

**PENN VALLEY FIRE PROTECTION DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2023**

**PENN VALLEY FIRE PROTECTION DISTRICT  
 JUNE 30, 2023  
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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
Penn Valley Fire Protection District  
Penn Valley, California

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Penn Valley 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 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 as of June 30, 2023, and the respective changes in financial position 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.

### ***Basis for Opinions***

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 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.

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 ability 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 4-7 and 28-34 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 June 18, 2024, on our consideration of Penn Valley Fire Protection 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 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 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 Penn Valley Fire Protection District's internal control over financial reporting and compliance.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
June 18, 2024

**PENN VALLEY FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

Under management of the Penn Valley Fire Protection District ("District"), this discussion and analysis of the financial performance of the District offers readers an overview of the District's financial activities for the fiscal year ended June 30, 2023 based on currently known facts, decisions or conditions.

Financial Highlights

- The financial statements included in this report provide insight into the financial status for the year.
- The capital assets of the District's governmental activities at the end of the year were \$2,422,973, net of accumulated depreciation in the amount of \$4,517,553 (page 8).
- During the year, total expenses for District governmental activities were \$4,036,995, \$940,577 less than the \$3,096,418 the District generated in tax and other revenues received during the same period (page 9).
- In the District's General Fund activities, revenues were \$3,014,733 while expenditures were \$2,913,338. (page 11).
- In the District's Building and Equipment Fund activities, revenues were \$95,534, while expenditures were \$178,819 (page 11).
- In the District's Impact/Special Revenue Fund activities, revenues were \$39,114, while expenditures were 27,925 (page 11).

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 8 & 9) 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 10) and the Statement of Revenues, Expenditures and Changes in Fund Balances (page 11) 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 reports 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 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: Operating (General), Building & Equipment, and Impact (Special Revenue).

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 funds statements provide a detailed short-term view of the District's general governmental 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* is described in reconciliations following the fund financial statements (pages 12 and 13).

### Financial Analysis

#### The District as a Whole – Government-wide Financials

There was an error in the reporting of the prior year pension asset and the related deferred outflows and inflows. This analysis has been updated to include the corrected information as described in the footnotes in Note 10.

- The District's total assets, including capital assets net of accumulated depreciation of \$4,517,533, were \$5,119,732 at fiscal year-end. This is a decrease of \$853,300 from the previous year. This change was due to the pension asset value decreasing with the market fluctuations and other related calculations at CalPERS totaling \$995,108.
- The District's total liabilities at fiscal year-end were \$1,458,453. This is an increase of \$150,932 from the previous year.
- The District's total net position at fiscal year-end was \$3,724,934. This is a decrease of \$940,577 from the restated balance of \$4,665,511 in the prior year.
- Total revenues for the fiscal year were \$3,096,418 (\$871,497 program revenues and \$2,224,921 general revenues). This is a decrease of \$229,922 from the previous year.
- Total expenses were \$4,036,995, an increase of \$1,240,555 from the previous year. This majority of this increase is related to the pension asset value decreasing with the market fluctuations and other related calculations at CalPERS. The total pension cost due to the pension activities was \$995,108.

#### 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 government funds reported a combined ending fund balance of \$2,223,182 (page 10).

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 \$1,416,918. This amount constitutes a balance that is available for spending at the District's discretion. The remainder of the fund balance (committed and restricted) is not necessarily available for new spending because it has already been either committed by the District or restricted by regulation to specific expenditures. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

### Fund Financial Highlights

#### Income:

In the General Fund, the district:

Experienced an increase in total income of \$113,837 from the previous fiscal year.

Experienced a 8.7% (\$41,936) increase in property tax income.

Experienced a 37% (\$210,419) increase in income from ambulance service fees.

In the Building and Equipment Fund, the district income decreased by our \$59,849 (38.5%) from the previous fiscal year.

In the Fire Facility Fee Account (Impact), the district income decreased by \$19,618 (33.4%). Development fees decreased by \$20,900 (36%).

#### Expenses:

In personnel costs, the District spent \$169,888 more than the previous year.

Fuel costs remained very close to the prior year only increasing 2.7% from the previous year.

There was a decrease in expenditures in our Building and Equipment Fund of \$3,849 due to decreased acquisition of new equipment and structural improvements.

The Impact Fund expenditures also decreased by \$3,849.

### District Assets,& Deferred Outflows

#### Capital Assets

At the end of the fiscal year, the District had a net amount of \$2,299,442 invested in capital assets net of related capital lease debt, including buildings, furniture, fire-fighting equipment, and vehicles, after accumulated depreciation in the amount of \$4,517,553. This year, there were additions to capital assets of \$226,771. And total depreciation expense of \$250,614. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

#### Deferred Outflows from Pensions

At June 30, 2023, the District had deferred outflows from pensions of \$657,181

### District Long-Term Debt Activity & Deferred Inflows

#### Long-Term Debt

At fiscal year end, the District had a balance outstanding of \$99,187 on a capital lease. The capital lease agreement was executed on July 1, 2016 to fund the acquisition of a new engine.

The District had a balance outstanding of \$902,206 on Series 2020 Lease Obligation. The agreement was executed in FY 20-21 for the payoff of unfunded pension obligations.

The District had a balance outstanding of \$185,652 on net pension liability for all the retirement plans.

#### Deferred Inflows from Pensions

At June 30, 2023, the District had deferred inflows from pensions of \$593,526.

#### Budget

The District adopts a preliminary budget each year by June 30 per California Health and Safety Code Section 13890. The final budget is adopted by October 1.

