

**OPHIR HILL
FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023**

Board of Directors

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

Fire Chief

Robb Rothenberger

District Secretary

Monique Souza

**OPHIR HILL FIRE PROTECTION DISTRICT
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major funds of Ophir Hill Fire Protection District (the District) as of and for the year ended June 30, 2023 which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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 and the California State Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information, and Schedules related to the pension liability on pages 4 through 7 and 30 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive, flowing style.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
February 12, 2024

**OPHIR HILL FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Our discussion and analysis of the Ophir Hill Fire Protection District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. Comparative information with the previous year, which is by design included in this reporting model, will be included in this analysis.

Using this Annual Report - Overview of the Financial Statements

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Pages 7 and 8) provide information about the financial activities of the District as a whole and a longer view of the District's finances.

The Balance Sheet – Governmental Funds (Page 9) and the Statement of Revenues, Expenditures and Changes in Fund Balances (Page 10) illustrate how the governmental type activities were financed in the short term, as well as what remains for future spending. These financial statements also report the District's operations in more detail than government-wide statements by providing information about the District's individual funds.

Government-wide Financial Statements

The analysis of the District as a whole begins on Page 8. The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used in the private sector. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all of the District's assets and liabilities, and the Statement of Activities reports on the changes in net position during the fiscal year. Examining the net position is an effective way to measure the District's financial health or position, with increases or decreases in the net position an indicator of whether the District's financial position is improving or deteriorating.

Both of these statements report only governmental-type activities (including cash, receivables, capital assets, accounts payables, compensated absences and long-term liabilities).

Fund Financial Statements

The District's fund financial statements begin on Page 10 and provide detailed information about the District's three funds, not the District as a whole. These funds include: General (Operating), Building & Equipment (Capital Improvement) and Special Revenue (Mitigation).

The District's services are reported in three funds, all of which are governmental, to help control and manage the financial activities for particular purposes. Those purposes are comprised of General Operating, Capital Replacement and AB1600 Development Fees. These governmental funds focus on how money flows into and out of those funds and the balances left at period end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer resources that can be spent in the near future. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances) is described in the reconciliations on pages 12 and 13.

Financial Analysis

The District as a Whole – Government-wide Financials

- The District's total net position at fiscal year-end was \$1,907,582, which is a decrease of \$121,828 from the previous year.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of this period by \$21,907,582 (net position). Of this amount, \$960,258 (unrestricted net position) may be used to meet the District's on-going obligations to its creditors, \$911,069 is invested in capital assets, and \$36,255 is restricted mitigation fees.

The District's Funds - Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the District completed the year, its governmental funds reported a combined ending fund balance of \$1,207,521 which is an increase of \$1,237 from the previous year.

The general fund is the chief operating fund of the District. At the end of the twelve-month period ended June 30, 2023, the unassigned balance of the general fund was \$1,171,266. This amount constitutes a balance that is available for spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures.

BUDGET

The District adopts a preliminary budget each year at its monthly board meeting in July per California Health and Safety Code Section 13890. In-budget transfers are approved by the Board of Directors prior to the end of the fiscal year. There were adjustments to the original budget for Strike Team Revenues, increases in tax revenues and special assessments, expenses were adjusted for the increase in personnel costs and other costs. Budget revenues were increased from \$734,180 to \$1,296,002 and expenses were adjusted from \$698,346 to \$1,136,514.

The actual revenues were under budget by \$97,729 or 8% and the expenses were over budget by 60,792 or 5%.

Every year, the State of California has the potential to have a very active wildland fire season. Our department participates in state wide strike team responses to these fires. With no way to predict the level of activity during the fire season, the district has historically not budgeted for this income and expense. With no way to accurately predict this fire activity, our budgeted amount versus actual revenue/expenditures, will continue to vary. However, revenue from this activity will always exceed expenditures, so there will be no adverse effect on our annual operating budget.

DISTRICT ASSETS & DEFERRED OUTFLOWS

District assets, including fixed assets, and deferred outflows on June 30, 2023 totaled \$2,472,708.

Total fixed assets of \$911,069 is a combination of two (2) categories: Vehicles and Equipment, and Property and Buildings.

The District had a net decrease in capital assets of \$87,586. This was mostly depreciation of \$98,076.

