

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2019

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials	i
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide	
Statement of Net Position - Governmental Activities.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of the Governmental Funds to the Government-Wide	
Statement of Activities - Governmental Activities.....	9
Notes to Basic Financial Statements.....	10-22
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule - General Fund.....	23
Budgetary Comparison Schedule - Mitigation Fees.....	24
Note to Budgetary Comparison Schedules.....	25
OTHER REPORT AND SCHEDULES	
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	26-27
Schedule of Findings and Recommendations	28-29
Schedule of Prior Year Findings and Recommendations	30
Management’s Corrective Action Plan	34-35

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

- **List of Officials**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT

List of Officials

For the Year Ended June 30, 2019

Board of Directors

Tom Nelson	Chairman
Douglas Wittler	Vice Chairman
Sheridan Loungway	Director
Art Grosse	Director
Greg Osborne	Director

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

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

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rough and Ready Fire Protection District
Rough and Ready, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Rough and Ready Fire Protection District, Rough and Ready, California (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Rough and Ready Fire Protection District
Rough and Ready, California

Basis for Qualified Opinion

As discussed in Note 1H to the financial statements, management has not maintained complete and accurate detailed records of capital assets, accumulated depreciation or current year depreciation. Capital assets, net of depreciation, are recorded in the accompanying financial statements at \$2,926,739 and depreciation expense for the year is stated at \$0. Accounting principles generally accepted in the United States of America require that the capital assets be capitalized and depreciated. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities of the District is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described 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, 2019, 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 Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the District as of June 30, 2019, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 9B to the financial statements, subsequent to June 30, 2019, citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the District's operations because the disease's severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Other Matters

Required Supplementary Information

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

To the Board of Directors
Rough and Ready Fire Protection District
Rough and Ready, 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 May 28, 2020, 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
May 28, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

Basic Financial Statements

- **Government-Wide Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 247,600
Receivables:	
Accounts	11,519
Taxes	262
Intergovernmental	8,063
Capital assets:	
Non-depreciable	605,357
Depreciable, net	2,321,382
Total capital assets	<u>2,926,739</u>
Total Assets	<u>3,194,183</u>
LIABILITIES	
Accounts payable	8,305
Matured debt payable	20,028
Salaries and benefits payable	29,933
Long-term liabilities:	
Due within one year	69,299
Due in more than one year	342,428
Total Liabilities	<u>469,993</u>
NET POSITION	
Net investment in capital assets	2,515,012
Restricted for capital projects	9,361
Unrestricted	199,817
Total Net Position	<u>\$ 2,724,190</u>

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 578,781	\$ 3,853	\$ 380,638	\$ 47,043	\$ (147,247)
Interest on long-term debt	16,484	-	-	-	(16,484)
Total Governmental Activities	595,265	3,853	380,638	47,043	(163,731)
Total	\$ 595,265	\$ 3,853	\$ 380,638	\$ 47,043	(163,731)
General revenues:					
Taxes:					
Property taxes					232,573
Interest and investment earnings					3,035
Gain on sale of asset					2,000
					237,608
					Change in Net Position
					73,877
					Net Position - Beginning
					2,650,313
					Net Position - Ending
					\$ 2,724,190

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

Basic Financial Statements

- **Fund Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 198,701	\$ 18,627	\$ 30,272	\$ 247,600
Receivables:				
Accounts	9,985	1,534	-	11,519
Taxes	262	-	-	262
Intergovernmental	8,063	-	-	8,063
Due from other funds	-	-	10,800	10,800
Total Assets	<u>\$ 217,011</u>	<u>\$ 20,161</u>	<u>\$ 41,072</u>	<u>\$ 278,244</u>
LIABILITIES				
Accounts payable	\$ 8,305	\$ -	\$ -	\$ 8,305
Matured debt payable	-	-	20,028	20,028
Salaries and benefits payable	29,933	-	-	29,933
Due to other funds	-	10,800	-	10,800
Total Liabilities	<u>38,238</u>	<u>10,800</u>	<u>20,028</u>	<u>69,066</u>
FUND BALANCES				
Restricted	-	9,361	-	9,361
Committed	-	-	21,044	21,044
Unassigned	178,773	-	-	178,773
Total Fund Balances	<u>178,773</u>	<u>9,361</u>	<u>21,044</u>	<u>209,178</u>
Total Liabilities and Fund Balances	<u>\$ 217,011</u>	<u>\$ 20,161</u>	<u>\$ 41,072</u>	<u>\$ 278,244</u>

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Funds Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2019

Total Fund Balance - Total Governmental Funds	\$ 209,178
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.	2,926,739
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	<u>(411,727)</u>
Net Position of Governmental Activities	<u><u>\$ 2,724,190</u></u>