Variances between budget and actual figures are detailed on pages 28-30.

#### Economic Factors and Next Year's Budget

We anticipate Impact Fees will begin to slowly increase as the housing market continues its stabilization from recent increases in interest rates.

#### Requests for Information

This financial report is designed to provide a general overview of the Penn Valley Fire Protection District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Fire Chief or the Finance Administrator, Penn Valley Fire Protection District, P.O. Box 180, Penn Valley, CA 95946.

**PENN VALLEY FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**ASSETS AND DEFERRED OUTFLOWS**

Current Assets:

Cash and Cash Equivalents	\$ 2,380,301
Accounts Receivable, less allowance for doubtful accounts of \$8,255	5,084
Ambulance Accounts Receivable, less allowance for doubtful accounts of \$77,008	308,031
Fire Reimbursement Receivable	3,343
<b>Total Current Assets</b>	<b>2,696,759</b>

Non-Current Assets:

Capital Assets, net of accumulated depreciation of \$4,517,553	2,422,973
<b>Total Non-Current Assets</b>	<b>2,422,973</b>
<b>Total Assets</b>	<b>5,119,732</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows from Pensions	657,181
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**LIABILITIES DEFERRED INFLOWS AND NET POSITION**

Current Liabilities:

Accounts Payable	77,036
Credit Cards Payable	2,398
Wages and Benefits Payable	124,814
Current Portion of Capital Lease Payable	34,035
Current Portion of Series 2020 Lease Obligation	58,379
<b>Total Current Liabilities</b>	<b>296,662</b>

Non-Current Liabilities:

Compensated Absences Payable	67,160
Capital Lease Payable	65,152
Net Pension Liability	185,652
Series 2020 Lease Obligation	843,827
<b>Total Non-Current Liabilities</b>	<b>1,161,791</b>
<b>Total Liabilities</b>	<b>1,458,453</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows from Pensions	593,526
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**NET POSITION**

Invested in Capital Assets, net of related debt	2,299,442
Restricted	99,489
Unrestricted	1,326,003
<b>Total Net Position</b>	<b>\$ 3,724,934</b>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Program Revenues</b>			<b>Net Revenue and Change in Net Position</b>
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants &amp; Contributions</b>	<b>Primary Governmental Activities</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Fund	\$ 3,782,178	\$ 776,890	\$ 3,568	\$ (3,001,720)
Depreciation	250,614	-	-	(250,614)
Special Revenue	1,261	-	10	(1,251)
Building and Equipment	2,942	-	91,029	88,087
<b>Total Governmental Activities</b>	<b>4,036,995</b>	<b>776,890</b>	<b>94,607</b>	<b>(3,165,498)</b>
<b>General Revenues</b>				
Property Taxes				524,567
Special Assessments- Fire				586,922
Special Assessments- Rescue				814,464
Development Fees				37,029
Proposition 172				158,007
Homeowners' Property Tax Relief (HOPTR)				3,407
Fire Reimbursements				51,668
Other Sources				4,919
Interest				43,938
<b>Total General Revenues</b>				<b>2,224,921</b>
<b>Change in Net Position</b>				(940,577)
<b>Net Position</b>				
Beginning of the Year				3,856,055
Prior Period Adjustment				809,456
<b>End of the Year</b>				<b>\$ 3,724,934</b>

See accompanying notes.

**PENN VALLEY 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 Cash Equivalents	\$ 2,103,208	\$ 177,604	\$ 99,489	\$ 2,380,301
Accounts Receivable	5,084	-	-	5,084
Ambulance Accounts Receivable	42,045	-	-	42,045
<b>Total Assets</b>	<b>\$ 2,150,337</b>	<b>\$ 177,604</b>	<b>\$ 99,489</b>	<b>\$ 2,427,430</b>
 <u>Liabilities &amp; Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 59,030	\$ 18,006	\$ -	\$ 77,036
Credit Cards Payable	2,398	-	-	2,398
Wages Payable	124,814	-	-	124,814
<b>Total Liabilities</b>	186,242	18,006	-	204,248
 Fund Balances:				
Restricted	-	-	99,489	99,489
Committed	547,177	159,598	-	706,775
Unassigned	1,416,918	-	-	1,416,918
<b>Total Fund Balances</b>	1,964,095	159,598	99,489	2,223,182
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,150,337</b>	<b>\$ 177,604</b>	<b>\$ 99,489</b>	<b>\$ 2,427,430</b>

See accompanying notes.