As of June 30, 2023, the District had deferred outflows of resources from pensions of \$249,765 and deferred inflows of resources from pensions of \$63,009.

DISTRICT LIABILITIES & DEFERRED INFLOWS

On June 30, 2023, the District had liabilities, including deferred inflows, of \$565,126. This is an increase in liabilities of \$195,982 from the previous year mostly due to the pension liability activities.

1. As of June 30, 2023, the District had accounts payable and personnel costs payable of \$63,188.
2. As of June 30, 2023, the District would have had a compensated absences payout liability of \$31,068 in accrued vacation leave if both full-time employees had retired or otherwise terminated their employment with the District on that date.
3. As of June 30, 2023, the District had net pension liability of \$407,861.
4. As of June 30, 2023, the District had deferred inflows from pensions of \$63,009.

FUND (CASH) BALANCES

The District maintains three (3) separate funds. Funds are kept on deposit with the with a bank and with the Local Agency Investment Funds. Interest generated by these funds is automatically deposited in the appropriate account.

The three cash funds are designated as follow:

General Operations

Capital Improvement

Mitigation (New Construction)

At June 30, 2023, the general fund had a cash balance of \$1,184,166, the Mitigation or special revenue fund had a balance of \$36,255 and the Capital Improvement balance was \$0.

DISTRICT FINANCIAL STATUS

Assets

Cash	\$ 1,220,421
Receivables	91,453
Fixed Assets	911,069
Deferred Outflows from Pensions	249,765

Liabilities

Accounts Payable	(23,919)
Personnel Costs Payable	(39,269)
Compensated Absences Payable	(31,068)
Net Pension Liability	(407,861)
Deferred Inflows from Pensions	(63,009)

Total Net Position	\$ 1,907,582
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ECONOMIC FACTORS

The District projects that ad valorem property tax revenues will increase by 2%. Therefore, we budgeted revenues for FY 22/23 accordingly.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Robb Rothenberger, Fire Chief, 12668 Colfax Hwy, Cedar Ridge CA 95924.

OPHIR HILL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS

Current Assets:

Cash and Cash Equivalents	\$ 1,220,421
Taxes and Accounts Receivable	50,288
Fire and Grant Reimbursement Receivable	41,165

Non-Current Assets:

Capital Assets, net of accumulated depreciation	911,069
Total Assets	<u>2,222,943</u>

DEFERRED OUTFLOWS

Deferred Outflows from Pensions	249,765
Total Deferred Outflows	<u>249,765</u>

LIABILITIES , DEFERRED INFLOWS, AND NET POSITION

Current Liabilities:

Accounts Payable	23,919
Personnel Costs Payable	39,269

Non-Current Liabilities:

Compensated Absences Payable	31,068
Net Pension Liability	407,861
Total Liabilities	<u>502,117</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows from Pensions	63,009
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NET POSITION

Invested in Capital Assets	911,069
Restricted - Public Protection	36,255
Unrestricted	960,258
Total Net Position	<u><u>\$ 1,907,582</u></u>

See accompanying notes.

**OPHIR HILL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues				Net Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Fund	\$ 1,267,561	\$ 315,417	\$ 1,675	\$ 6,359	\$ (944,110)
Depreciation	98,076	-	-	-	(98,076)
Total Governmental Activities	\$ 1,365,637	\$ 315,417	\$ 1,675	\$ 6,359	\$ (1,042,186)
General Revenues					
Property Taxes					\$ 536,489
Prop. 172					77,749
Special Assessments					265,466
Development Fees					10,204
Miscellaneous					14,089
Other State Sources					3,374
Interest					12,987
Total General Revenues					920,358
Change in Net Position					(121,828)
Net Position					
Beginning of the Year					2,029,410
End of the year					\$ 1,907,582

See accompanying notes.

