

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

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

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ROUGH AND READY FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2021

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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, 2021

Board of Directors

Douglas Wittler	Chairman
Sheridan Loungway	Vice Chairman
Greg Osborn	Director
Tom Nelson	Director
Craig Ashcraft	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, California (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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

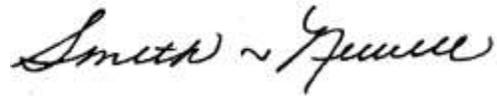
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 February 25, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
February 25, 2022

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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, 2021

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 369,220
Receivables:	
Taxes	219
Intergovernmental	11,554
Capital assets:	
Non-depreciable	605,357
Depreciable, net	<u>2,060,032</u>
Total capital assets	<u>2,665,389</u>
 Total Assets	 <u>3,046,382</u>
LIABILITIES	
Accounts payable	44,090
Salaries and benefits payable	271,302
Long-term liabilities:	
Due within one year	91,426
Due in more than one year	<u>201,145</u>
 Total Liabilities	 <u>607,963</u>
NET POSITION	
Net investment in capital assets	2,379,010
Restricted for capital projects	11,728
Unrestricted	<u>47,681</u>
 Total Net Position	 <u>\$ 2,438,419</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, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Governmental Activities</u>
Governmental activities:					
Public protection	\$ 907,134	\$ 1,594	\$ 367,788	\$ -	\$ (537,752)
Interest on long-term debt	6,090	-	-	-	(6,090)
Total Governmental Activities	<u>913,224</u>	<u>1,594</u>	<u>367,788</u>	<u>-</u>	<u>(543,842)</u>
Total	<u>\$ 913,224</u>	<u>\$ 1,594</u>	<u>\$ 367,788</u>	<u>\$ -</u>	<u>(543,842)</u>
General revenues:					
Taxes:					
Property taxes					253,196
Assessments					136,452
Interest and investment earnings					786
Miscellaneous					18,078
Loss on disposal of capital asset					<u>(10,373)</u>
Total General Revenues					<u>398,139</u>
Change in Net Position					(145,703)
Net Position - Beginning					<u>2,584,122</u>
Net Position - Ending					<u>\$ 2,438,419</u>

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

Basic Financial Statements

- **Fund Financial Statements**

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ROUGH AND READY FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 348,388	\$ 11,728	\$ 9,104	\$ 369,220
Receivables:				
Taxes	219	-	-	219
Intergovernmental	11,554	-	-	11,554
Total Assets	<u>\$ 360,161</u>	<u>\$ 11,728</u>	<u>\$ 9,104</u>	<u>\$ 380,993</u>
LIABILITIES				
Accounts payable	\$ 44,090	\$ -	\$ -	\$ 44,090
Salaries and benefits payable	271,302	-	-	271,302
Total Liabilities	<u>315,392</u>	<u>-</u>	<u>-</u>	<u>315,392</u>
FUND BALANCES				
Restricted	-	11,728	-	11,728
Committed	-	-	9,104	9,104
Unassigned	44,769	-	-	44,769
Total Fund Balances	<u>44,769</u>	<u>11,728</u>	<u>9,104</u>	<u>65,601</u>
Total Liabilities and Fund Balances	<u>\$ 360,161</u>	<u>\$ 11,728</u>	<u>\$ 9,104</u>	<u>\$ 380,993</u>

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, 2021

Total Fund Balance - Total Governmental Funds	\$ 65,601
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.	2,665,389
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Loans payable	(286,379)
Compensated absences	(6,192)
	(292,571)
Net Position of Governmental Activities	\$ 2,438,419