**PENN VALLEY 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	Building & Equipment	Special Revenue	
Revenues:				
Property Taxes	\$ 524,567	\$ -	\$ -	\$ 524,567
Special Assessments-Fire	586,922	-	-	586,922
Special Assessments- Rescue	814,464	-	-	814,464
Ambulance Fees	779,284	-	-	779,284
Development Fees	-	-	37,029	37,029
Proposition 172	158,007	-	-	158,007
HOPTR	3,407	-	-	3,407
Donations	10,630	91,029	10	101,669
Interest Income	37,358	4,505	2,075	43,938
Fire Reimbursements	73,029	-	-	73,029
Grants	3,568	-	-	3,568
Other Sources	23,497	-	-	23,497
Total Revenues	<u>3,014,733</u>	<u>95,534</u>	<u>39,114</u>	<u>3,149,381</u>
Expenditures:				
Current General Governmental:				
Personnel Costs	2,230,668	-	-	2,230,668
Clothing	7,473	-	-	7,473
Communications	85,109	-	-	85,109
Meals & Household	3,036	-	-	3,036
Insurance	41,421	-	-	41,421
Interest Expense	33,817	2,942	1,261	38,020
Medical Supplies	61,314	-	-	61,314
Maintenance	65,752	-	-	65,752
Dues & Subscriptions	3,504	-	-	3,504
Office Expense	20,755	-	-	20,755
Professional Fees	160,993	-	-	160,993
Fire Prevention	345	-	-	345
Training	2,888	-	-	2,888
Travel / Per Diem / Spec. Dept.	-	-	-	-
Fuel	43,475	-	-	43,475
Utilities	36,961	-	-	36,961
Miscellaneous	1,212	-	-	1,212
Small Equipment	-	-	-	-
Equipment & Asset Purchases	58,271	152,049	16,452	226,772
Debt Service				
Payment of Principal - Capital Lease	-	23,828	10,212	34,040
Payment of Principal - Series 2020 Obligation	56,344	-	-	56,344
Total Expenditures	<u>2,913,338</u>	<u>178,819</u>	<u>27,925</u>	<u>3,120,082</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	101,395	(83,285)	11,189	29,299
Other Financing Sources (Uses)				
Transfers In	-	30,000	-	30,000
Transfers Out	(30,000)	-	-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	71,395	(53,285)	11,189	29,299
Fund Balance, beginning of year	1,892,700	212,883	88,300	2,193,883
Fund Balance, end of year	<u>\$ 1,964,095</u>	<u>\$ 159,598</u>	<u>\$ 99,489</u>	<u>\$ 2,223,182</u>

See accompanying notes.

**PENN VALLEY 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	\$ 2,223,182
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	2,422,973
Receivables received after sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities:	
Ambulance Receivables	265,986
Fire Reimbursement Receivables	3,343
Long-term liabilities and deferred outflows and inflows of resources are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Deferred Outflows from Pension	657,181
Deferred Inflows from Pension	(593,526)
Compensated Absences Payable	(67,160)
Capital Lease Payable	(99,187)
Series 2020 Lease Obligation	(902,206)
Net Pension Liability	<u>(185,652)</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,724,934</u></u>

See accompanying notes.

**PENN VALLEY 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	\$ 29,299
Total change in net assets 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.	226,772
Governmental funds report the proceeds from long-term notes payable and subsequent principal payments as other financing sources and uses. However, in the statement of activities, they are not reported. Rather, the current balance of long-term notes payable is recorded in the statement of net position.	(90,384)
Revenues in the statement of activities that do not provide current financial resources within 60 days after year end are not reported as revenues in the funds.	97,804
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	(22,001)
Net Pension Expense	(931,453)
Depreciation Expense	(250,614)
	(1,204,068)
Change in Net Position of Governmental Activities	\$ (940,577)

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – NATURE OF THE ORGANIZATION**

Penn Valley Fire Protection District (the District was) established in April 1974 to provide fire prevention, suppression and rescue services in the Penn Valley Area of Nevada County, California. Revenues are derived primarily from the fees for services provided for ambulance services, a special assessment on improved parcels within the district and the countywide tax levy. 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 who is elected by the public. The Board of Directors acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. Of the five, two are nominated and approved by the board to be officers of the District; Chairman, and Vice-Chairman. No board members receive compensation for serving on the Board although they may receive reimbursement for expenses incurred on behalf of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Accounting**

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government (District) as a whole.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are clearly identifiable as specifically associated with the District. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues. The individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**PENN VALLEY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

Governmental activities consisted of the following major 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.

In 2005-2006, the District received funds in the amount of \$112,500 for development of property known as Wildwood Ridge II. These funds are currently held in the General Fund and are committed for the additional operational expenses that this new development would bring. Development is currently on hold pending recovery of the housing market. Another \$112,500 will be received when development begins. The General Fund also includes funds in the amount of \$426,575 held as reserve and \$8,102 held for paramedic scholarships, for a total of \$547,177 in designated general funds.

Special Revenue Fund

The Special Revenue Fund is used to account for mitigation fees restricted 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 new capital additions 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 or designate these funds within the required time frame and, accordingly, no liability has been recognized.

Building and Equipment Fund

The Building and Equipment Fund is used to account for financial resources committed for the acquisition or construction of major capital facilities and equipment purchases.

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. If situations arise where there is a possibility of an expenditure being classified into more than one category, the restricted funds will be used first followed by the unrestricted funds.

**PENN VALLEY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued**

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.

**Committed –**

Two criteria are used to determine the District’s 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:

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued**

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.

**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 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 by June 30 and adopts a final budget by October 1. Supplemental appropriations are adopted throughout the year as necessary.

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.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Fixed Assets

Capital assets are capitalized at acquisition cost; donated equipment is recorded at the fair market value at the time of donation. The District does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not. Depreciation for the government-wide financial statements is calculated using the straight-line method over the estimated life of the asset. Replacement equipment will be replaced using funds allocated 80% from the building and equipment fund and 20% from the special revenue fund. In some cases that involve significant improvements or additional features, the District may opt to replace equipment using funds allocated 70% from the building and equipment fund and 30% from the special revenue fund.

Allowance for Doubtful Accounts

The District estimates bad debts based on Medicare/MediCal disallowances and amounts outstanding over a year that have been forwarded to a collections agency.

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

Most cash at June 30, 2023 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit 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 investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy.

The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer is accountable to the County Treasury Oversight Committee. The District’s fair value portion in the pool is the same as the District’s pool share.