**OPHIR HILL FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Building & Equipment	Special Revenue	
<u>Assets</u>				
Cash and Investments	\$ 1,184,166	\$ -	\$ 36,255	\$ 1,220,421
Receivables				
Interest	722	-	-	722
Assessments	7,690	-	-	7,690
Taxes	35,628	-	-	35,628
Intergovernmental	6,248	-	-	6,248
Total Assets	<u>\$ 1,234,454</u>	<u>\$ -</u>	<u>\$ 36,255</u>	<u>\$ 1,270,709</u>
<u>Liabilities & Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 23,919	\$ -	\$ -	\$ 23,919
Personnel Costs Payable	39,269	-	-	39,269
Total Liabilities	<u>63,188</u>	<u>-</u>	<u>-</u>	<u>63,188</u>
Fund Balances:				
Restricted	-	-	36,255	36,255
Committed	-	-	-	-
Unassigned	1,171,266	-	-	1,171,266
Total Fund Balances	<u>1,171,266</u>	<u>-</u>	<u>36,255</u>	<u>1,207,521</u>
Total Liabilities & Fund Balances	<u>\$ 1,234,454</u>	<u>\$ -</u>	<u>\$ 36,255</u>	<u>\$ 1,270,709</u>

See accompanying notes.

OPHIR HILL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Capital	Special Revenue	
Revenues:				
Current Secured	\$ 506,238	\$ -	\$ -	\$ 506,238
Current Unsecured	8,026	-	-	8,026
Prior Unsecured	201	-	-	201
Supp Secured & Unsecured	21,946	-	-	21,946
Supp Prior Un	78	-	-	78
Interest	12,461	-	526	12,987
HO Tax Relief	3,374	-	-	3,374
Prop 172	77,749	-	-	77,749
Mitigation Fees	-	-	10,204	10,204
Special Assessment	265,466	-	-	265,466
Fire Reimbursement - Strike Team	280,611	-	-	280,611
Grants	6,359	-	-	6,359
Donations	1,675	-	-	1,675
Other	14,089	-	-	14,089
Total Revenues	<u>1,198,273</u>	<u>-</u>	<u>10,730</u>	<u>1,209,003</u>
Expenditures:				
Current General Governmental:				
Personnel Costs	925,571	-	-	925,571
Clothing	10,683	-	-	10,683
Communications	26,023	-	-	26,023
Food	287	-	-	287
Fuel & Oil	25,424	-	-	25,424
Household	7,605	-	-	7,605
Insurance	29,892	-	-	29,892
Maintenance - Equipment	20,410	-	-	20,410
Maintenance - Structures	9,094	-	-	9,094
Maintenance - Vehicles	33,240	-	-	33,240
Medical Supplies	1,412	-	-	1,412
Memberships	2,568	-	-	2,568
Miscellaneous	1,973	-	-	1,973
Professional Service	30,149	-	-	30,149
Rental Expense	900	-	-	900
Small Tools	22,179	-	-	22,179
Special Assessment Expense	-	-	-	-
Special Dist. Expense	2,335	-	-	2,335
Strike Team and Grant Expense	25,449	-	-	25,449
Supplies - Office and Operating	4,902	-	-	4,902
Training	3,434	-	-	3,434
Utilities	13,746	-	-	13,746
Capital Outlay - Improvements	-	-	10,490	10,490
Total Expenditures	<u>1,197,276</u>	<u>-</u>	<u>10,490</u>	<u>1,207,766</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	997	-	240	1,237
Net Change in Fund Balances	997	-	240	1,237
Fund balance, beginning of year	1,170,269	-	36,015	1,206,284
Fund balance, end of year	<u>\$ 1,171,266</u>	<u>\$ -</u>	<u>\$ 36,255</u>	<u>\$ 1,207,521</u>

See accompanying notes.

**OPHIR HILL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances for Governmental Funds	\$ 1,207,521
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	911,069
Receivables received more than sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.	41,165
Deferred outflows of resources which are not collected within sixty days after fiscal year end are not included in fund assets.	249,765
Long-term liabilities and deferred inflows of resources are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Compensated Absences Payable	(31,068)
Net Pension Liability	(407,861)
Deferred Inflows of Resources	(63,009)
Total Net Position of Governmental Activities	<u><u>\$ 1,907,582</u></u>

See accompanying notes.

**OPHIR HILL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2023**

Net change in fund balances - total governmental funds	\$	1,237
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Total change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.		10,490
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Receivables received more than sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.		34,806
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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 governmental funds.

Change in Pension Liability Activites		(68,000)
Change in Compensated Absences		(2,285)
Depreciation Expense		(98,076)
		(98,076)

Change in Net Position of Governmental Activities	\$	(121,828)
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See accompanying notes.

