

**ROUGH AND READY  
FIRE PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2018**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**List of Officials**  
**For the Year Ended June 30, 2018**

**Board of Directors**

Douglas Whittler	Chairman
Art Grosse	Vice Chairman
Sheridan Loungway	Director
Tom Mariani	Director
Jack Henderson	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  
Rough and Ready Fire Protection District  
Rough and Ready, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Rough and Ready Fire Protection District, Rough and Ready, California (District), as of and for the year ended June 30, 2018, 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  
Rough and Ready Fire Protection District  
Rough and Ready, 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, 2018, and the 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 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  
Rough and Ready Fire Protection District  
Rough and Ready, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2019, 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", is written in black ink.

Smith & Newell CPAs  
Yuba City, California  
January 14, 2019

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 200,829
Receivables:	
Intergovernmental	10,707
Capital assets:	
Non-depreciable	605,357
Depreciable, net	<u>2,321,382</u>
Total capital assets	<u>2,926,739</u>
<b>Total Assets</b>	<u>3,138,275</u>
<b>LIABILITIES</b>	
Accounts payable	6,575
Salaries and benefits payable	2,786
Long-term liabilities:	
Due within one year	66,875
Due in more than one year	<u>411,726</u>
<b>Total Liabilities</b>	<u>487,962</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,448,138
Restricted for capital projects	5,182
Unrestricted	<u>196,993</u>
<b>Total Net Position</b>	<u><u>\$ 2,650,313</u></u>

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

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 584,843	\$ 3,098	\$ 318,331	\$ 32,513	\$ (230,901)
Interest on long-term debt	12,909	-	-	-	(12,909)
<b>Total Governmental Activities</b>	597,752	3,098	318,331	32,513	(243,810)
<b>Total</b>	\$ 597,752	\$ 3,098	\$ 318,331	\$ 32,513	(243,810)
<b>General revenues:</b>					
Taxes:					
					226,898
					2,065
					228,963
					<b>Total General Revenues</b>
					(14,847)
					<b>Change in Net Position</b>
					2,665,160
					<b>Net Position - Beginning</b>
					\$ 2,650,313
					<b>Net Position - Ending</b>

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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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 109,971	\$ 15,982	\$ 74,876	\$ 200,829
Receivables:				
Intergovernmental	10,707	-	-	10,707
Due from other funds	-	-	10,800	10,800
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b>\$ 120,678</b>	<b>\$ 15,982</b>	<b>\$ 85,676</b>	<b>\$ 222,336</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,575	\$ -	\$ -	\$ 6,575
Salaries and benefits payable	2,786	-	-	2,786
Due to other funds	-	10,800	-	10,800
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b>9,361</b>	<b>10,800</b>	<b>-</b>	<b>20,161</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	5,172	-	-	5,172
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Deferrred Inflows of Resources</b>	<b>5,172</b>	<b>-</b>	<b>-</b>	<b>5,172</b>
<b>FUND BALANCES</b>				
Restricted	-	5,182	-	5,182
Committed	-	-	85,676	85,676
Unassigned	106,145	-	-	106,145
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Fund Balances</b>	<b>106,145</b>	<b>5,182</b>	<b>85,676</b>	<b>197,003</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 120,678</b>	<b>\$ 15,982</b>	<b>\$ 85,676</b>	<b>\$ 222,336</b>

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

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Government-Wide Statement of**  
**Net Position - Governmental Activities**  
**June 30, 2018**

<b>Total Fund Balance - Total Governmental Funds</b>	\$ 197,003
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.	2,926,739
Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	5,172
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	<u>(478,601)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 2,650,313</u></u>

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

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes	\$ 226,898	\$ -	\$ -	\$ 226,898
Use of money and property	485	207	1,373	2,065
Intergovernmental	313,159	-	-	313,159
Mitigation fees	-	3,098	-	3,098
Other revenues	32,513	-	-	32,513
<b>Total Revenues</b>	<u>573,055</u>	<u>3,305</u>	<u>1,373</u>	<u>577,733</u>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	288,505	-	-	288,505
Services and supplies	196,900	-	-	196,900
Debt sevice:				
Principal	-	-	70,449	70,449
Interest and other charges	-	-	12,909	12,909
Capital outlay	11,750	-	7,500	19,250
<b>Total Expenditures</b>	<u>497,155</u>	<u>-</u>	<u>90,858</u>	<u>588,013</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>75,900</u>	<u>3,305</u>	<u>(89,485)</u>	<u>(10,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	40,000	40,000
Transfers out	(40,000)	-	-	(40,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	35,900	3,305	(49,485)	(10,280)
<b>Fund Balances - Beginning</b>	<u>70,245</u>	<u>1,877</u>	<u>135,161</u>	<u>207,283</u>
<b>Fund Balances - Ending</b>	<u>\$ 106,145</u>	<u>\$ 5,182</u>	<u>\$ 85,676</u>	<u>\$ 197,003</u>