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Mitigation Fees	Capital Reserve	Totals
REVENUES				
Taxes	\$ 232,573	\$ -	\$ -	\$ 232,573
Use of money and property	1,983	326	726	3,035
Intergovernmental	385,810	-	-	385,810
Mitigation fees	-	3,853	-	3,853
Other revenues	47,043	-	-	47,043
Total Revenues	667,409	4,179	726	672,314
EXPENDITURES				
Current public protection:				
Salaries and benefits	430,762	-	-	430,762
Services and supplies	146,019	-	2,000	148,019
Debt service:				
Principal	-	-	66,874	66,874
Interest and other charges	-	-	16,484	16,484
Total Expenditures	576,781	-	85,358	662,139
Excess of Revenue Over (Under) Expenditures	90,628	4,179	(84,632)	10,175
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,000	20,000
Transfers out	(20,000)	-	-	(20,000)
Proceeds from the sale of capital assets	2,000	-	-	2,000
Total Other Financing Sources (Uses)	(18,000)	-	20,000	2,000
Net Change in Fund Balances	72,628	4,179	(64,632)	12,175
Fund Balances - Beginning	106,145	5,182	85,676	197,003
Fund Balances - Ending	\$ 178,773	\$ 9,361	\$ 21,044	\$ 209,178

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 12,175
Amounts reported for governmental activities in the statement of activities are different because:	
Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.	
Change in unavailable revenues	(5,172)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	<u>66,874</u>
Change in Net Position of Governmental Activities	<u><u>\$ 73,877</u></u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Component Units

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

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by property taxes and intergovernmental revenues. The District had no business-type activities at June 30, 2019.

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

Fund Financial Statements

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Mitigation Fees fund is a special revenue fund used to account for the receipt and expenditure of mitigation monies allowed under AB1600. Funding comes primarily from mitigation monies.
- The Capital Reserve fund is a capital projects fund used to account for resources set aside for capital purchases or structure improvements.

C. Basis of Accounting and Measurement Focus

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

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

D. Non-Current Governmental Asset/Liabilities

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

E. Investments

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2019, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Receivables

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

G. Inventory

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

H. Capital Assets

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

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

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

The District has not maintained detailed historical cost records for capital assets, accumulated depreciation or current year depreciation expense.

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax

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

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

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

J. Compensated Absences and Other Postemployment Benefits

It is the District’s policy to permit employees to accumulate a limited amount of earned by unused vacation leave which vests with the employee and will be paid upon separation from District service. The liability for these compensated absences is recorded as a long-term liability in the government wide financial statements. The current portion of this debt is estimated based on historical trends. The District does not include its share of social security and medicare taxes payable on behalf of the employees in the accrual of compensated absences, however, this amount is not considered material. During the fiscal year ended June 30, 2019, the District did not have any employees eligible for compensated absences.

The District does not currently provide other postemployment benefits.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, the District did not have any deferred inflows of resources.

L. Grant Revenues

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Transactions

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

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

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

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

All other interfund transactions are treated as transfers.

N. Estimates

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

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

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

Statement No. 83, Certain Asset Retirement Obligations (AROs). This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements. This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government’s future resource flows.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Future Accounting Pronouncements

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

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2019, the District’s cash and investments consisted of the following:

Cash:	
Deposits (less outstanding checks)	\$ <u>500</u>
Total Cash	<u>500</u>
Investments:	
Nevada County Treasurer’s Pool	<u>247,100</u>
Total Investments	<u>247,100</u>
Total Cash and Investments	<u>\$ 247,600</u>

B. Cash

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

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. As of June 30, 2019, the entire amount of the District’s deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2019, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

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

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

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

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

At June 30, 2019, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>247,100</u>			
Total Investments	<u>\$ 247,100</u>			

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2019, the District's investments were all held with the County of Nevada investment pool which is not rated by a nationally recognized statistical rating organization.

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in any one issuer. As of June 30, 2019, all investments of the District were in the Nevada County investment pool which contains a diversification of investments.

