

**HIGGINS AREA FIRE  
PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020**

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**HIGGINS AREA FIRE PROTECTION DISTRICT  
Annual Financial Report  
For the Year Ended June 30, 2020**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**List of Officials**  
**For the Year Ended June 30, 2020**

**Board of Directors**

Bruce Jones	Chairperson
Martin Main	Vice Chairperson
Scott Milligan	Treasurer
John Boykin	Director
Chuck Suszko	Director

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Higgins Area Fire Protection District  
Auburn, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Higgins Area Fire Protection District, California (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

To the Board of Directors  
Higgins Area Fire Protection District  
Auburn, California

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Mitigation Fees	Unmodified
Capital Replacement	Unmodified

### Basis for Qualified Opinion

As discussed in Note 1H to the financial statements, management has not maintained detailed records of accumulated depreciation and current year depreciation on structures and improvements. Accumulated depreciation of structures and improvements are recorded in the accompanying financial statements at \$457,225 and depreciation expense for the year is stated at \$18,086. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated. The amount by which this departure would affect the assets, net position, and expenses of the proprietary fund of the District is not reasonably determinable.

### Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the District Pension Plan information, District OPEB Plan information and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors  
Higgins Area Fire Protection District  
Auburn, California

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

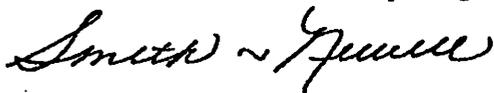
*Other Information*

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
August 7, 2023

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Total Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,418,813
Receivables:	
Taxes	2,396
Intergovernmental	38,796
Prepaid costs	5,003
Capital assets:	
Non-depreciable	862,775
Depreciable, net	986,702
Total capital assets	<u>1,849,477</u>
<b>Total Assets</b>	<u>5,314,485</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension adjustments	<u>393,827</u>
<b>Total Deferred Outflows of Resources</b>	<u>393,827</u>
<b>LIABILITIES</b>	
Accounts payable	30,460
Accrued salaries and benefits	41,757
Long-term liabilities:	
Due within one year	19,462
Due in more than one year	35,630
Net pension liability	1,332,007
Net OPEB liability	<u>74,398</u>
<b>Total Liabilities</b>	<u>1,533,714</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension adjustments	<u>173,945</u>
<b>Total Deferred Inflows of Resources</b>	<u>173,945</u>
<b>NET POSITION</b>	
Investment in capital assets	1,849,477
Restricted for public protection	749,409
Unrestricted	<u>1,401,767</u>
<b>Total Net Position</b>	<u>\$ 4,000,653</u>

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

<u>Functions/Programs:</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
				Total Governmental Activities	
Governmental activities:					
Public protection	\$ 1,827,554	\$ 159,170	\$ 279,789	\$ -	\$ (1,388,595)
<b>Total Governmental Activities</b>	<b>1,827,554</b>	<b>159,170</b>	<b>279,789</b>	<b>-</b>	<b>(1,388,595)</b>
<b>Total</b>	<b>\$ 1,827,554</b>	<b>\$ 159,170</b>	<b>\$ 279,789</b>	<b>\$ -</b>	<b>(1,388,595)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes					1,537,458
Interest and investment earnings					113,700
Miscellaneous					2,185
<b>Total General Revenues</b>					<b>1,653,343</b>
<b>Change in Net Position</b>					<b>264,748</b>
<b>Net Position - Beginning</b>					<b>3,735,905</b>
<b>Net Position - Ending</b>					<b>\$ 4,000,653</b>

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Replacement</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 1,965,938	\$ 744,409	\$ 708,466	\$ 3,418,813
Receivables:				
Taxes	2,396	-	-	2,396
Intergovernmental	38,796	-	-	38,796
Prepaid costs	5,003	-	-	5,003
<b>Total Assets</b>	<u>\$ 2,012,133</u>	<u>\$ 744,409</u>	<u>\$ 708,466</u>	<u>\$ 3,465,008</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 30,460	\$ -	\$ -	\$ 30,460
Accrued salaries and benefits	41,757	-	-	41,757
<b>Total Liabilities</b>	<u>72,217</u>	<u>-</u>	<u>-</u>	<u>72,217</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	21,306	-	-	21,306
<b>Total Deferred Inflows of Resources</b>	<u>21,306</u>	<u>-</u>	<u>-</u>	<u>21,306</u>
<b>FUND BALANCES</b>				
Nonspendable	5,003	-	-	5,003
Restricted	-	744,409	-	744,409
Committed	-	-	708,466	708,466
Unassigned	1,913,607	-	-	1,913,607
<b>Total Fund Balances</b>	<u>1,918,610</u>	<u>744,409</u>	<u>708,466</u>	<u>3,371,485</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,012,133</u>	<u>\$ 744,409</u>	<u>\$ 708,466</u>	<u>\$ 3,465,008</u>