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – NATURE OF THE ORGANIZATION

Reporting Entity

Ophir Hill Fire Protection District was organized in 1956 and established in September 1963 to provide for fire prevention and suppression and rescue services in the Cedar Ridge area of Nevada County. Revenues are derived principally from the county-wide tax levy, a special assessment on improved and unimproved parcels within the District, and strike team responses. The District also collects fees for construction within the District, which are used to offset the increased capital costs associated with development.

The District is administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. No Board members receive compensation for serving on the Board.

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

Component Units

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

Joint Agencies

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

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

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on the primary government (District) as a whole. Inter-fund transfers are eliminated in the government-wide statement of activities.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the District. Fire and Rescue operations and administrative support are the focus of the activity in this fund.

Special Revenue Fund (Mitigation)

The Special Revenue Fund is used to account for mitigation fees allowed by California Law AB1600 for the purpose of offsetting increased capital costs due to development. A resolution by the Nevada County Board of Supervisors allows the collection of these fees and requires that they be spent only for capital additions due to development and additionally requires that these funds be spent and/or designated within five years of collection or they are refundable with interest to the payers. The District's policy is to fully expend these funds within the required time frame and, accordingly, no liability has been recognized.

Building and Equipment Fund (Capital Improvement)

The Building and Equipment Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General fund includes such activities as fire protection.

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Charges for services, operating grants, and use of money and property are considered susceptible to accrual and are accrued when their receipt occurs within sixty 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.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Non-Current Government Assets and 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.

Receivables

Receivables for governmental activities consist mainly of interest, property taxes, assessments and intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Investments

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

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

Capital Assets

Capital assets are defined by the District as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable. Contributed capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

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

Property Tax

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

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

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

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), 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".

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:

- Funding from the state or federal entities or foundations that are legally restricted to specific uses. For example, funds advanced by a federal entity under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loans outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balance – continued

Committed –

Two criteria are used to determine the District’s committed fund balance:

1. Use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for the District would be the Board of Directors.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

Commitments, modifications, or removals must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

Assigned –

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the Board such as a finance committee, or an official designated by the Board (e.g., Fire Chief). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors	Yes	No
Formal action of the Board of Directors is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Fire Chief may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the Board has approved a plan or budget
- Resources approved by the Board for a long range financial plan where formal approval is not required to modify the amount.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balance – continued

Unassigned –

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

Budget

The Board provides for a budget for the general fund for the fiscal year in accordance with Chapter 7 of the Fire Protection District Law of 1987 as contained in the Health & Safety Code Sections 13890 and 13895, inclusive. The Board prepares a preliminary budget in May and adopts a final budget in September. Supplemental appropriations are adopted throughout the year as necessary. The building and equipment fund and the special revenue fund budgets are prepared using a five year capital improvement plan. The plan is approved each year.

Pension

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

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item related to the inflows from changes in the net pension liability and is reported on the Statement of Net Position.

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS, CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

As of June 30, 2023, the District's cash and investments consisted of the following:

Cash - Deposits (less outstanding checks)	\$ 616,111
Investments - California Local Agency Investment Fund (LAIF)	<u>\$ 604,310</u>
Total Cash and Investments	<u>\$1,220,421</u>

Cash

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. At June 30, 2023, the uninsured and uncollateralized deposits were \$366,111.

Investments in External Pool

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

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

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

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

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – CASH AND INVESTMENTS, CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS-Continued

Local Agency Investment Fund - The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2023, the District's investment in LAIF valued at amortized cost was \$604,310 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds.

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

At June 30, 2023, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	\$ -	\$ -	\$ -	\$ -
Investments in External Investment Pool				
LAIF	\$ 604,310			
Total Investments	\$ 604,310			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations. The District limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase.

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

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – CASH AND INVESTMENTS, CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS-Continued

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

NOTE 4 – CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed asset account group:

<u>Description</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Disposals/ Retirement</u>	<u>Balance at June 30, 2023</u>
Land	\$ 103,000	\$ -	\$ -	\$ 103,000
Equipment	1,502,389	10,490	-	1,512,879
Building Improvements	484,300	-	-	484,300
Total Capital Assets	2,089,689	-	-	2,100,179
Less: Accumulated Depreciation	(1,091,034)	(98,076)	-	(1,189,110)
Total Capital Assets net of Accumulated Depreciation	\$ 998,655	\$ (87,586)	\$ -	\$ 911,069

Depreciation expense for the fiscal year ended June 30, 2023 was \$98,076.