D. Investments in External Pool

The Nevada County Pooled Investment fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Nevada County Pooled Investment fund are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller's office at 950 Maidu Avenue, Nevada City, CA 95959.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2019</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 605,357	\$ -	\$ -	\$ 605,357
Total Capital Assets, Not Being Depreciated	<u>605,357</u>	<u>-</u>	<u>-</u>	<u>605,357</u>
Capital Assets, to be Depreciated:				
Buildings and Improvements	2,053,001	-	-	2,053,001
Equipment	<u>1,228,491</u>	<u>-</u>	<u>-</u>	<u>1,228,491</u>
Total Capital Assets, to be Depreciated	<u>3,281,492</u>	<u>-</u>	<u>-</u>	<u>3,281,492</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(227,784)	-	-	(267,784)
Equipment	<u>(692,326)</u>	<u>-</u>	<u>-</u>	<u>(692,326)</u>
Total Accumulated Depreciation	<u>(960,110)</u>	<u>-</u>	<u>-</u>	<u>(960,110)</u>
Total Capital Assets, to be Depreciated, Net	<u>2,321,382</u>	<u>-</u>	<u>-</u>	<u>2,321,382</u>
Total Capital Assets, Net	<u>\$ 2,926,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,926,739</u>

Depreciation

Depreciation expense was not calculated or charged to governmental activities in the current fiscal year.

NOTE 4: INTERFUND TRANSFERS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2019:

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

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocation of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2019:

	Transfers <u>In</u>	Transfers <u>Out</u>
General fund	\$ -	\$ 20,000
Capital Reserve	<u>20,000</u>	<u>-</u>
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Loans Payable	\$ 478,601	\$ -	(\$ 66,874)	\$ 411,727	\$ 69,299
Total	<u>\$ 478,601</u>	<u>\$ -</u>	<u>(\$ 66,874)</u>	<u>\$ 411,727</u>	<u>\$ 69,299</u>

Individual issues of debt payable outstanding at June 30, 2019, are as follows:

Loans:

2014 Rural Community Assistance Corporation loan, issued May 1, 2014, in the amount of \$411,339 and payable in semi-annual installments of \$25,469 with an interest rate of 3.82% and maturity on May 1, 2022. The loan was used to finance construction of a new fire station and is secured by the new fire station. \$ 112,529

Republic First National loan, issued June 1, 2017, in the amount of \$368,294 and payable in annual installments of \$43,302 with an interest rate of 3.381% and maturity on December 1, 2026. The loan was used to finance equipment and is secure by the equipment. 299,198

Total Loans Payable \$ 411,727

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

<u>Year Ending June 30</u>	<u>Loans</u>		
	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 69,299	\$ 14,059	\$ 83,358
2021	71,813	11,546	83,359
2022	74,417	8,941	83,358
2023	36,678	6,624	43,302
2024	37,916	5,386	43,302
2025-2027	<u>121,604</u>	<u>8,303</u>	<u>129,906</u>
Total	<u>\$ 411,727</u>	<u>\$ 54,859</u>	<u>\$ 466,586</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.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 6: NET POSITION (CONTINUED)

- **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, 2019, 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 and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: FUND BALANCES (CONTINUED)

The fund balances for all governmental funds as of June 30, 2019, were distributed as follows:

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Capital Reserve</u>	<u>Total</u>
Restricted for:				
Mitigation	\$ -	\$ 9,361	\$ -	\$ 9,361
Committed for:				
Capital acquisition	-	-	21,044	21,044
Unassigned	<u>178,773</u>	<u>-</u>	<u>-</u>	<u>178,773</u>
Total	<u>\$ 178,773</u>	<u>\$ 9,361</u>	<u>\$ 21,044</u>	<u>\$ 209,178</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 has established a fund balance policy by passage of an ordinance or resolution. Fund balance which is committed or assigned for a specific purpose is typically done through adoption of the budget and subsequent budget amendments.

NOTE 8: RISK MANAGEMENT

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

NOTE 9: OTHER INFORMATION

A. Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

ROUGH AND READY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9: OTHER INFORMATION

B. Subsequent Events

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Management has evaluated events subsequent to June 30, 2019 through May 28, 2020, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