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of**  
**Net Position - Governmental Activities**  
**June 30, 2020**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 3,371,485</b>
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,849,477
Deferred outflows of resources related to pension are not reported in the governmental funds.	393,827
Deferred inflows of resources related to pension are not reported in the governmental funds.	(173,945)
Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.	21,306
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(55,092)
Net pension liability	(1,332,007)
Net OPEB liability	(74,398)
	(1,461,497)
<b>Net Position of Governmental Activities</b>	<b>\$ 4,000,653</b>

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	General	Mitigation Fees	Capital Replacement	Totals
<b>REVENUES</b>				
Taxes and assessments	\$ 1,659,283	\$ -	\$ -	\$ 1,659,283
Use of money and property	84,645	13,501	15,554	113,700
Intergovernmental revenues	263,822	-	-	263,822
Charges for services	-	37,345	-	37,345
Other revenues	2,185	-	-	2,185
<b>Total Revenues</b>	<b>2,009,935</b>	<b>50,846</b>	<b>15,554</b>	<b>2,076,335</b>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	1,120,948	-	-	1,120,948
Clothing and uniforms	29,810	-	-	29,810
Household	4,973	-	-	4,973
Communications	12,619	-	-	12,619
Insurance	10,242	-	-	10,242
Maintenance:				
Equipment	19,613	-	-	19,613
Structures and improvements	18,889	-	-	18,889
Automobiles	83,156	-	-	83,156
Memberships	2,911	-	-	2,911
Medical supplies	6,732	-	-	6,732
Office supplies	970	-	-	970
Professional services	70,863	-	-	70,863
Small tools	15,412	-	2,586	17,998
Special district expense	199,041	-	-	199,041
Travel	3,826	-	-	3,826
Gasoline	8,932	-	-	8,932
Utilities	7,311	-	-	7,311
Capital outlay	21,882	-	202,840	224,722
<b>Total Expenditures</b>	<b>1,638,130</b>	<b>-</b>	<b>205,426</b>	<b>1,843,556</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>371,805</b>	<b>50,846</b>	<b>(189,872)</b>	<b>232,779</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	300,000	300,000
Transfers out	(300,000)	-	-	(300,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(300,000)</b>	<b>-</b>	<b>300,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>71,805</b>	<b>50,846</b>	<b>110,128</b>	<b>232,779</b>
<b>Fund Balances - Beginning</b>	<b>1,846,805</b>	<b>693,563</b>	<b>598,338</b>	<b>3,138,706</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,918,610</b>	<b>\$ 744,409</b>	<b>\$ 708,466</b>	<b>\$ 3,371,485</b>

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the**  
**Government-Wide Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2020**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 232,779</b>
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	224,722
Less current year depreciation	(90,742)
Various adjustments	10,478
 Some revenues reported in the Statement of Activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	
Change in unavailable revenues	15,967
 Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	64,537
Change in deferred inflows of resources related to pension	(57,554)
 Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(10,001)
Change in net pension liability	(121,205)
Change in net OPEB liability	(4,233)
<u>Change in net position of Governmental Activities</u>	<u>\$ 264,748</u>

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

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**A. Reporting Entity**

Higgins Area Fire Protection District is a special district within the County of Nevada governed by an independent five-member Board of Directors. The Higgins Area Fire Protection District was established in August 1977. The District was established to provide fire prevention and suppression and rescue services in the Higgins Area of Southwest Nevada County. Revenues are derived principally from the county-wide tax levy and a special assessment on improved parcels within the District. The financial transactions are recorded in the County of Nevada's accounting system.

**Component Units**

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

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

**Joint Agencies**

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 808 R Street, Suite 209, Sacramento, CA 95811. The District is not financially accountable for this organization and therefore, it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information on all the activities of the District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by property taxes, intergovernmental revenues and special assessments. The District had no business-type activities at June 30, 2020.