NOTE 5 – COMPENSATED ABSENCES

Accrued compensated absences include 100% of all employees' vacation and holiday time earned. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability. The balance of accrued compensated absences at June 30, 2023 was \$31,068. In the governmental fund financial statements the expenditures related to those obligations are recognized only when they mature.

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68

Plan Description

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

Employees Covered

The following employees were covered by the benefit terms of the plan as of June 30, 2022:

Inactive employees of beneficiaries currently receiving benefits	0
Active employees	<u>9</u>
Total	<u>9</u>

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

Effective January 1, 2013, the District added retirement tiers for both Miscellaneous and Safety Rate Tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

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

Benefits Provided

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

Each Rate Tier's specific provisions and benefits in effect at June 30, 2023, is summarized as follows:

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

Contributions

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

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

	Employer Contribution <u>Rates</u>	Employee Contribution <u>Rates</u>	Employer Paid Member <u>Contribution Rates</u>
Miscellaneous	8.63%	7.000%	8.000%
Miscellaneous PEPRA	7.47%	7.000%	0.000%
Safety	14.74%	7.000%	9.000%
Safety PEPRA	10.80%	9.500%	0.000%

For the year ended June 30, 2023 the contributions recognized in the deferred outflows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	3,971	-
Safety	41,614	13,601

Pension Liabilities

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 (measurement dates) was as follows:

	<u>Proportion June 30, 2021</u>	<u>Proportion June 30, 2022</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	0.00112%	0.00119%	0.00007%
Safety	0.00334%	0.00513%	0.00353%

At June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share Of Net Pension Liability</u>
Miscellaneous	\$ 55,567
Safety	<u>\$ 352,294</u>
Total Net Pension Liability	\$ 407,861

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2023, the District recognized pension expense/(credit) of 127,186. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 41,216	\$ -
Differences between expected and actual experience	15,696	4,573
Differences between projected and actual investment earnings	65,811	-
Differences between employer's contributions and proportionate share of contributions		48,577
Change in employer's proportion	67,856	9,859
Contributions made subsequent to measurement date	59,186	-
Total	\$ 249,765	\$ 63,009

An amount of \$59,186, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Years Ending June 30	
2024	\$ 34,989
2025	33,775
2026	18,644
2027	40,162
2028	-
Thereafter	-
Total	\$ 127,570

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments 5 year straight-line amortization

All other amounts Straight line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

Actuarial Assumptions

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.90%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data
Post retirement benefit increase	Contract COLA or 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table please refer to the CalPERS Experience Study and the Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Changes of Assumptions –Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class (A)	Assumed Asset Alloc.	Real Return (A,B)
Global Equity – Cap-weighted	30.00%	4.54%
Global Equity – Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

(A) An expected inflation of 2.3% used for this period

(B) Figures are based on the 2021 Asset Liability Management study.

Sensitivity Analysis

The sensitivity of the proportionate share of the net pension liability to changes in the discount rate is as follows:

	Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
District's Net Pension Liability	5.9%	6.9%	7.9%
Miscellaneous	\$ 87,146	\$ 55,567	\$ 29,585
Safety	<u>\$583,379</u>	<u>\$352,294</u>	<u>\$163,434</u>
TOTAL	<u>\$670,525</u>	<u>\$407,861</u>	<u>\$193,019</u>

Pension Plan Fiduciary Net Position

Detailed information about the Plans' fiduciary net position is available in the separately issued CalPERS financial report.

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68-Continued

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

NOTE 8 – FUND BALANCE

The District has a policy of transferring an approved amount of the remaining funds in the General Account to the Building and Equipment Fund (Capital Improvement) each year. Funds are either transferred back or borrowed from the County Treasurer to pay normal operating expenses until tax money is received.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other fire districts in the State to participate in the Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for 152 member fire districts. The District has also joined together with other fire districts in the State to participate in the Northern California Fire District Association. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for liability and automobile coverage for its member districts.

