 8.21%           | 7.77%           | 7.16%             | 7.38%           |
| <b>Safety</b>   |                 |                 |                   |                 |
| Contractually required contribution (actuarially determined)          | \$ 39,250       | \$ 38,429       | \$ 30,174         | \$ 38,827       |
| Contributions in relation to the actuarially determined contributions | <u>(39,250)</u> | <u>(38,429)</u> | <u>(36,293)</u>   | <u>(38,827)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ (6,119)</u> | <u>\$ -</u>     |
| Covered payroll   | \$ 258,673      | \$ 275,298      | \$ 274,200        | \$ 340,964      |
| Contributions as a percentage of covered payroll                      | 15.17%          | 13.96%          | 11.00%            | 11.39%          |

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

2018/2019

\$ 3,042

(3,042)

\$ -

\$ 24,120  
12.61%

\$ 58,057

(58,057)

\$ -

\$ 299,526  
19.38%

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Notes to District Pension Plan**  
**For the Year Ended June 30, 2019**

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

Change of assumptions: For the measurement date of June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

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

|                            |   |
|----------------------------|---|
| Valuation Date             | June 30, 2016   |
| Actuarial cost method      | Entry Age Normal  |
| Amortization method/period | For details, see June 30, 2016 Funding Valuation Report   |
| Asset valuation method     | Market value  |
| Inflation                  | 2.75%   |
| Salary increases           | Varies by entry age and service   |
| Discount rate              | 7.375%  |
| Retirement age             | The probabilities of retirement are based on the January 2014 CalPERS Experience Study and Review of Actuarial Assumption |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

|                                    | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>REVENUES</b>                    |                            |                         |                     |   |
| Taxes and assessments              | \$ 606,640                 | \$ 606,640              | \$ 657,378          | \$ 50,738   |
| Intergovernmental                  | 45,127                     | 51,383                  | 645,724             | 594,341   |
| Use of money                       | 2,000                      | 2,000                   | 4,354               | 2,354   |
| Other revenues                     | 5,000                      | 5,000                   | (851)               | (5,851)   |
| <b>Total Revenues</b>              | <u>658,767</u>             | <u>665,023</u>          | <u>1,306,605</u>    | <u>641,582</u>  |
| <b>EXPENDITURES</b>                |                            |                         |                     |   |
| Current public protection:         |                            |                         |                     |   |
| Salaries and benefits              | 547,014                    | 536,925                 | 972,451             | (435,526)   |
| Clothing and uniforms              | 3,800                      | 4,600                   | 26,079              | (21,479)  |
| Household                          | 2,000                      | 2,000                   | 2,696               | (696)   |
| Communication                      | 13,300                     | 13,300                  | 7,377               | 5,923   |
| Insurance                          | 10,298                     | 10,298                  | 9,766               | 532   |
| Maintenance:                       |                            |                         |                     |   |
| Equipment                          | 5,332                      | 5,332                   | 12,653              | (7,321)   |
| Structures and improvements        | 4,500                      | 4,500                   | 8,439               | (3,939)   |
| Automobiles                        | 5,850                      | 5,850                   | 25,443              | (19,593)  |
| Membership                         | 1,356                      | 1,356                   | 984                 | 372   |
| Medical supplies                   | 1,600                      | 1,600                   | 1,565               | 35  |
| Miscellaneous                      | -                          | -                       | 19,896              | (19,896)  |
| Supplies                           | 3,300                      | 3,300                   | 645                 | 2,655   |
| Professional services              | 19,778                     | 19,778                  | 16,444              | 3,334   |
| Small tools                        | 2,600                      | 2,600                   | 26,828              | (24,228)  |
| Training                           | 4,850                      | 4,850                   | 4,675               | 175   |
| Travel                             | 100                        | 100                     | 909                 | (809)   |
| Fuel                               | 11,500                     | 11,500                  | 15,947              | (4,447)   |
| Utilities                          | 5,800                      | 5,800                   | 9,955               | (4,155)   |
| Contingency                        | 18,047                     | 18,047                  | -                   | 18,047  |
| Capital outlay                     | -                          | -                       | 40,149              | (40,149)  |
| <b>Total Expenditures</b>          | <u>661,025</u>             | <u>651,736</u>          | <u>1,202,901</u>    | <u>(551,165)</u>  |
| <b>Net Change in Fund Balances</b> | (2,258)                    | 13,287                  | 103,704             | 90,417  |
| <b>Fund Balances - Beginning</b>   | <u>981,457</u>             | <u>981,457</u>          | <u>981,457</u>      | <u>-</u>  |
| <b>Fund Balances - Ending</b>      | <u>\$ 979,199</u>          | <u>\$ 994,744</u>       | <u>\$ 1,085,161</u> | <u>\$ 90,417</u>  |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Mitigation-Major Special Revenue Fund**  
**For the Year Ended June 30, 2019**

|                                    | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------|----------------------------|-------------------------|------------------|---|
| <b>REVENUES</b>                    |                            |                         |                  |   |
| Use of money                       | \$ 40                      | \$ 40                   | \$ 424           | \$ 384  |
| Mitigation fees                    | 15,000                     | 15,000                  | 2,840            | (12,160)  |
| <b>Total Revenues</b>              | <u>15,040</u>              | <u>15,040</u>           | <u>3,264</u>     | <u>(11,776)</u>   |
| <b>EXPENDITURES</b>                |                            |                         |                  |   |
| Capital outlay                     | -                          | -                       | -                | -   |
| <b>Total Expenditures</b>          | <u>-</u>                   | <u>-</u>                | <u>-</u>         | <u>-</u>  |
| <b>Net Change in Fund Balances</b> | 15,040                     | 15,040                  | 3,264            | (11,776)  |
| <b>Fund Balances - Beginning</b>   | <u>18,377</u>              | <u>18,377</u>           | <u>18,377</u>    | <u>-</u>  |
| <b>Fund Balances - Ending</b>      | <u>\$ 33,417</u>           | <u>\$ 33,417</u>        | <u>\$ 21,641</u> | <u>\$ (11,776)</u>  |

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2019**

**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 all governmental funds except for the capital projects 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 District Fire Chief submits to the Board a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board 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) From the effective date of the budget, which is adopted, the amounts stated therein, as recommended expenditures become appropriations. The Board may amend the budget by motion during the fiscal year.