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.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

**Fund Financial Statements**

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

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General fund includes such activities as fire protection.
- The Mitigation Fees fund is a special revenue fund used to accumulate mitigation fees collected for new development in the District.
- The Capital Replacement fund is a capital projects fund used to accumulate revenue for capital outlay.

**C. Basis of Accounting and Measurement Focus**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, charges for services, certain state and federal grants, and use of money and property are considered susceptible to accrual and are accrued when their receipt occurs within 60 days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources

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

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**E. Cash and Investments**

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

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements.

**F. Receivables**

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

**G. Other Assets**

**Inventory**

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**Prepaid Costs**

Prepayments made for services that will benefit periods beyond June 30, 2020, are recorded as prepaid costs. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**H. Capital Assets**

Capital assets, including public domain infrastructure, are defined by the District as an asset with a cost greater than \$500 and a useful life of more than one year. 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' useful lives. 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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**H. Capital Assets (Continued)**

The District has not maintained detailed historical records of accumulated depreciation and depreciation expense for structures and improvements.

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 result of operations.

**I. Property Tax**

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

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

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

**J. Interfund Transactions**

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

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

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

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

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**K. Compensated Absences**

The District's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a long-term liability in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, the expenditures related to those obligations are recognized when they mature. The District includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

**L. Pension**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**M. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

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, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

**N. 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 outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**N. Deferred Outflows/Inflows of Resources (Continued)**

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

**O. Grant Revenues**

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

**P. Estimates**

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

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

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

**Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.** This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

**R. Future Accounting Pronouncements**

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

Statement No. 84 “Fiduciary Activities” The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**R. Future Accounting Pronouncements (Continued)**

- Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period” The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
- Statement No. 90 “Majority Equity Interests” The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
- Statement No. 91 “Conduit Debt Obligations” The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
- Statement No. 92 “Omnibus 2020” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 93 “Replacement of Interbank Offered Rates” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2020, the District’s cash and investments consisted of the following:

Cash:	
Deposits (less outstanding warrants)	<u>\$ 222</u>
Total Cash	<u>222</u>
Investments:	
Nevada County Treasurer’s Pool	<u>3,418,591</u>
Total Investments	<u>3,418,591</u>
Total Cash and Investments	<u>\$ 3,418,813</u>

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in a checking account) was \$222 and the bank balance was \$222.

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. The entire amount of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

**C. Investments**

The District does not have a formal investment policy. At June 30, 2020, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code the County may invest or deposit in the following:

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

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

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

The District's position in external investment pools is in 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.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**C. Investments (Continued)**

At June 30, 2020, 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>
<b>Investments by Fair Value Level</b>				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments in External Investment Pool</b>				
Nevada County Treasurer's Pool	<u>3,418,591</u>			
Total Investments	<u>\$ 3,418,591</u>			

**Interest Rate Risk** - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. The County 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 County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2020, the District's investments were all held with the County of Nevada investment pool which is not rated by a nationally recognized statistical rating organization.

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. As of June 30, 2020, all investments of the District were in the Nevada County investment pool which contains a diversification of investments.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020
Capital Assets, Not Being Depreciated				
Land	\$ 862,775	\$ -	\$ -	\$ 862,775
Total Capital Assets, Not Being Depreciated	<u>862,775</u>	<u>-</u>	<u>-</u>	<u>862,775</u>
Capital Assets, Being Depreciated				
Buildings and improvements	686,875	36,150	( 1,467)	721,558
Equipment	2,000,937	188,572	8,979	2,198,488
Total Capital Assets, Being Depreciated	<u>2,687,812</u>	<u>224,722</u>	<u>7,512</u>	<u>2,920,046</u>
Less Accumulated Depreciation For:				
Buildings and improvements	( 446,938)	( 18,086)	7,799	( 457,225)
Equipment	( 1,398,630)	( 72,656)	( 4,833)	( 1,476,119)
Total Accumulated Depreciation	<u>( 1,845,568)</u>	<u>( 90,742)</u>	<u>2,966</u>	<u>( 1,933,344)</u>
Total Capital Assets, Being Depreciated, Net	<u>842,244</u>	<u>133,980</u>	<u>10,478</u>	<u>986,702</u>
Total Capital Assets, Net	<u>\$ 1,705,019</u>	<u>\$ 133,980</u>	<u>\$ 10,478</u>	<u>\$ 1,849,477</u>

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ 90,742
Total Depreciation Expense – Governmental Activities	<u>\$ 90,742</u>