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

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

**OPHIR HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the District's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the County offices and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net position/fund balances is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2023 have been evaluated through February 12, 2024, the date at which the District's audited financial statements were available to be issued. There were no events through this date that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

OPHIR HILL FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Current Secured	\$ 402,029	\$ 459,490	\$ 506,238	\$ 46,748
Current Unsecured	7,375	7,747	8,227	480
Supp Secured & Unsecured	8,843	12,088	22,024	9,936
Interest	2,000	2,000	12,461	10,461
HO Tax Relief	3,479	3,385	3,374	(11)
Public Utility	9,909	11,246	-	(11,246)
Prop 172	58,094	58,094	77,749	19,655
Special Assessment	240,451	264,952	265,466	514
Fire Reimbursement - Strike Team & Equipment	-	475,000	280,611	(194,389)
Grants and Donations	-	-	8,034	8,034
Other	2,000	2,000	14,089	12,089
Total Revenues	734,180	1,296,002	1,198,273	(97,729)
Expenditures				
Personnel Costs	575,492	949,889	925,571	(24,318)
Clothing	4,600	4,600	10,683	6,083
Communications	16,800	17,000	26,023	9,023
Food	-	-	287	287
Fuel & Oil	14,000	19,000	25,424	6,424
Household	2,620	2,620	7,605	4,985
Insurance	10,298	20,550	29,892	9,342
Maintenance - Equipment	8,400	8,800	20,410	11,610
Maintenance - Structures	6,000	6,700	9,094	2,394
Maintenance - Vehicles	12,000	50,000	33,240	(16,760)
Medical Supplies	2,000	2,000	1,412	(588)
Memberships	1,356	5,180	2,568	(2,612)
Miscellaneous	100	100	1,973	1,873
Professional Service	15,780	22,500	30,149	7,649
Rental Expense	400	475	900	425
Small Tools	5,000	5,000	22,179	17,179
Special Dist. Expense	3,100	3,100	2,335	(765)
Strike Team and Grant Expense	-	-	25,449	25,449
Supplies - Office and Operating	5,900	4,300	4,902	602
Training	4,000	4,000	3,434	(566)
Utilities	10,500	10,700	13,746	3,046
Capital Outlay	-	-	-	-
Total Expenditures	698,346	1,136,514	1,197,276	60,762
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)				
	35,834	159,488	997	(36,967)
Total Other Financing Sources	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	\$ 35,834	159,488	\$ 997	\$ (36,967)

See independent auditor's report and notes to financial statements.

OPHIR HILL FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
SPECIAL REVENUE FUND
JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Mitigation Fees	\$ 15,000	\$ 5,100	\$ 10,204	\$ 5,104
Interest	40	40	526	486
Total Revenues	15,040	5,140	10,730	5,590
Expenditures				
None	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	15,040	5,140	10,730	5,590
Total Other Financing Sources	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 15,040</u>	<u>\$ 5,140</u>	<u>\$ 10,730</u>	<u>\$ 5,590</u>

See independent auditor's report and notes to financial statements.

OPHIR HILL FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
CAPITAL FUND
JUNE 30, 2023

	Original & Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues			
Interest	\$ 100	\$ -	\$ (100)
Total Revenues	100	-	(100)
Expenditures			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	100	-	(100)
Other Financing Sources (Uses)			
Transfers In	25,000	-	(25,000)
Transfers Out	-	-	-
Total Other Financing Sources	25,000	-	(25,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 25,100	\$ -	\$ (25,100)

See independent auditor's report and notes to financial statements.

OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

- (1) The District Fire Chief submits to the Board a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted, the amounts stated therein, as recommended expenditures become appropriations. The Board may amend the budget by motion during the fiscal year.

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

See independent auditor's report.