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

**ROUGH AND READY 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, 2018**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (10,280)</b>
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	19,250
Less: Depreciation expense	(101,548)
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 revenues	5,172
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	70,449
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 payable	<u>2,110</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (14,847)</u></u></b>

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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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**A. Reporting Entity**

Rough and Ready Fire Protection District is a special district within the County of Nevada governed by an independent five member Board of Directors. The District is located in Rough and Ready, California. The financial transactions are recorded in the Nevada County accounting system.

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.

**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 intergovernmental revenues. The District had no business-type activities at June 30, 2018.

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. An emphasis is placed on major funds within the governmental category.

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**B. Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

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.
- The Mitigation Fees fund is a special revenue fund used to account for the receipt and expenditure of mitigation monies allowed under AB1600. Funding comes primarily from mitigation monies.
- The Capital Reserve fund is a capital projects fund used to account for resources set aside for capital purchases or structure improvements.

**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 in 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. Property taxes, interest, certain state and federal grants and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within thirty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

**E. Investments**

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

**ROUGH AND READY FIRE PROTECTION DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

**E. Investments (Continued)**

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the 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. During the fiscal year ended June 30, 2018, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

**F. Receivables**

Receivables for governmental activities consist mainly of 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 when 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, which include property, plant and equipment, are valued at historical cost or estimated historical cost if actual is unavailable. Capital assets are defined by the District as an asset with a cost of \$1,500 or more. Donated capital assets are valued at their estimated acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capital asset cost.

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-20 years
Structures and Improvements	30 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increases 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 result of operations.

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

**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 delinquent 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. Compensated Absences and Other Postemployment Benefits**

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation leave which vests with the employee and will be paid upon separation from District service. The liability for these compensated absences is recorded as a long-term liability in the government wide financial statements. The current portion of this debt is estimated based on historical trends. The District did not include its share of social security and medicare taxes payable on behalf of the employees in the accrual of compensated absences, however, this amount is not considered material.

The District does not currently provide other postemployment benefits.

**K. 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. At June 30, 2018, the District did not have any deferred outflows of resources.

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 one item which qualifies for reporting in this category. This item, unavailable revenue, is reported only in 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.

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**L. Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met.

**M. 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 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 repay the funds that initially paid for them. Such reimbursements are reflected as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund.

All other interfund transactions are treated as transfers.

**N. Estimates**

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

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

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

**Statement No. 75**, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**Statement No. 81**, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

**ROUGH AND READY FIRE PROTECTION DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

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

**Statement No. 85**, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

**Statement No. 86**, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2018, the District's cash and investments consisted of the following:

Cash:	
Deposits (less outstanding checks)	\$ <u>500</u>
Total Cash	<u>500</u>
Investments:	
Nevada County Treasurer's Pool	<u>200,329</u>
Total Investments	<u>200,329</u>
Total Cash and Investments	<u>\$ 200,829</u>

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amount in a checking account) was \$500 and the bank balance was \$500.

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. As of June 30, 2018, the entire amount of the District's deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**C. Investments**

The District does not have a formal investment policy. At June 30, 2018, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Certificates of Deposit
- Pass-Through Securities

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 its self 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, 2018, 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 Measure at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>200,329</u>			
Total Investments	<u>\$ 200,329</u>			

# **ROUGH AND READY FIRE PROTECTION DISTRICT**

## **Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

### **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 County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

**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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2018, the District's investments were all pooled with the County of Nevada investment pool which is not rated by a nationally recognized statistical rating organization.

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. As of June 30, 2018, all investments of the District were in the County of Nevada investment pool which contains a diversification of investments.

#### **D. Investments in External Pool**

The Nevada County Pooled Investment fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Nevada County Pooled Investment fund are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller's office at 950 Maidu Avenue, Nevada City, CA 95959.