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 this portion of the applicable appropriation.

**NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the fiscal year ended June 30, 2019, the District incurred expenditures in excess of appropriations as follows:

|              | <u>Appropriations</u> | <u>Expenditures</u> | Excess of<br>Expenditures<br>Over<br><u>Appropriations</u> |
|--------------|-----------------------|---------------------|--|
| General fund | \$ 651,736            | \$ 1,202,901        | \$ 551,165   |

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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  
Ophir Hill Fire Protection District  
Cedar Ridge, 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 Ophir Hill Fire Protection District, California (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2020.

**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) to determine the 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.

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. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be significant deficiencies. (2019-001 through 2019-003)

To the Board of Directors  
Ophir Hill Fire Protection District  
Cedar Ridge, 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 determination of financial statement amounts. 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 Findings**

The District's responses to the findings 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  
February 12, 2020

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2019**

**2019-001 Budget (Significant Deficiency)**

**Criteria**

California Government Code requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

**Condition**

For the year ended June 30, 2019, we noted the District incurred expenditures in excess of appropriations of \$551,165 in the General fund.

**Cause**

The District did not amend its budget to account for changes in estimates of expenditures during the fiscal year.

**Effect**

Expenditures exceeded appropriations by \$551,165 in the General fund.

**Questioned Cost**

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

**Context**

Not applicable.

**Repeat Finding**

This is a repeat of prior year finding 2018-001.

**Recommendation**

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

**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.

**2019-002 Accountability Over Mitigation Fees (Significant Deficiency)**

**Criteria**

The District's capital improvement plan requires that mitigation fees held in excess of five years be refunded to payees.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2019**

**2019-002 Accountability Over Mitigation Fees (Significant Deficiency) (Continued)**

**Condition**

At the time of our fieldwork we noted that the District had not maintained a detailed list of mitigation fees collected and held as of June 30, 2019.

**Cause**

There was a change in personnel.

**Effect**

The District has not maintained a list of mitigation fee deposits by property owners that may be refunded.

**Questioned Cost**

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

**Context**

Not applicable.

**Repeat Finding**

This is a repeat of prior year finding 2018-002.

**Recommendation**

We recommend that the cash balance of the Mitigation fund be reconciled to a list of mitigation fees collected by property owners.

**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.

**2019-003 Audit Adjustments (Significant Deficiency)**

**Criteria**

Government auditing standards require independent auditors to evaluate all unadjusted misstatements of financial statements. Also, producing timely audited financial statements is more difficult when adjustments are not recorded prior to the start of the annual audit.

**Condition**

At the time of our audit, we noted that the financial statements as presented to us for audit had not been reconciled and required adjustment.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2019**

**2019-003 Audit Adjustments (Significant Deficiency) (Continued)**

**Cause**

The District had not reconciled and adjusted all accounts on the general ledger.

**Effect**

The financial statements as presented to us contained misstatements and required adjustment.

**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 reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

**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.

**OPHIR HILL FIRE PROTECTION DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2019**

| <u>Audit Reference</u> | <u>Status of Prior Year Audit Recommendations</u>   |
|------------------------|---|
| <b>2018-001</b>        | <p><b>Budget</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend.</p> <p><b>Status</b></p> <p>Not Implemented</p> |
| <b>2018-002</b>        | <p><b>Accountability Over Mitigation Fees</b></p> <p><b>Recommendation</b></p> <p>We recommend that the cash balance of the mitigation fund be reconciled to a list of mitigation fees collected by property owners.</p> <p><b>Status</b></p> <p>Not Implemented</p>  |

**OPHIR HILL FIRE PROTECTION DISTRICT  
Management's Corrective Action Plan  
For the Year Ended June 30, 2019**

**Finding 2019-001      Budget (Significant Deficiency)**

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

Management's Responses:      The District concurs with the finding.

Responsible Individual:      Administrative Assistant with Fire Chief's review and approval.

Corrective Action Plan:      Review budget monthly and make appropriate changes.

Anticipated Completion Date:      Quarterly; or as needed

**Finding 2019-002      Accountability Over Mitigation Fees (Significant Deficiency)**

We recommend that the cash balance of the Mitigation fund be reconciled to a list of mitigation fees collected by property owners.

Management's Responses:      The District concurs with the finding.

Responsible Individual:      Administrative Assistant

Corrective Action Plan:      Maintain log with mitigation fee, copy and reconciliation list.

Anticipated Completion Date:      Ongoing and updated with each transaction.

**Finding 2019-003      Audit Adjustments (Significant Deficiency)**

We recommend that the District reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

Management's Responses:      The District concurs with the finding.

Responsible Individual:      Administrative Assistant

Corrective Action Plan:      Administrative Assistant requested to meet prior to beginning of audit for a one-on-one directive and expectations so that all intent to provide correct and appropriate documents in a timely manner.

Anticipated Completion Date:      Email request was generated and sent 02.2020. Awaiting confirmation.

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