**NOTE 4: INTERFUND TRANSACTIONS**

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2020:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 300,000
Capital Replacement	300,000	-
Total	<u>\$ 300,000</u>	<u>\$ 300,000</u>

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 5: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 45,091	\$ 21,650	(\$ 11,649)	\$ 55,092	\$ 19,462
Total	<u>\$ 45,091</u>	<u>\$ 21,650</u>	<u>(\$ 11,649)</u>	<u>\$ 55,092</u>	<u>\$ 19,462</u>

**NOTE 6: NET POSITION**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 7: FUND BALANCES**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2020, fund balance for the governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District's General fund that includes all amounts not contained in the other classifications.

The fund balances for all governmental funds as of June 30, 2020, were distributed as follows:

	General Fund	Mitigation Fees	Capital Replacement	Totals
<b>Nonspendable:</b>				
Prepaid costs	\$ 5,003	\$ -	\$ -	\$ 5,003
<b>Restricted for:</b>				
Public protection	-	744,409	-	744,409
<b>Committed to:</b>				
Capital improvement	-	-	708,466	708,466
<b>Unassigned</b>	<u>1,913,607</u>	<u>-</u>	<u>-</u>	<u>1,913,607</u>
<b>Total</b>	<u>\$ 1,918,610</u>	<u>\$ 744,409</u>	<u>\$ 708,466</u>	<u>\$ 3,371,485</u>

**Fund Balance Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policy**

The Board of Directors adopted a fund balance policy for financial statement reporting on February 15, 2012. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures. The policy also provides for the District to establish and maintain a minimum unrestricted fund balance in the General fund equal to two months of annual revenue within the Discretionary Revenue category as defined in the budget.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 8: PENSION PLAN**

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

**Plan Description**

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

Effective January 1, 2013, the District added retirement tiers for both the 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**

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

**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 the 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, 2020, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	50-67	1.426 to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52-67	1.000 to 2.500%
Safety	2.0% @ 50	50-55	2.000 to 2.700%
Safety PEPRA	2.7% @ 57	50-57	2.000 to 2.700%

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

**Contributions**

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

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	11.432%	8.000%	0.000%
Miscellaneous PEPR	6.985%	6.750%	0.000%
Safety	16.636%	9.000%	0.000%
Safety PEPR	13.034%	12.000%	0.000%

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension**

For the year ended June 30, 2020, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 2,307	\$ -
Safety	76,161	-

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2019 and 2020 was as follows:

	<u>Proportion June 30, 2019</u>	<u>Proportion June 30, 2020</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	0.00380%	0.00370%	( .00010%)
Safety	0.01819%	0.01897%	.00078%

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 148,051
Safety	<u>1,183,956</u>
Total Net Pension Liability	<u>\$ 1,332,007</u>

For the year ended June 30, 2020, the District recognized pension expense of \$283,754. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 169,530	\$ -
Change in assumptions	55,588	( 11,973)
Difference between expected and actual experience	87,584	( 797)
Difference between projected and actual earnings on pension plan investments	-	( 18,876)
Difference between District contributions and proportionate share of contributions.	-	( 134,026)
Adjustments due to differences in proportions	<u>81,125</u>	<u>( 8,273)</u>
Total	<u>\$ 393,827</u>	<u>(\$ 173,945)</u>

\$169,530 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 fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>		
2021	\$	76,318
2022	(	28,311)
2023	(	1,347)
2024		3,692
Thereafter		<u>-</u>
Total	<u>\$</u>	<u>50,352</u>

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry - Age Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor of Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

**Long-Term Expected Rate of Return (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.98%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
Miscellaneous	\$ 210,459	\$ 148,051	\$ 96,537
Safety	1,903,902	1,183,956	593,714

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The District's defined benefit OPEB plan (the Plan) provides OPEB to eligible retirees of the District. The Plan is a single-employer defined benefit plan that is self-administered by the District. Employees must retire from the District after completing at least 15 years of full-time District service. After December 31, 2018, coverage on the District's medical plan is not available beyond that required to be provided under COBRA. Retirees find their own health coverage. No assets were accumulated in a trust that meets the criteria in paragraph 4 of Government Accounting Standards Board Statement No. 75.

For qualifying retirees, the District contributes a monthly subsidy toward medical insurance premiums during the first five years of retirement. The amount varies by employee group, as shown in the chart below. At the end of the 5 years, the District subsidy ends.