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, 2021

	General	Mitigation Fees	Capital Reserve	Totals
REVENUES				
Taxes	\$ 253,196	\$ -	\$ -	\$ 253,196
Use of money and property	471	174	141	786
Assessments	136,452	-	-	136,452
Intergovernmental	381,752	-	-	381,752
Mitigation fees	-	1,594	-	1,594
Other revenues	18,078	-	-	18,078
Total Revenues	789,949	1,768	141	791,858
EXPENDITURES				
Current public protection:				
Salaries and benefits	643,877	-	-	643,877
Services and supplies	199,181	-	-	199,181
Debt service:				
Principal	74,269	-	-	74,269
Interest and other charges	6,090	-	-	6,090
Total Expenditures	923,417	-	-	923,417
Excess of Revenue Over (Under) Expenditures	(133,468)	1,768	141	(131,559)
OTHER FINANCING SOURCES (USES)				
Transfers in	846	-	63,330	64,176
Transfers out	(63,330)	(846)	-	(64,176)
Proceeds from the sale of capital assets	95,000	-	-	95,000
Total Other Financing Sources (Uses)	32,516	(846)	63,330	95,000
Net Change in Fund Balances	(100,952)	922	63,471	(36,559)
Fund Balances - Beginning	145,721	10,806	(54,367)	102,160
Fund Balances - Ending	\$ 44,769	\$ 11,728	\$ 9,104	\$ 65,601

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (36,559)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
 Less: Depreciation expense (60,153)

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. Proceeds from the sale of capital assets were \$95,000. (105,373)

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 (13,964)

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 74,269

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 (3,923)

Change in Net Position of Governmental Activities \$ (145,703)

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

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, 2021

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.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the 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.

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, assessments, and intergovernmental revenues. The District had no business-type activities at June 30, 2021.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Taxes, assessments, 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, 2021

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, 2021

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, 2021, 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 \$5,000 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 to be 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 increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. 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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax (Continued)

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. Compensated Absences and Other Postemployment Benefits

It is the District’s policy to permit employees to accumulate a limited amount of earned by 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 does 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, 2021, 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. At June 30, 2021, the District did not have any deferred inflows of resources.

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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Transactions (Continued)

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 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. 84, “Fiduciary Activities.” The requirements of this statement are effective for periods beginning after December 15, 2019. The District does not have any fiduciary activities to report for the year ended June 30, 2021.

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

P. Future Accounting Pronouncements

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

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

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Future Accounting Pronouncements (Continued)

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

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

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

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

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

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

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

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

Cash:	
Deposits (less outstanding checks)	\$ <u>500</u>
Total Cash	<u>500</u>
Investments:	
Nevada County Treasurer’s Pool	<u>368,720</u>
Total Investments	<u>368,720</u>
Total Cash and Investments	<u>\$ 369,220</u>

B. Cash

At year end, the carrying amount of the District’s cash deposits (including amounts in a checking account) was \$500 and the bank balance was \$80. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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. As of June 30, 2021, the entire amount of the District's deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

C. Investments

The District does not have a formal investment policy. At June 30, 2021, 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:

- U.S. Treasury and Agency Obligations
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Bankers' Acceptances
- Money Market Funds
- Commercial Paper
- Medium-Term Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Certificates of Deposit
- Pass-Through Securities
- Local Agency Investment Fund (LAIF)
- California Asset Management Program (CAMP)
- Supranational

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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>-</u>	<u>-</u>	<u>-</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>368,720</u>			
Total Investments	<u>\$ 368,720</u>			

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

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, 2021, the District's investments were all held 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, 2021, all investments of the District were in the Nevada County investment pool which contains a diversification of investments.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