The District deposits all funds in interest bearing accounts with Nevada County. The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Nevada’s financial statements.

The District’s carrying amount and fair value of investments as of June 30, 2023 are as follows:

	Carrying Amount	Fair Value	Difference
Pooled Investments:			
Nevada County	\$2,380,301	\$2,380,301	\$ -

At June 30, 2023, the difference between the carrying value and the fair value of cash and investments was not regarded as material therefore an adjustment to fair value was not required for GASB 31 compliance. Fair value was based on un-audited quoted market values provided by the Nevada County Treasurer.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

The State law and County’s Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P1 by Moody’s Investors Services. State law and the County’s Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor’s and Moody’s Investors Services. The investments of the County can be viewed in the Nevada County financial reports.

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2023, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

**NOTE 4 –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 and Disposals</u>	<u>Balance at June 30, 2023</u>
Equipment	\$ 3,930,509	\$ 213,792	\$ 4,144,301
Building	2,280,247	12,979	2,293,226
Land	502,999	--	502,999
Total Capital Assets	6,713,755	226,771	6,940,526
Less: Accumulated Depreciation	(4,266,939)	(250,614)	(4,517,553)
Total Capital Assets net of Accumulated Depreciation	<u>\$ 2,446,816</u>	<u>\$ (23,843)</u>	<u>\$ 2,422,973</u>

Depreciation expense for the fiscal year ended June 30, 2023 was \$250,614.

**NOTE 5 – COMPENSATED ABSENCES**

Accumulated unpaid personal leave and vacation amounted to \$67,160 at June 30, 2023. Accrued compensated absences include 100% of all employees’ vacation and holiday time earned.

**NOTE 6 – LEASE COMMITMENTS**

For fiscal year ended June 30, 2023, the District implemented Governmental Accounting Standards (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District’s financial statements and had no impact on the financial statements.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – LEASE COMMITMENTS - CONTINUED**

The District leases from the Lake Wildwood Association a tract of land described as Lot 1053 at Lake Wildwood Unit 2 to establish, operate, and maintain a fire station to conduct fire protection, rescue and related activities. This lease was entered into on December 9, 1988, and expires on December 9, 2087 and requires a payment of \$1 annually. As this lease was not material, the lease standards were not applied.

**NOTE 7 – NOTES AND CAPITAL LEASES PAYABLE**

On July 1, 2016, the District executed a ten-year capital lease agreement for a new engine. The lease is to be paid back in annual installments of \$38,243, including interest of 3.04%. The balance of this capital lease at June 30, 2023 was \$133,227.

Maturities of long-term debt are as follows for the year ending:

	<u>Capital Lease</u>
2023	33,031
2024	34,035
2025	35,069
2026	31,092
2027	-
Thereafter	-
	<u>\$ 133,227</u>

On December 16, 2020, the District executed a fifteen-year lease obligation for the payoff of unfunded pension obligations. The lease is to be paid back in twice-annual installments of \$45,080, including interest of 3.58%. This lease obligation did not meet the definition of a lease under GASB no. 87 and is treated as a long term not payable. The balance of this lease obligation at June 30, 2023 was \$958,550.

Maturities of long-term debt are as follows for the year ending:

	<u>Lease Obligation</u>
2024	58,379
2025	60,488
2026	62,672
2027	64,936
Thereafter	<u>655,731</u>
	<u>\$ 958,550</u>

**NOTE 8 – SPECIAL TAX COLLECTIONS**

Taxes are levied on November 1 of the fiscal year and can be paid in two equal installments. The first and second installments are due November 1 and February 1, respectively, and are considered delinquent if not paid before the close of business on December 10 and April 10, respectively. After June 30, delinquent taxes are in tax default and a property lien attaches to the secured property the following fiscal year on March 1. Tax default property can be sold after five years.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

A. Plan Description and Provisions

The Penn Valley Fire District’s defined benefit pension plan, California State Public Employees Retirement System (PERS), provides pension benefits, and death and disability benefits to plan members and beneficiaries. The District joined PERS effective July 1, 1997.

The PERS is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee’s Retirement Law. The Penn Valley Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

B. Funding Policy

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Active plan members in the PERS are required to contribute a percentage of their annual covered salary. For the fiscal year ended June 30, 2023, the required plan member contributions were as follows:

Miscellaneous <u>Plan</u>	PEPRA Misc <u>Plan</u>	Safety <u>Plan</u>	PEPRA Safety <u>Plan</u>
6.93%	7.00%	6.97%	10.00%

The District has created a Memorandum of Understanding (MOU) between itself and the full-time employees of the District. Under this MOU, the District contributes the amount that is required by the active Miscellaneous and Safety plan members directly to CalPERS. PEPRA employees are responsible for their own contributions.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

For the fiscal year ended June 30, 2023, the required employer contribution rates were as follows:

Miscellaneous <u>Plan</u>	PEPRA <u>Misc</u> <u>Plan</u>	Safety <u>Plan</u>	PEPRA Safety <u>Plan</u>
9.44%	7.56%	15.62%	10.80%

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN - continued**

Funding Policy – Continued

It is CalPERS position that their ratio constitutes an annual required contribution. For fiscal years ending June 30, 2016 through 2023, the CalPERS required contributions were made, as were the contributions for full-time employees as specified by the MOU between the district and its employees. The total employer contributions, including CalPERS required contributions and MOU contributions for full-time employees, were as follows:

June 30, 2023	\$180,837
June 30, 2022	\$177,794
June 30, 2021	\$168,829
June 30, 2020	\$212,260
June 30, 2019	\$205,432
June 30, 2018	\$175,693
June 30, 2017	\$169,759
June 30, 2016	\$182,582

The following employees were covered by the benefit terms of the plans:

<u>June 30, 2023</u>	
Inactive employees or beneficiaries currently receiving benefits	14
Active employees	14
<b>Total</b>	<b>28</b>

**C. Pension Liabilities**

As detailed in Note 7 -Notes and Capital Leases Payable, on December 16, 2020, the District executed a fifteen-year lease obligation for the payoff of unfunded pension obligations as of that date. The lease is to be paid back in twice-annual installments of \$45,080, including interest of 3.58%. The District contributes the actuarially determined remaining amounts necessary to fund the benefits for its members.