Retiree Medical Benefit as of January 1, 2020	
Employee Group	Monthly Benefit
Miscellaneous	\$200
Chief	\$300
IAFF	\$250

This benefit is not available to offset the cost of other healthcare, such as dental or vision coverage. In the event of the retiree's death prior to the end of the 5-year period, benefits are discontinued; there are no survivor benefits payable.

**B. Funding Policy**

The District's funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District is currently financing its OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rate used in this valuation is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. As of the Beginning and end of the Measurement Period, use of this index results in discount rates of 3.87 percent as of June 30, 2018 and 3.51 percent as of June 30, 2019.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Net OPEB Liability**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Discount Rate	3.51%
Salary Increase	3.00% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years
Inflation Rate	2.50% per year
Mortality Improvement	MacLeod Watts Scale 2018 applied generationally from 2015

Demographic actuarial assumptions used in the June 30, 2019 valuation were based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative 2015 mortality rates were those published by CalPERS adjusted to backout 15 years of Scale MP 2016 to a central year 2015.

**D. Changes in the Net OPEB Liability**

	<u>Net OPEB Liability</u>
Balance at June 30, 2019	\$ <u>70,165</u>
Changes for the year:	
Service costs	4,659
Interest	2,574
Benefit payments	<u>(3,000)</u>
Net changes	<u>4,233</u>
Balance at June 30, 2020	\$ <u>74,398</u>

Changes of assumptions reflects a change in the discount rate from 3.87 percent as of June 30, 2018 to 3.51 percent as of June 30, 2019.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	<u>1% Decrease 2.51%</u>	<u>Current Rate 3.51%</u>	<u>1% Increase 4.51%</u>
Net OPEB liability	\$ 79,259	\$ 74,398	\$ 69,839

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**D. Changes in the Net OPEB Liability (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB Liability	\$ 79,259	\$ 74,398	\$ 69,839

**E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

A component of the simplified accounting approved by the District and its auditors is immediate recognition of any changes to the plan liability. Therefore, no deferred resources were established, nor will any be established in the future. The simplified accounting treatment provides for the District to recognize the Total OPEB Liability each year.

**NOTE 10: RISK MANAGEMENT**

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

**NOTE 11: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2020 through August 7, 2023, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information  
(Unaudited)**

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**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

Measurement Date	2013/2014	2014/2015	2015/2016	2016/2017
<b>Miscellaneous</b>				
Proportion of the net pension liability	0.00164%	0.00170%	0.00388%	0.00380%
Proportionate share of the net pension liability	\$ 101,885	\$ 117,643	\$ 134,655	\$ 149,779
Covered payroll	51,183	40,884	41,054	45,690
Proportionate share of the net pension liability as a percentage of covered payroll	199.06%	287.75%	327.99%	327.82%
Plan fiduciary net position as a percentage of the total pension liability	73.70%	70.32%	67.41%	67.19%
<b>Safety</b>				
Proportion of the net pension liability	0.96600%	0.94000%	0.01708%	0.01754%
Proportionate share of the net pension liability	\$ 601,056	\$ 643,518	\$ 884,477	\$ 1,048,163
Covered payroll	649,219	751,921	789,977	603,757
Proportionate share of the net pension liability as a percentage of covered payroll	92.58%	85.58%	111.96%	173.61%
Plan fiduciary net position as a percentage of the total pension liability	81.79%	81.88%	77.35%	76.78%

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

<u>2017/2018</u>	<u>2018/2019</u>
0.00380%	0.00370%
\$ 143,370	\$ 148,051
33,994	33,994
421.75%	435.52%
68.45%	68.09%
0.01819%	0.01897%
\$ 1,067,432	\$ 1,183,956
509,687	509,687
209.43%	232.29%
77.52%	77.46%

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

Fiscal Year	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
<b>Miscellaneous</b>				
Contractually required contribution (actuarially determined)	\$ 13,280	\$ 14,030	\$ 9,369	\$ 11,314
Contributions in relation to the actuarially determined contributions	<u>(13,280)</u>	<u>(14,030)</u>	<u>(9,369)</u>	<u>(11,314)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 40,884	\$ 41,054	\$ 45,690	\$ 33,994
Contributions as a percentage of covered payroll	32.48%	34.17%	20.51%	33.28%
<b>Safety</b>				
Contractually required contribution (actuarially determined)	\$ 110,313	\$ 133,996	\$ 94,728	\$ 40,441
Contributions in relation to the actuarially determined contributions	<u>(110,313)</u>	<u>(133,996)</u>	<u>(94,728)</u>	<u>(40,441)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 751,921	\$ 789,977	\$ 603,757	\$ 509,687
Contributions as a percentage of covered payroll	14.67%	16.96%	15.69%	7.93%