NOTE 3: CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
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	<u>1,059,782</u>	<u>-</u>	<u>(128,643)</u>	<u>931,139</u>
Total Capital Assets, Being Depreciated	<u>3,112,783</u>	<u>-</u>	<u>(128,643)</u>	<u>2,984,140</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(355,433)	(41,387)	-	(396,820)
Equipment	<u>(531,792)</u>	<u>(18,766)</u>	<u>23,270</u>	<u>(527,288)</u>
Total Accumulated Depreciation	<u>(887,225)</u>	<u>(60,153)</u>	<u>23,270</u>	<u>(924,108)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,225,558</u>	<u>(60,153)</u>	<u>23,270</u>	<u>2,060,032</u>
Total Capital Assets, Net	<u>\$ 2,830,915</u>	<u>(\$ 60,153)</u>	<u>(\$ 105,373)</u>	<u>\$ 2,665,389</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ <u>60,153</u>
Total Depreciation Expense - Governmental Activities	\$ <u>60,153</u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 4: INTERFUND TRANSFERS

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 ending June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 846	\$ 63,330
Mitigation fees	-	846
Capital Reserve	63,330	-
Total	\$ 64,176	\$ 64,176

NOTE 5: LONG-TERM LIABILITIES

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

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 360,648	\$ -	(\$ 74,269)	\$ 286,379	\$ 85,234
Compensated Absences	2,269	12,834	(8,911)	6,192	6,192
Total	\$ 362,917	\$ 12,834	(\$ 83,180)	\$ 292,571	\$ 91,426

Individual issues of debt payable outstanding at June 30, 2021, 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 and is secured by the new fire station.

\$ 57,861

Republic First National loan, issued June 1, 2017, in the amount of \$368,294 was refinanced April 14, 2021, in the amount of \$228,518 and payable in annual installments of \$32,581 with an interest rate of 3.298% and maturity on December 1, 2028. The loan was used to finance equipment and is secured by the equipment.

228,518

Total Loans Payable

\$ 286,379

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term debt.

Year Ending June 30	Loans		
	Principle	Interest	Total
2022	\$ 85,234	\$ 6,326	\$ 91,560
2023	26,059	6,522	32,581
2024	26,903	5,677	32,580
2025	27,776	4,805	32,581
2026	28,676	3,904	32,580
2027-2029	91,731	6,012	97,743
Total	\$ 286,379	\$ 33,246	\$ 319,625

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, 2021, 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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 7: FUND BALANCES (CONTINUED)

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

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

	General Fund	Mitigation Fees	Capital Reserve	Total
Restricted for:				
Public protection	\$ -	\$ 11,728	\$ -	\$ 11,728
Committed for:				
Capital improvement	-	-	9,104	9,104
Unassigned	44,769	-	-	44,769
Total	\$ 44,769	\$ 11,728	\$ 9,104	\$ 65,601

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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021 through February 25, 2022, 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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 292,391	\$ 292,391	\$ 253,196	\$ (39,195)
Use of money and property	1,150	1,150	471	(679)
Assessments	137,000	137,000	136,452	(548)
Intergovernmental	161,895	161,895	381,752	219,857
Other revenues	6,600	6,600	18,078	11,478
Total Revenues	<u>599,036</u>	<u>599,036</u>	<u>789,949</u>	<u>190,913</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	418,280	418,280	643,877	(225,597)
Services and supplies	99,397	99,397	199,181	(99,784)
Debt service:				
Principal	80,794	80,794	74,269	6,525
Interest and other charges	2,565	2,565	6,090	(3,525)
Total Expenditures	<u>601,036</u>	<u>601,036</u>	<u>923,417</u>	<u>(322,381)</u>
Excess of Revenue Over (Under) Expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>(133,468)</u>	<u>(131,468)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	846	846
Transfers out	-	-	(63,330)	(63,330)
Proceeds from the sale of capital assets	-	-	95,000	95,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>32,516</u>	<u>32,516</u>
Net Change in Fund Balances	<u>(2,000)</u>	<u>(2,000)</u>	<u>(100,952)</u>	<u>(98,952)</u>
Fund Balances - Beginning	<u>145,721</u>	<u>145,721</u>	<u>145,721</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 143,721</u>	<u>\$ 143,721</u>	<u>\$ 44,769</u>	<u>\$ (98,952)</u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Mitigation Fees
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Use of money and property	\$ 2,000	\$ 2,000	\$ 174	\$ (1,826)
Mitigation fees	-	-	1,594	1,594
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,768</u>	<u>(232)</u>
EXPENDITURES				
Current public protection	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,768</u>	<u>(232)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(846)	(846)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(846)</u>	<u>(846)</u>
Net Change in Fund Balances	<u>2,000</u>	<u>2,000</u>	<u>922</u>	<u>(1,078)</u>
Fund Balances - Beginning	<u>10,806</u>	<u>10,806</u>	<u>10,806</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 14,806</u>	<u>\$ 14,806</u>	<u>\$ 11,804</u>	<u>\$ (3,002)</u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2021