At June 30, 2023, the District reported a net pension liability of \$185,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability 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 districts and the State, actuarially determined. At June 30, 2023, the District's proportionate share was 0.00037%, for the Miscellaneous Plans and 0.00245% for the Safety plans, an increase of 0.00499% and 0.02475% respectively for the plans.

At June 30, 2023, the proportionate shares of the Net Pension Liability by plan was:

Miscellaneous	\$ 17,247
Safety	<u>168,405</u>
Total	<u>\$ 185,652</u>

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – continued**

D. Pension Plan Fiduciary Net Position

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

E. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the District recognized pension expense/(credit) of \$1,082,978. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
June 30, 2023		
Changes of assumptions	\$ 18,748	\$ -
Differences between expected and actual experience	7,316	2,061
Differences between projected and actual investment earnings	29,753	-
Differences between employer’s contributions and proportionate share of contributions	-	309,721
Change in employer’s proportion	449,841	281,743
Contributions made subsequent to measurement date	151,524	-
<b>Total</b>	<b>\$ 657,181</b>	<b>\$ 593,526</b>

An amount of \$151,524, 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 measurement year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
2024	\$ (14,904)	\$ (106,236)	\$ (121,140)
2025	(4,971)	(48,561)	(53,531)
2026	10,216	58,433	68,649
2027	1,932	16,222	18,155
2028	-	-	-
Thereafter	-	-	-
	(7,726)	(80,142)	\$ (87,868)

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – continued**

F. 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.

G. 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:

<u>June 30, 2023</u>	
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data
Post retirement benefit increase	Contract COLA up to 2.0% 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 table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, 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.

**PENN VALLEY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – continued**

H. Change 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 considered 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.

I. 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 considered 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.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – continued**

J. Discount Rate

The discount rate used to measure the total pension liability was 6.9 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.

K. Sensitivity Analysis

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

	<b>Discount Rate -1% 5.90%</b>	<b>Current Discount Rate 6.90%</b>	<b>Discount Rate +1% 7.90%</b>
Employer's Net Pension (Asset)Liability			
<b>Miscellaneous</b>	\$ 110,815	\$ 7,247	\$ (59,736)
<b>Safety</b>	987,283	168,405	(500,843)
<b>Total</b>	<u>\$ 1,098,098</u>	<u>\$ 185,652</u>	<u>\$ (560,579)</u>

L. 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.

**PENN VALLEY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The District has determined that activities related to the net pension asset and related deferred outflows and inflows were incorrectly recorded in the prior year.

Governmental Activities: In the Government-wide statements, the net pension asset and related deferred inflows and outflows were omitted from the financial statements. The restatement had an impact on the Statement of Net Position but not the Balance sheet of the fund statements. The error understated the net position of the district at June 30, 2022 by \$809,456. The changes were as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
<b>Governmental Activities:</b>		
Deferred Outflows	\$ -	\$ 733,919
Deferred Inflows	\$ -	\$ 794,742
Net Pension (Asset) Liability	\$ -	\$ (809,456)
Total Net Position	\$ 3,856,055	\$ 4,665,511

**NOTE 11 – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2023 have been evaluated through June 18, 2024, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure were noted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PENN VALLEY FIRE PROTECTION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL**

**GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund Orginal Budget</u>	<u>General Fund Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
<b>Revenues</b>				
Property Taxes	\$ 474,100	\$ 480,100	\$ 524,567	\$ 44,467
Special Assessments - Fire	588,000	588,000	586,922	(1,078)
Special Assessments - Rescue	812,000	812,000	814,464	2,464
Ambulance Fees	480,000	500,000	779,284	279,284
State Funding - Prop 172	130,000	130,000	158,007	28,007
Homeowners Property Tax Relief	3,000	3,000	3,407	407
Donations	-	-	10,630	10,630
Interest Income	12,000	12,000	37,358	25,358
State Reimbursements	130,000	70,000	73,029	3,029
Grants	-	-	3,568	3,568
Other Sources	18,400	18,400	23,497	5,097
Total Revenue	<u>2,647,500</u>	<u>2,613,500</u>	<u>3,014,733</u>	<u>401,233</u>
<b>Expenditures</b>				
Personnel Costs	2,162,500	2,167,500	2,230,668	(63,168)
Clothing	15,000	15,000	-	15,000
Communications	70,600	74,600	85,109	(10,509)
Meals & Household	7,000	7,000	3,036	3,964
Insurance	40,000	41,500	41,421	79
Interest Expense	-	-	33,817	(33,817)
Medical Supplies	56,000	56,000	61,314	(5,314)
Maintenance	55,000	55,000	65,752	(10,752)
Dues & Subscriptions	4,100	4,100	3,504	596
Office Expense	14,900	14,900	20,755	(5,855)
Professional Fees	163,000	164,300	160,993	3,307
Fire Prevention	3,500	3,500	345	3,155
Training	7,000	7,000	2,888	4,112
Fuel	46,000	46,000	43,475	2,525
Utilities	37,600	37,600	36,961	639
Small Equipment	600	600	-	600
Equipment & Asset Purchases	-	-	58,271	(58,271)
Miscellaneous	1,501	1,501	-	1,501
Contingencies	25,000	25,000	-	25,000
Total Expenditures	<u>2,709,301</u>	<u>2,721,101</u>	<u>2,848,309</u>	<u>(127,208)</u>
<b>Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)</b>				
	(61,801)	\$ (107,601)	\$ 166,424	\$ 528,441
<b>Other Financing Sources (Uses)</b>				
Payment of Principal - Series 2020 Obligation	-	-	56,344	56,344
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>26,344</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	<u>\$ (91,801)</u>	<u>\$ (137,601)</u>	<u>\$ 192,768</u>	<u>\$ 330,369</u>