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 605,357	\$ -	\$ -	\$ 605,357
Total Capital Assets, Not Being Depreciated	<u>605,357</u>	<u>-</u>	<u>-</u>	<u>605,357</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,053,001	-	-	2,053,001
Equipment	1,209,241	19,250	-	1,228,491
Total Capital Assets, Being Depreciated	<u>3,262,242</u>	<u>19,250</u>	<u>-</u>	<u>3,281,492</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	( 226,397)	( 41,387)	-	( 267,784)
Equipment	( 632,165)	( 60,161)	-	( 692,326)
Total Accumulated Depreciation	<u>( 858,562)</u>	<u>( 101,548)</u>	<u>-</u>	<u>( 960,110)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,403,680</u>	<u>( 82,298)</u>	<u>-</u>	<u>2,321,382</u>
Total Capital Assets, Net	<u>\$ 3,009,037</u>	<u>(\$ 82,298)</u>	<u>\$ -</u>	<u>\$ 2,926,739</u>

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ <u>101,548</u>
Total Depreciation Expense - Governmental Activities	\$ <u><u>101,548</u></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. In addition, when funds overdraw their share of pooled cash the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2018:

	Due From Other Funds	Due To Other Funds
Mitigation Fees	\$ -	\$ 10,800
Capital Reserve	10,800	-
Total	<u>\$ 10,800</u>	<u>\$ 10,800</u>

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)**

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocation of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2018:

	Transfers In	Transfers Out
General fund	\$ -	\$ 40,000
Capital Reserve	40,000	-
Total	\$ 40,000	\$ 40,000

**NOTE 5: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Type of Indebtedness	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Loans Payable	\$ 549,050	\$ -	(\$ 70,449)	\$ 478,601	\$ 66,875
Compensated Absences	2,110	-	( 2,110)	-	-
Total	\$ 551,160	\$ -	(\$ 72,559)	\$ 478,601	\$ 66,875

Individual issues of debt payable outstanding at June 30, 2018, are as follows:

Loans:

2014 Rural Community Assistance Corporation loan, issued May 1, 2014, in the amount of \$411,339 and payable in semi annual installments of \$25,469 with an interest rate of 3.82% and maturity on May 1, 2022. The loan was used to finance construction of a new fire station.	\$ 147,288
Republic First National loan, issued June 1, 2017, in the amount of \$368,294 and payable in annual installments of \$43,302 with an interest rate of 3.381% and maturity on December 1, 2026. The loan was used to finance equipment.	331,313
Total Loans Payable	\$ 478,601

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 5: LONG-TERM LIABILITIES (CONTINUED)**

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities.

Year Ended June 30	Loans		
	Principal	Interest	Total
2019	\$ 66,875	\$ 16,484	\$ 83,359
2020	69,299	14,059	83,358
2021	71,813	11,546	83,359
2022	74,417	8,941	83,358
2023	36,678	6,625	43,303
2024-2027	159,519	13,689	173,208
Total	\$ 478,601	\$ 71,344	\$ 549,945

**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.

**ROUGH AND READY FIRE PROTECTION DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**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, 2018, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by 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, 2018, were distributed as follows:

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Totals</u>
<b>Restricted for:</b>				
Mitigation	\$ -	\$ 5,182	\$ -	\$ 5,182
Subtotal	<u>-</u>	<u>5,182</u>	<u>-</u>	<u>5,182</u>
<b>Committed to:</b>				
Capital acquisition	-	-	85,676	85,676
Subtotal	<u>-</u>	<u>-</u>	<u>85,676</u>	<u>85,676</u>
<b>Unassigned</b>	<u>106,145</u>	<u>-</u>	<u>-</u>	<u>106,145</u>
Total	<u>\$ 106,145</u>	<u>\$ 5,182</u>	<u>\$ 85,676</u>	<u>\$ 197,003</u>

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**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 established a fund balance policy by passage of an ordinance or resolution. Fund balance which is committed or assigned for a specific purpose is typically done through adoption of the budget and subsequent budget amendments.

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases coverage from an insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 9: OTHER INFORMATION**

**A. Commitments and Contingencies**

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, 2018 through January 14, 2019, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

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**Required Supplementary Information  
(Unaudited)**

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**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 220,762	\$ 220,762	\$ 226,898	\$ 6,136
Use of money and property	1,150	1,150	485	(665)
Intergovernmental	247,657	247,657	313,159	65,502
Other revenues	5,200	5,200	32,513	27,313
<b>Total Revenues</b>	<b>474,769</b>	<b>474,769</b>	<b>573,055</b>	<b>98,286</b>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	279,213	279,213	288,505	(9,292)
Services and supplies	108,932	108,932	196,900	(87,968)
Debt sevice:				
Principal	76,770	76,770	-	76,770
Interest and other charges	6,588	6,588	-	6,588
Capital outlay	5,266	5,266	11,750	(6,484)
<b>Total Expenditures</b>	<b>476,769</b>	<b>476,769</b>	<b>497,155</b>	<b>(20,386)</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>75,900</b>	<b>77,900</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(40,000)	(40,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(40,000)</b>	<b>(40,000)</b>
<b>Net Change in Fund Balances</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>35,900</b>	<b>37,900</b>
<b>Fund Balances - Beginning</b>	<b>70,245</b>	<b>70,245</b>	<b>70,245</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 68,245</b>	<b>\$ 68,245</b>	<b>\$ 106,145</b>	<b>\$ 37,900</b>