**OPHIR HILL FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

NET PENSION LIABILITY

<u>Fiscal Year Ended June 30:</u>	2023	2022	2021	2020	2019
<i>Measurement date - June 30,</i>	<i>(2022)</i>	<i>(2021)</i>	<i>(2020)</i>	<i>(2019)</i>	<i>(2018)</i>
Miscellaneous:					
Proportion of the net pension liability	0.00119%	0.00112%	0.00100%	0.00230%	0.00040%
Proportionate share of the net pension liability	\$55,567	\$21,267	\$44,097	\$92,614	\$34,531
Proportionate share of covered payroll	\$0	\$14,475	\$17,272	\$18,463	\$32,746
Proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	146.92%	255.30%	501.60%	105.45%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	78.81%	64.24%	79.94%
Safety:					
Proportion of the net pension liability	0.51300%	0.00334%	0.00430%	0.00390%	0.00220%
Proportionate share of the net pension liability	\$352,294	\$117,265	\$283,450	\$240,421	\$210,323
Proportionate share of covered payroll	\$344,806	\$332,887	\$284,213	\$316,871	\$340,964
Proportionate share of the net pension liability as a percentage of covered employee payroll	97.87%	35.23%	99.73%	75.87%	61.68%
Plan fiduciary net position as a percentage of the total pension liability	75.53%	92.11%	78.98%	82.26%	80.32%

NET PENSION LIABILITY

<u>Fiscal Year Ended June 30:</u>	2018	2017	2016	2015
<i>Measurement date - June 30,</i>	<i>(2017)</i>	<i>(2016)</i>	<i>(2015)</i>	<i>(2014)</i>
Miscellaneous:				
Proportion of the net pension liability	0.00030%	0.00030%	0.00030%	0.00040%
Proportionate share of the net pension liability	\$34,097	\$28,084	\$18,967	\$22,185
Proportionate share of covered payroll	\$38,926	\$38,019	\$36,916	\$36,107
Proportionate share of the net pension liability as a percentage of covered employee payroll	87.59%	73.87%	51.38%	61.44%
Plan fiduciary net position as a percentage of the total pension liability	80.82%	81.60%	86.33%	82.94%
Safety:				
Proportion of the net pension liability	0.00210%	0.00200%	0.00160%	0.00230%
Proportionate share of the net pension liability	\$207,695	\$169,693	\$112,257	\$142,505
Proportionate share of covered payroll	\$274,200	\$275,298	\$258,673	\$251,311
Proportionate share of the net pension liability as a percentage of covered employee payroll	75.75%	61.64%	43.40%	56.70%
Plan fiduciary net position as a percentage of the total pension liability	80.55%	81.12%	86.23%	81.28%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

See Accompanying Auditor's Report.

**OPHIR HILL FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

CONTRIBUTIONS

<u>Fiscal Year Ended June 30:</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Miscellaneous:					
**Actuarially determined contributions	\$ 3,971	\$ 4,545	\$ 3,916	\$ 3,881	\$ 3,042
Contributions in relation to the actuarially determined contribution	<u>(3,971)</u>	<u>(4,545)</u>	<u>(3,916)</u>	<u>(3,881)</u>	<u>(3,042)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ -	\$ 14,475	\$ 17,272	\$ 18,463	\$ 24,120
Contributions as a percentage of covered-employee payroll	0.00%	31.40%	22.67%	21.02%	12.61%
Safety:					
**Actuarially determined contributions	\$ 55,215	\$ 50,460	\$ 40,649	\$ 55,985	\$ 58,057
Contributions in relation to the actuarially determined contribution	<u>(55,215)</u>	<u>(50,460)</u>	<u>(40,649)</u>	<u>(55,985)</u>	<u>(58,057)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$344,806	\$332,887	\$284,213	\$316,872	\$299,526
Contributions as a percentage of covered employee payroll	16.01%	15.16%	14.30%	17.67%	19.38%

CONTRIBUTIONS

<u>Fiscal Year Ended June 30:</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Miscellaneous:				
**Actuarially determined contributions	\$ 2,416	\$ 2,787	\$ 2,955	\$ 3,031
Contributions in relation to the actuarially determined contribution	<u>(2,416)</u>	<u>(3,648)</u>	<u>(2,955)</u>	<u>(3,031)</u>
Contribution deficiency (excess)	\$ -	(\$ 861)	\$ -	\$ -
District's covered-employee payroll	\$ 32,746	\$ 38,926	\$ 38,019	\$ 36,916
Contributions as a percentage of covered-employee payroll	7.38%	7.16%	7.77%	8.21%
Safety:				
**Actuarially determined contributions	\$ 38,827	\$ 30,174	\$ 86,150	\$ 39,250
Contributions in relation to the actuarially determined contribution	<u>(38,827)</u>	<u>(36,293)</u>	<u>(86,150)</u>	<u>(39,250)</u>
Contribution deficiency (excess)	\$ -	(\$ 6,199)	\$ -	\$ -
District's covered-employee payroll	\$260,523	\$274,200	\$275,298	\$258,673
Contributions as a percentage of covered employee payroll	23.72%	11.00%	13.96%	15.17%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

** Includes the required unfunded accrued liability portion paid.

See Accompanying Auditor's Report.

OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
Notes to District Pension Plan
For the Year Ended June 30, 2023

Summary of Changes of Benefits or Assumptions

Benefit Changes: There were no changes to benefit terms.

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

The CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021 can be accessed on the CalPERS website at www.calpers.ca.gov.

See Accompanying Auditor's Report.

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**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
Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Ophir Hill Fire Protection District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2024.

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 were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified deficiencies in internal control 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 deficiency described in the accompanying schedule of findings and recommendations as item 2023-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and recommendations as 2022-001 to be a significant deficiency.

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*.

Ophir Hill Fire Protection District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
February 12, 2024

OPHIR HILL FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2022

Finding 23-001 – Mitigation Fees
(Significant Deficiency-Uncorrected from 2018-2022)

Condition: The District had not maintained a detailed list of mitigation fees collected and held prior to July 1, 2019. The District has maintained the log beginning with fiscal year 2019-2020 but prior to July 1, 2019 there are no logs to reconcile the balance.

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

Cause: The District did not maintain a log prior to fiscal year 2019-2020.

Effect: If mitigation fees remain after five years, the District would be unable to determine which payee should be refunded. At June 30, 2023, there was \$12,659 of mitigation fees and interest that do not have an owner/property identified.

Recommendation: We recommend that the cash balance of the Mitigation fund be reconciled to a list of mitigation fees collected from property owners and the list maintained going forward.

Response: Management is preparing and maintaining a current log of mitigation fees collected by property owners. Historic information cannot be located at this time.

Finding 23-002 - Reliance on the Auditor for Generally Accepted Accounting Principles
(Material Weakness – related to uncorrected prior year finding 2019-2022)

Condition: Management relies on the auditor to prepare for approval the adjusting journal entries for accruals and the footnote disclosures required for the District's financial statements to be in compliance with generally accepted accounting principles.

Criteria: Auditing standards state that the auditor may not be part of an organization's internal control system. Someone within the organization must be knowledgeable in generally accepted accounting principles and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: The District does not employ an accountant educated or trained in generally accepted accounting principles and does not contract with such an individual or firm to prepare full disclosure financial statements in conformity with generally accepted accounting principles prior to the annual audit.

Effect: Financial statements required multiple adjustments to meet Generally Accepted Accounting Standards.

Recommendation: We recommend that if it is necessary for the District to issue financial statements to third party users prior to the annual audit, management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full-disclosure financial statements.

Response: Management has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles and feels that the administrative assistant and fire chief provide reliable financial statements for management and board decision-making and reliance upon the auditor for generally accepted accounting principles and disclosures is cost effective. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice: "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." However, should the need arise for issuing financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full-disclosure financial statements.

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February 12, 2024

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

Thank you for your confidence in choosing our firm for your audit needs. We enjoyed working with your administrative assistant and chief. The current findings in the internal control report are not new findings and are expected to continue.

In planning and performing our audit of the financial statements of the Ophir Hill Fire Protection District (District) for the year ended June 30, 2023, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during an audit we may come across matters that should be considered and corrected to assure maximum compliance and operating efficiency. We previously reported on the District's internal control in our report dated February 12, 2024 (page 33). This letter does not affect our report dated February 12, 2024, on the financial statements of the District (page 1). We would like you to keep in mind the following items noted during the audit:

We have found some of our districts asking about compensation to board members. If you choose to compensate or reimburse any member of the board of directors, keep in mind that the board will be subject to AB1234 which requires biennial ethics training for all board members. Further, under California labor laws, the compensation would be considered wages and fall under all of the other payroll requirements, i.e. withholding requirements and payroll taxes.

We wanted to thank your staff for their quick responses to our inquiry. We wish you the best for the coming year.

If you have any questions, feel free to contact us.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California