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

**PENN VALLEY FIRE PROTECTION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL**

**BUILDING AND EQUIPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Building &amp; Equipment Original Budget</u>	<u>Building &amp; Equipment Final Budget</u>	<u>Building &amp; Equipment Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
<b>Revenues</b>				
Donations	\$ 100,000	\$ 100,000	\$ 91,029	\$ (8,971)
Grants	-	-	-	-
Interest Income	1,000	1,000	4,505	3,505
Total Revenue	<u>101,000</u>	<u>101,000</u>	<u>95,534</u>	<u>(5,466)</u>
<b>Expenditures</b>				
Clothing	17,000	17,000	-	17,000
Interest Expense	-	-	2,942	(2,942)
Other Expenses/Contingencies	1,000	1,000	-	1,000
Equipment & Structural Improvements	157,500	157,500	152,049	5,451
Total Expenditures	<u>175,500</u>	<u>175,500</u>	<u>154,991</u>	<u>20,509</u>
<b>Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)</b>				
	(74,500)	(74,500)	(59,457)	15,043
<b>Other Financing Sources (Uses)</b>				
Payment of Principal - Capital Lease Payable	-	-	23,828	23,828
Transfers In	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>53,828</u>	<u>23,828</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	<u>\$ (44,500)</u>	<u>\$ (44,500)</u>	<u>\$ (5,629)</u>	<u>\$ 38,871</u>

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

**PENN VALLEY FIRE PROTECTION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL**

**SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Special Revenue Original Budget</u>	<u>Special Revenue Final Budget</u>	<u>Special Revenue Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
<b>Revenues</b>				
Development Fees	\$ 32,000	\$ 32,000	\$ 37,029	\$ 5,029
Donations	-	-	10	10
Interest Income	600	600	2,075	1,475
Total Revenue	<u>32,600</u>	<u>32,600</u>	<u>39,114</u>	<u>6,514</u>
<b>Expenditures</b>				
Interest Expense	-	-	1,261	(1,261)
Other Expenses/Contingencies	2,000	2,000	-	2,000
Equipment & Structural Improvements	40,500	40,500	16,452	24,048
Total Expenditures	<u>42,500</u>	<u>42,500</u>	<u>17,713</u>	<u>26,048</u>
<b>Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)</b>	(9,900)	(9,900)	21,401	32,562
<b>Other Financing Sources (Uses)</b>				
Payment of Principal - Capital Lease Payable	-	-	10,212	10,212
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>10,212</u>	<u>10,212</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (9,900)</u>	<u>\$ (9,900)</u>	<u>\$ 31,613</u>	<u>\$ 42,774</u>

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

**PENN VALLEY FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
CONTRIBUTIONS AND RATIOS – SAFETY PLANS**

**NET PENSION LIABILITY**

Fiscal Year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016
Agency's proportion of the net pension liability	0.24510%	-0.02230%	0.01339%	0.01216%	0.01131%	0.01103%	0.01030%	0.00863%
Agency's proportionate share of the net pension liability	\$ 168,405	\$ (782,619)	\$ 891,825	\$ 759,136	\$ 663,867	\$ 659,119	\$ 532,422	\$ 355,730
Agency's proportionate share of covered payroll	\$ 1,071,427	\$ 1,030,561	\$ 1,005,277	\$ 952,136	\$ 1,003,739	\$ 840,480	\$ 1,050,394	\$ 1,029,874
Agency's proportionate share of the net pension liability as a percentage of covered employee payroll	15.7%	-75.9%	88.7%	79.7%	66.1%	78.4%	50.7%	34.5%
Plan fiduciary net position as a percentage of the total pension liability	75.5%	115.2%	73.1%	73.4%	73.4%	71.7%	72.7%	77.3%
Measurement date - June 30,	2022	2021	2020	2019	2018	2017	2016	2015

**CONTRIBUTIONS**

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 144,759	\$ 142,159	\$ 132,527	\$ 115,897	\$ 109,198	\$ 98,066	\$ 94,661	\$ 102,614
Contributions in relation to the actuarially determine contributions	(144,759)	(142,159)	(132,527)	(115,897)	(109,198)	(98,066)	(94,661)	(102,614)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's covered-employee payroll*	\$ 1,071,427	\$ 1,030,561	\$ 1,005,277	\$ 952,136	\$ 1,003,739	\$ 840,480	\$ 1,050,394	\$ 1,029,874
Contributions as a percentage of covered-employee payroll	13.51%	13.79%	13.18%	12.17%	10.88%	11.67%	9.01%	9.96%
*Measurement period July-June	2022	2021	2020	2019	2018	2017	2016	2015