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General 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.

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2021, the District incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
General fund	\$ 601,036	\$ 923,417	\$ 322,381

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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 Rough and Ready Fire Protection District, California (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be a material weakness. (2021-001)

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies. (2021-002, 2021-003, 2021-004, and 2021-005)

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and recommendations as items 2021-003 and 2021-005.

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 25, 2022

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-001 Audit Adjustments (Material Weakness)

Criteria

Governmental 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 contained misstatements in accounts payable, salaries and benefits payable, and expenditures that required adjustment.

Cause

The District did not accrue approximately \$44,000 of accounts payable and approximately \$181,000 of salaries and benefits payable as of June 30, 2021.

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

This is not a repeat finding.

Recommendation

We recommend that the District reconcile all accounts timely so that the financial statements are correctly stated. All required adjustments should 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.

2021-002 Deficiencies in Control Structure Design (Significant Deficiency)

Criteria

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-002 Deficiencies in Control Structure Design (Significant Deficiency) (Continued)

Condition

There is an absence of segregation of duties consistent with control objectives.

Cause

The District has limited office staff.

Effect

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

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 2020-002.

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

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

2021-003 Payroll Tax Returns (Significant Deficiency/Compliance)

Criteria

Good internal control over the filing of payroll tax returns requires that they be filed by the due date established by the Internal Revenue Service and the Employment Development Department.

Condition

During fieldwork, we noted that the District did not file payroll tax returns for the quarters ending September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021, until August 2021.

Cause

The District did not have procedures in place to prevent the late filing of payroll tax returns.

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-003 Payroll Tax Returns (Significant Deficiency/Compliance) (Continued)

Effect

The District did not file the September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 payroll tax returns by the established due dates.

Questioned Cost

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

Context

We reviewed the quarterly payroll tax returns for the filing dates and noted that the September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 returns had not been filed until August 2021.

Repeat Finding

This is a repeat of prior year finding 2020-004.

Recommendation

We recommend that the District establish procedures to ensure that the required payroll tax returns are filed timely.

Views of Responsible Officials and Planned Corrective Action

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

2021-004 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, 2021, we noted that the District incurred expenditures in excess of appropriations of \$322,381 in the General Fund.

Cause

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

Effect

Expenditures exceeded appropriations by \$322,381 in the General Fund.

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-004 Budget (Significant Deficiency) (Continued)

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 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.

2021-005 Appropriations Limit (Significant Deficiency/Compliance)

Criteria

California Constitution Article XIII B requires that each local government must adjust its Appropriations Limit annually for two factors: 1) the change in the cost of living, and 2) the change in population.

Condition

At the time of our fieldwork the District had not approved an Appropriations Limit for fiscal year 2020-21.

Cause

The District did not calculate and adopt the Appropriations Limit for the 2020-21 fiscal year.

Effect

The District was not in compliance with Article XIII B of the California Constitution.

Questioned Cost

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-005 Appropriations Limit (Significant Deficiency/Compliance) (Continued)

Context

Not applicable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the District calculate and adopt the Appropriations Limit timely.