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

<u>2018/2019</u>	<u>2019/2020</u>
\$ 2,307	\$ 16,384
<u>(2,307)</u>	<u>(16,384)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 33,994 6.79%	\$ 31,438 52.12%
\$ 76,161	\$ 153,146
<u>(76,161)</u>	<u>(153,146)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 509,687 14.94%	\$ 552,641 27.71%

**HIGGINS AREA FIRE PROTECTION DISTRICT  
 Required Supplementary Information  
 District Pension Plan  
 Notes to District Pension Plan  
 For the Year Ended June 30, 2020**

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

**Change of Assumptions and Methods**

CalPERS has implemented a new actuarial valuation software system for the June 30, 2019, valuation. This new system has refined and improved calculation methodology. In December 2017, the CalPERS Board of Administration (the Board) adopted new mortality assumptions for plan participation in the Public Employee's Retirement Fund (PERF). The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent.

The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes are being implemented in two steps commencing in the June 30, 2018, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18. In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

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

Valuation Date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	Varies based on entry age and service
Investment rate of return	7.38%

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2020**  
**Last 10 Fiscal Years\***

Fiscal Year	2017/2018	2018/2019	2019/2020
<b>Total OPEB Liability</b>			
Service cost	\$ 2,901	\$ 2,834	\$ 4,659
Interest	1,901	2,198	2,574
Differences between expected and actual experience	-	9,464	-
Changes of assumptions	(1,304)	2,209	-
Benefit payments	-	(1,000)	(3,000)
<b>Net Change in Total OPEB Liability</b>	<b>3,498</b>	<b>15,705</b>	<b>4,233</b>
<b>Total OPEB Liability - Beginning</b>	<b>50,962</b>	<b>54,460</b>	<b>70,165</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 54,460</b>	<b>\$ 70,165</b>	<b>\$ 74,398</b>
<b>Plan Fiduciary Net Position **</b>			
Contributions - employer	\$ -	\$ 1,000	\$ 3,000
Benefit payments	-	(1,000)	(3,000)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 54,460</b>	<b>\$ 70,165</b>	<b>\$ 74,398</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	100.00%	100.00%
Covered payroll	\$ 574,544	\$ 754,339	\$ 777,031
Net OPEB liability (asset) as a percentage of covered payroll	9.48%	9.30%	9.57%

\* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only three years are shown.

\*\* The District's OPEB plan is not pre-funded, therefore there is no Plan Fiduciary Net Position.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Note to District OPEB Plan**  
**For the Year Ended June 30, 2020**

**NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

**Change of Assumptions**

The discount rate was changed from to 3.87 percent as of June 30, 2018 to 3.51 percent as of June 30, 2019.

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes and assessments	\$ 1,595,000	\$ 1,699,000	\$ 1,659,283	\$ (39,717)
Use of money and property	15,000	23,000	84,645	61,645
Intergovernmental revenues	123,000	288,000	263,822	(24,178)
Other revenues	2,000	2,000	2,185	185
<b>Total Revenues</b>	<b>1,735,000</b>	<b>2,012,000</b>	<b>2,009,935</b>	<b>(2,065)</b>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	1,399,000	1,405,000	1,120,948	284,052
Clothing and uniforms	26,000	45,000	29,810	15,190
Household	11,000	11,000	4,973	6,027
Communications	14,000	14,000	12,619	1,381
Insurance	17,000	16,000	10,242	5,758
Maintenance:				
Equipment	22,000	22,000	19,613	2,387
Structures and improvements	30,000	28,000	18,889	9,111
Automobiles	75,000	87,000	83,156	3,844
Memberships	4,000	4,000	2,911	1,089
Medical supplies	10,000	11,000	6,732	4,268
Office Supplies	10,000	10,000	970	9,030
Professional services	77,000	81,000	70,863	10,137
Publications	8,000	5,000	-	5,000
Rents and leases	5,000	4,000	-	4,000
Small tools	18,000	18,000	15,412	2,588
Special district expense	353,000	332,000	199,041	132,959
Travel	10,000	10,000	3,826	6,174
Gasoline	24,000	24,000	8,932	15,068
Utilities	12,000	12,000	7,311	4,689
Capital outlay	50,000	47,000	21,882	25,118
<b>Total Expenditures</b>	<b>2,175,000</b>	<b>2,186,000</b>	<b>1,638,130</b>	<b>547,870</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(440,000)</b>	<b>(174,000)</b>	<b>371,805</b>	<b>545,805</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(300,000)	(450,000)	(300,000)	(150,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(300,000)</b>	<b>(450,000)</b>	<b>(300,000)</b>	<b>(150,000)</b>
<b>Net Change in Fund Balances</b>	<b>(740,000)</b>	<b>(624,000)</b>	<b>71,805</b>	<b>695,805</b>
<b>Fund Balances - Beginning</b>	<b>1,846,805</b>	<b>1,846,805</b>	<b>1,846,805</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,106,805</b>	<b>\$ 1,222,805</b>	<b>\$ 1,918,610</b>	<b>\$ 695,805</b>