\*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

**PENN VALLEY FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
CONTRIBUTIONS AND RATIOS – SAFETY PLANS**

**CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	Fiscal Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
<b>Total Pension Liability</b>										
Service cost	\$ 13,423	\$ 98,463	\$ 64,269	\$ 55,892	\$ 49,465	\$ 47,295	\$ 38,040	\$ 31,027	\$ 73,704	
Interest on total pension liability	45,062	349,419	224,551	192,869	168,746	157,648	140,472	112,762	147,941	
Changes of benefit terms	19	81	-	-	-	21	42	-	-	
Changes of Assumptions	23,269	-	-	-	(11,927)	134,068	-	(28,176)	-	
Actual vs. expected experience	(2,506)	87,916	50,317	55,191	13,263	9,245	(260)	(6,126)	-	
Benefit payments, including refunds of employee contributions	(33,542)	(254,877)	(159,733)	(135,093)	(116,712)	(107,414)	(93,015)	(73,858)	(94,711)	
Net change in total pension liability	45,724	281,002	179,404	168,859	102,835	240,863	85,279	35,629	96,934	
Change in proportions	(4,515,847)	1,559,801	287,248	186,682	59,904	142,386	298,571	(565,250)	-	
Total pension liability - beginning	5,158,197	3,317,394	2,850,742	2,495,201	2,332,462	1,949,214	1,565,364	2,094,985	1,998,051	
<b>Total pension liability - ending (a)</b>	<b>\$ 688,074</b>	<b>\$5,158,197</b>	<b>\$3,317,394</b>	<b>\$2,850,742</b>	<b>\$2,495,201</b>	<b>\$2,332,462</b>	<b>\$1,949,214</b>	<b>\$1,565,364</b>	<b>\$2,094,985</b>	
<b>Plan Fiduciary Net Position</b>										
Contributions – employer (proportionate)	\$ 34,670	\$ 317,390	\$ 125,550	\$ 91,728	\$ 77,258	\$ 57,747	\$ 48,954	\$ 41,154	\$ 50,197	
Contributions – employee(proportionate)	5,097	51,833	24,639	20,976	17,798	16,414	14,330	11,247	15,599	
Net investment income	(42,547)	1,094,603	116,129	130,149	144,465	170,879	7,168	26,601	248,025	
Benefit payments	(33,542)	(338,930)	(159,734)	(135,093)	(116,712)	(107,414)	(93,015)	(73,858)	(94,711)	
Net plan to plan resource movement	1	78,754	19,862	16,911	(112)	17,712	(125)	(53)	-	
Administrative expense	(351)	(4,875)	(3,239)	(1,418)	(2,650)	(2,280)	(875)	(1,359)	-	
Other Misc Income/(Expense)	-	-	-	5	(5,032)	-	-	-	-	
Net change in plan fiduciary net position	(36,672)	1,198,775	123,207	123,258	115,015	153,058	(23,563)	3,732	219,110	
Change in proportions	(5,384,475)	2,316,472	210,756	137,014	42,976	103,494	230,720	(445,591)	-	
Plan fiduciary net position - beginning	5,940,816	2,425,569	2,091,606	1,831,334	1,673,343	1,416,791	1,209,634	1,651,493	1,432,383	
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 519,669</b>	<b>\$5,940,816</b>	<b>\$2,425,569</b>	<b>\$2,091,606</b>	<b>\$1,831,334</b>	<b>\$1,673,343</b>	<b>\$1,416,791</b>	<b>\$1,209,634</b>	<b>\$1,651,493</b>	
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 168,405</b>	<b>\$ (782,619)</b>	<b>\$ 891,825</b>	<b>\$ 759,136</b>	<b>\$ 663,867</b>	<b>\$ 659,119</b>	<b>\$ 532,422</b>	<b>\$ 355,730</b>	<b>\$ 443,492</b>	
Plan fiduciary net position as a percentage of the total pension liability	75.5%	115.2%	73.1%	73.4%	73.4%	71.7%	72.7%	77.3%	78.8%	
Measurement Date June 30,:	2022	2021	2020	2019	2018	2017	2016	2015	2014	

\*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

**PENN VALLEY FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
CONTRIBUTIONS AND RATIOS- MISCELLANEOUS PLANS**

**NET PENSION LIABILITY**

Fiscal Year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016
Agency's proportion of the net pension liability	0.00037%	-0.00462%	0.03225%	0.03119%	0.02982%	0.02938%	0.02970%	0.02904%
Agency's proportionate share of the net pension liability	\$ 17,247	\$ (87,659)	\$ 119,167	\$ 110,124	\$ 102,105	\$ 105,796	\$ 90,278	\$ 77,027
Agency's proportionate share of covered payroll	\$ 85,553	\$ 97,558	\$ 107,318	\$ 106,418	\$ 105,037	\$ 101,718	\$ 98,836	\$ 66,113
Agency's proportionate share of the net pension liability as a percentage of covered employee payroll	20.2%	-89.9%	111.0%	103.5%	97.2%	104.0%	91.3%	116.5%
Plan fiduciary net position as a percentage of the total pension liability	78.2%	114.2%	77.7%	77.7%	77.7%	75.4%	75.9%	79.9%
Measurement date - June 30,	2022	2021	2020	2019	2018	2017	2016	2015

**CONTRIBUTIONS**

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 6,765	\$ 7,596	\$ 7,711	\$ 8,429	\$ 8,333	\$ 7,616	\$ 8,585	\$ 1,944
Contributions in relation to the actuarially determine contributions	(6,765)	(7,596)	(7,711)	(8,429)	(8,333)	(7,616)	(8,585)	(1,944)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's covered-employee payroll*	\$ 85,553	\$ 97,558	\$ 107,318	\$ 106,418	\$ 105,037	\$ 101,718	\$ 98,836	\$ 66,113
Contributions as a percentage of covered-employee payroll	7.91%	7.79%	7.19%	7.92%	7.93%	7.49%	8.69%	2.94%

\*Measurement period July-June

\*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.