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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2021

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
2020-001	<p>Capital Assets</p> <p>Recommendation</p> <p>We recommend the District review and update the depreciation schedule annually and that District personnel obtain Board approval before acquiring capital assets.</p> <p>Status</p> <p>Implemented</p>
2020-002	<p>Deficiencies in Control Structure Design</p> <p>Recommendation</p> <p>We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.</p> <p>Status</p> <p>Ongoing</p>
2020-003	<p>Cash and Investments</p> <p>Recommendation</p> <p>We recommend that the District establish procedures to reconcile amounts held by the County of Nevada to the general ledger and that unreconciled amounts in cash and investments be researched and resolved.</p> <p>Status</p> <p>Ongoing</p>
2020-004	<p>Payroll Tax Returns</p> <p>Recommendation</p> <p>We recommended that the District establish procedures to ensure that the required payroll tax returns are filed timely.</p> <p>Status</p> <p>Not implemented</p>

ROUGH AND READY FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2021

Finding 2021-001 Audit Adjustments (Material Weakness)

We recommend that the District reconcile all accounts timely so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Management's Response: We recognize that reconciling the database with the County General Fund records for both disbursements and revenues had not been performed regularly and agree this is a critical function of sound financial practices and administration.

Responsible Individual: Carole "cj" Bryant

Corrective Action Plan: After gaining the adjustments from the Auditor, reflecting the County's beginning balance for July 1, 2021, all necessary adjustments and reconciling will be completed in a timely manner as prescribed above. All reconciling will be done to keep the County and QuickBooks data in sync on a continuing basis.

Anticipated Completion Date: March 15, 2022

Finding 2021-002 Deficiencies in Control Structure (Significant Deficiency/Compliance)

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

Management's Response: An elevated interest in operating procedures has occurred and ongoing improvements are being approved by the Board, which has a positive impact with internal controls. We will strive to provide more diligence and oversight in all relative areas.

Responsible Individual: Carole "cj" Bryant

Corrective Action Plan: See above response.

Anticipated Completion Date: Review and improvement ongoing.

Finding 2021-003 Payroll Tax Returns (Significant Deficiency/Compliance)

We recommend that the District establish procedures to ensure that the required payroll tax returns are filed timely.

Management's Response: As of April 2021, we became painfully aware of the liabilities that are in arrears; we began a forensic investigation into the paperwork detailing the liabilities and determined, after a lengthy period of time, that the amounts were more than we could budget and pay within a year or even two year period of time.

Responsible Individual: The Board of Directors and Carole "cj" Bryant

ROUGH AND READY FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2021

Finding 2021-003 Payroll Tax Returns (Significant Deficiency/Compliance) (Continued)

Corrective Action Plan: It was recommended to the Board of Directors in October that a prudent plan would be to resolve and obtain a loan so that the full amount of liabilities would be paid as soon as the money became available. This plan was approved and research began. RCAC is at this moment within days of funding a mortgage backed loan that will back all past liabilities, in it's entirety, including the interest and penalties.

Anticipated Completion Date: March 31, 2022

Finding 2021-004 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 Response: We presented a budget to Nevada County in June that was amended in October to better reflect the line items of expected revenues and expenditures. Information for the budget construction was not available and may have reflected poorly against the actuals. Next year information will be more accurate and improvement will be reflected.

Responsible Individual: Sheridan Loungway and Carole "cj" Bryant

Corrective Action Plan: Reliable data will provide a higher level of line item accuracy.

Anticipated Completion Date: Ongoing with results being realized after the 2022 budget year is completed.

Finding 2021-005 Appropriations Limit (Significant Deficiency/Compliance)

We recommend that the District calculate and adopt the Appropriations Limit on an annual basis.

Management's Response: We have been made aware of the spending limitation requirement and the Resolution for Adoption will be a part of the 2022 calendar in July, and submitted to the Board in October in conjunction with the final budget.

Responsible Individual: Sheridan Loungway, Chairman of the Board

Corrective Action Plan: To produce this report for the Board of Directors.

Anticipated Completion Date: 2022