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Mitigation Fees - Major Special Revenue Fund**  
**For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ 8,000	\$ 8,000	\$ 13,501	\$ 5,501
Charges for services	25,000	31,000	37,345	6,345
<b>Total Revenues</b>	<u>33,000</u>	<u>39,000</u>	<u>50,846</u>	<u>11,846</u>
<b>EXPENDITURES</b>				
Current public protection:				
Contingencies	525,000	531,000	-	531,000
Capital outlay	109,000	10,900	-	10,900
<b>Total Expenditures</b>	<u>634,000</u>	<u>541,900</u>	<u>-</u>	<u>541,900</u>
<b>Net Change in Fund Balances</b>	(601,000)	(502,900)	50,846	553,746
<b>Fund Balances - Beginning</b>	693,563	693,563	693,563	-
<b>Fund Balances - Ending</b>	<u>\$ 92,563</u>	<u>\$ 190,663</u>	<u>\$ 744,409</u>	<u>\$ 553,746</u>

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2020**

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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## **OTHER REPORT AND SCHEDULES**

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Higgins Area Fire Protection District  
Auburn, 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 Higgins Area Fire Protection District, California (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 7, 2023.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a material weakness. (2020-001)

To the Board of Directors  
Higgins Area Fire Protection District  
Auburn, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying management's corrective action plan. 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.



Smith & Newell CPAs  
Yuba City, California  
August 7, 2023

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2020**

**2020-001 Accountability over Capital Assets – Structures (Material Weakness)**

**Criteria**

Governmental entities are required to maintain depreciation schedules on all capital assets of the District including the calculation of annual depreciation of assets and accumulated depreciation.

**Condition**

At the time of our fieldwork, we noted that the District had not maintained a depreciation schedule for structures and improvements owned by the District and estimated the depreciated based on 2016-17 assets.

**Cause**

The District could not locate the depreciation spreadsheets from prior years.

**Effect**

The accountability over capital assets may be lost and result in an auditor's qualified opinion on the financial statements.

**Questioned Cost**

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

**Context**

We reviewed the depreciation schedules for 2019-20.

**Repeat Finding**

This is a repeat of prior year finding 2019-001.

**Recommendation**

We recommend that the District maintain a complete depreciation schedule over all structures.

**View of Responsible Officials and Planned Corrective Action**

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

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2020**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
<b>2019-001</b>	<b>Accountability over Capital Assets – Structures</b>  <b>Recommendation</b>  We recommend that the District maintain a complete depreciation schedule over all structures.  <b>Status</b>  Not Implemented
<b>2019-002</b>	<b>Cash Receipts</b>  <b>Recommendation</b>  We recommend that the District continue to locate all records.  <b>Status</b>  Implemented
<b>2019-003</b>	<b>Payroll Tax Withholding</b>  <b>Recommendation</b>  We recommend that the District perform controls to verify that payroll information entered into the payroll program is accurate.  <b>Status</b>  Implemented

**HIGGINS AREA FIRE PROTECTION DISTRICT**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2020**

**Finding 2020-001    Accountability over Capital Assets – Structures (Material Weakness)**

We recommend that the District maintain a complete depreciation schedule over all structures.

Management's Response:        The District concurs with the recommendation.

Responsible Individual:        Jerry Good, Fire Chief

Corrective Action Plan:        We will maintain a complete depreciation schedule.

Anticipated Completion Date:    June 30, 2023

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