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Special Revenue Fund - Mitigation Fees**  
**For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 207	\$ 207
Mitigation fees	2,000	2,000	3,098	1,098
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>3,305</u>	<u>1,305</u>
<b>EXPENDITURES</b>				
Current public protection	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	2,000	2,000	3,305	1,305
<b>Fund Balances - Beginning</b>	<u>1,877</u>	<u>1,877</u>	<u>1,877</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 3,877</u></u>	<u><u>\$ 3,877</u></u>	<u><u>\$ 5,182</u></u>	<u><u>\$ 1,305</u></u>

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2018**

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General and Mitigation Fees funds. The amount reported on the budgetary basis is generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), however, the District did not budget for interfund transfers.

The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- (1) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (2) Prior to July 1, the budget is adopted through the passage of a resolution.
- (3) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations. The Board of Directors 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 expenditures of monies are recorded in order to reserve that portion of the applicable appropriation.

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

For the fiscal year ended June 30, 2018, the District incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
General Fund	\$ 476,769	\$ 497,155	\$ 20,386

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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  
Rough and Ready Fire Protection District  
Rough and Ready, 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 the Rough and Ready Fire Protection District, Rough and Ready, California (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2019.

**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. (2018-001 through 2018-003)

To the Board of Directors  
Rough and Ready Fire Protection District  
Rough and Ready, 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  
January 14, 2019

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2018**

**2018-001 Deficiencies in Control Structure Design (Significant Deficiency)**

**Condition**

There is an absence of segregation of duties consistent with control objectives. This is a repeat of prior year finding 2017-002.

**Cause**

The District has limited office staff.

**Criteria**

Good internal control requires that adequate controls be incorporated in the internal control structure.

**Effect of Condition**

The District's internal control procedures do not include appropriate segregation of duties.

**Recommendation**

We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.

**2018-002 Audit Adjustments (Significant Deficiency)**

**Condition**

At the time of our audit, we noted that the financial statements as presented to us for audit contained misstatements in intergovernmental receivables, salaries and benefits payable, capital outlay and transfers in/out that required adjustment. This is a repeat of prior year finding 2017-003.

**Cause**

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

**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.

**Effect of Condition**

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

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2018**

**2018-002 Audit Adjustments (Significant Deficiency) (Continued)**

**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.

**2018-003 Budget (Significant Deficiency)**

**Condition**

For the year ended June 30, 2018, we noted that the District incurred expenditures in excess of appropriations of \$20,386 in the General fund.

**Cause**

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

**Criteria**

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

**Effect of Condition**

Expenditures exceeded appropriations by \$20,386 in the General fund.

**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.

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2018**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
<b>2017-001</b>	<p><b>Fund Balance Policy and Classification of Components of Fund Balance</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District adopt a fund balance policy and reclassify the components of fund balance to the required new categories and terminology.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>2017-002</b>	<p><b>Deficiencies in Control Structure Design</b></p> <p><b>Recommendation</b></p> <p>We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.</p> <p><b>Status</b></p> <p>In Progress</p>
<b>2017-003</b>	<p><b>Audit Adjustments</b></p> <p><b>Recommendation</b></p> <p>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.</p> <p><b>Status</b></p> <p>Not Implemented</p>

**ROUGH AND READY FIRE PROTECTION DISTRICT**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2018**

**Finding 2018-001    Deficiencies in Control Structure Design (Significant Deficiency)**

We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.

Responsible Individual:            Office Manager

Corrective Action Plan:            Accurate accounting between Nevada County Treasurer and Fire Department balanced monthly. Open and close books between fiscal years.

Anticipated Completion Date:    Ongoing

**Finding 2018-002    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.

Responsible Individual:            Office Manager

Corrective Action Plan:            The Office Manager will reconcile all accounts prior to start of annual audit.

Anticipated Completion Date:    Ongoing

**Finding 2018-003    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.

Responsible Individual:            Fire Chief

Corrective Action Plan:            Board approval for budget transfers and/or revisions.

Anticipated Completion Date:    Ongoing