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**PENN VALLEY FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
CONTRIBUTIONS AND RATIOS– MISCELLANEOUS PLANS**

**CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	Fiscal Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
<b>Total Pension Liability</b>										
Service cost	\$ 1,813	\$ 20,639	\$ 12,216	\$ 11,525	\$ 11,029	\$ 10,516	\$ 8,895	\$ 9,413	\$ 10,670	
Interest on total pension liability	5,161	62,238	36,063	33,343	30,824	28,920	26,840	27,446	31,111	
Changes of benefit terms	14	45	25	36	18	52	28	14	15	
Changes of Assumptions	2,422	-	-	-	(3,872)	24,342	-	(6,796)	(7,704)	
Actual vs. expected experience	(318)	7,806	2,186	6,911	5,317	(2,747)	(99)	718	814	
Benefit payments, including refunds of employee contributions	(3,617)	(347,379)	(24,040)	(21,756)	(19,620)	(17,628)	(15,969)	(15,955)	(18,085)	
Net change in total pension liability	5,475	(256,651)	26,450	30,059	23,696	43,455	19,695	14,840	16,821	
Change in proportions	(543,319)	339,026	13,515	6,878	4,083	12,241	(28,497)	(65,974)	-	
Total pension liability - beginning	616,906	534,530	494,565	457,629	429,850	374,154	382,956	434,090	417,269	
<b>Total pension liability - ending (a)</b>	<b>\$ 79,062</b>	<b>\$ 616,906</b>	<b>\$ 534,530</b>	<b>\$ 494,566</b>	<b>\$ 457,629</b>	<b>\$ 429,850</b>	<b>\$ 374,154</b>	<b>\$ 382,956</b>	<b>\$ 434,090</b>	
<b>Plan Fiduciary Net Position</b>										
Contributions – employer (proportionate)	\$ 3,206	\$ 32,806	\$ 18,558	\$ 15,930	\$ 13,542	\$ 12,261	\$ 10,571	\$ 10,582	\$ 11,995	
Contributions – employee(proportionate)	771	(120,408)	5,586	5,078	4,791	4,515	4,177	4,327	4,905	
Net investment income	(5,061)	154,253	19,731	23,805	27,952	32,882	1,490	6,755	7,657	
Benefit payments	(3,617)	(42,520)	(24,040)	(21,756)	(19,620)	(17,628)	(15,969)	(15,954)	(18,085)	
Net plan to plan resource movement	(31)	2,324	1,137	777	3,185	(699)	619	1,838	2,083	
Administrative expense	(42)	(698)	(556)	(260)	(503)	(440)	(175)	(343)	(389)	
Other Misc Income/(Expense)	-	-	-	1	(955)	-	-	-	-	
Net change in plan fiduciary net position	(4,774)	25,757	20,416	23,575	28,392	30,891	713	7,205	8,166	
Change in proportions	(637,977)	263,445	10,505	5,343	3,079	9,287	(22,766)	(48,054)	-	
Plan fiduciary net position - beginning	704,565	415,363	384,442	355,524	324,053	283,876	305,929	346,778	338,612	
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 61,815</b>	<b>\$ 704,565</b>	<b>\$ 415,363</b>	<b>\$ 384,442</b>	<b>\$ 355,524</b>	<b>\$ 324,053</b>	<b>\$ 283,876</b>	<b>\$ 305,929</b>	<b>\$ 346,778</b>	
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 17,247</b>	<b>\$ (87,659)</b>	<b>\$ 119,167</b>	<b>\$ 110,124</b>	<b>\$ 102,105</b>	<b>\$ 105,796</b>	<b>\$ 90,278</b>	<b>\$ 77,027</b>	<b>\$ 87,312</b>	
Plan fiduciary net position as a percentage of the total pension liability	78.2%	114.2%	77.7%	77.7%	77.7%	75.4%	75.9%	79.9%	79.9%	
Measurement Date June 30,:	2021	2021	2020	2019	2018	2017	2016	2015	2014	

\*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

P.O. Box 160  
Lincoln, CA 95648  
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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**

Members of the Board of Directors  
Penn Valley Fire Protection District  
Penn Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Penn Valley 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 Districts basic financial statements, and have issued our report thereon dated June 18, 2024.

**Report on 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.

*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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

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

**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  
June 18, 2024

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Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

June 18, 2024

Management & Board of Directors  
Penn Valley Fire Protection District  
Penn Valley, California

Dear Ladies and Gentlemen,

In planning and performing our audit of the financial statements of the governmental activities and major funds of Penn Valley Fire Protection District (District), as of and 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 our audit, we may become aware of the matters which are an opportunity for strengthening internal controls and operating efficiency. We are pleased to report that no such matters have come to our attention.

We previously reported on the District's internal control in the preceding report dated June 18, 2024. This letter does not affect our report dated June 18, 2024, on the financial statements of the District.

As always, if you have any questions, please feel free to contact us.

Sincerely,



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California