THIS PAGE INTENTIONALLY LEFT BLANK

**Required Supplementary Information
(Unaudited)**

THIS PAGE INTENTIONALLY LEFT BLANK

ROUGH AND READY FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 222,987	\$ 228,361	\$ 232,573	\$ 4,212
Use of money and property	1,150	1,150	1,983	833
Intergovernmental	357,985	358,985	385,810	26,825
Other revenues	51,574	46,200	47,043	843
Total Revenues	<u>633,696</u>	<u>634,696</u>	<u>667,409</u>	<u>32,713</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	424,276	438,376	430,762	7,614
Services and supplies	134,760	119,160	146,019	(26,859)
Debt service:				
Principal	78,061	78,061	-	78,061
Interest and other charges	5,298	5,298	-	5,298
Total Expenditures	<u>642,395</u>	<u>640,895</u>	<u>576,781</u>	<u>64,114</u>
Excess of Revenue Over (Under) Expenditures	<u>(8,699)</u>	<u>(6,199)</u>	<u>90,628</u>	<u>96,827</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(20,000)	(20,000)
Proceeds from the sale of capital assets	-	-	2,000	2,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>
Net Change in Fund Balances	(8,699)	(6,199)	72,628	78,827
Fund Balances - Beginning	<u>106,145</u>	<u>106,145</u>	<u>106,145</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 97,446</u>	<u>\$ 99,946</u>	<u>\$ 178,773</u>	<u>\$ 78,827</u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Mitigation Fees
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 326	\$ 326
Mitigation fees	2,000	2,000	3,853	1,853
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>4,179</u>	<u>2,179</u>
EXPENDITURES				
Current public protection	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,000	2,000	4,179	2,179
Fund Balances - Beginning	<u>5,182</u>	<u>5,182</u>	<u>5,182</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 7,182</u></u>	<u><u>\$ 7,182</u></u>	<u><u>\$ 9,361</u></u>	<u><u>\$ 2,179</u></u>

ROUGH AND READY FIRE PROTECTION DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2019

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

- (1) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (2) Prior to July 1, the budget is adopted through the passage of a resolution.
- (3) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations. The Board of Directors may amend the budget by motion during the fiscal year.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REPORT AND SCHEDULES

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

To the Board of Directors
Rough and Ready Fire Protection District
Rough and Ready, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rough and Ready Fire Protection District, Rough and Ready, California (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 28, 2020.

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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2019-001)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies. (2019-002 through 2019-005)

To the Board of Directors
Rough and Ready Fire Protection District
Rough and Ready, California

Compliance and Other Matters

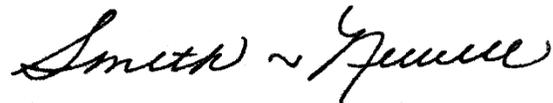
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and recommendations as items 2019-004 and 2019-005.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs
Yuba City, California
May 28, 2020

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-001 Capital Assets (Material Weakness)

Criteria

Good internal control over capital assets requires that the District review and update the depreciation schedule on an annual basis and include updated amounts for accumulated depreciation and current year depreciation expense. Also, the District should maintain documentation of the Board of Directors' approval of capital asset purchases.

Condition

Capital asset records were incomplete. Also, District personnel acquired a 1996 Spartan fire engine (Engine 5981) and there was no documentation by either Board resolution or discussion in the Board minutes approving the acquisition.

Cause

The District had not updated the current year depreciation schedule. Also, District personnel acquired a capital asset without documented Board approval.

Effect

Capital asset balances could not be verified and that District personnel had Board authorization to the acquire Engine 5981.

Questioned Cost

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

Repeat Finding

Not a repeat finding.

Recommendation

We recommend the District review and update the depreciation schedule annually and that District personnel obtain Board approval before acquiring capital assets.

Views of Responsible Officials and Planned Corrective Action

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

2019-002 Deficiencies in Control Structure Design (Significant Deficiency)

Criteria

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-002 Deficiencies in Control Structure Design (Significant Deficiency) (Continued)

Condition

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

Cause

The District has limited office staff.

Effect

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

Questioned Cost

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

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2018-001.

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

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

2019-003 Cash and Investments (Significant Deficiency)

Criteria

Good internal controls of cash and investments require that the general ledger balances for cash and investments be reconciled to the amounts held in the Nevada County Treasury.

Condition

During fieldwork, we noted that there was an unreconciled amount between the District's general ledger and the amount held in the Nevada County Treasury of \$1,624.

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-003 Cash and Investments (Significant Deficiency) (Continued)

Cause

The District was not resolving unreconciled amounts between the District's General fund general ledger and amounts held in the Nevada County Treasury.

Effect

Cash and investments in the General fund were overstated by \$1,624.

Questioned Cost

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

Context

Not applicable.

Repeat Finding

Not a repeat finding.

Recommendation

We recommend that the District establish procedures to reconcile amounts held by the County of Nevada to the general ledger and that unreconciled amounts in cash and investments be researched and resolved.

Views of Responsible Officials and Planned Corrective Action

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

2019-004 Payroll Tax Returns (Significant Deficiency/Compliance)

Criteria

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

Condition

During fieldwork, we noted that the District had not filed payroll tax returns for the quarter ending June 30, 2019 (approximately 180 days after the due date).

Cause

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-004 Payroll Tax Returns (Significant Deficiency/Compliance) (Continued)

Effect

The District did not file the June 30, 2019 payroll tax returns by the established due date.

Questioned Cost

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

Context

We reviewed the quarterly payroll tax returns for the filing dates and noted that the June 30, 2019 returns had not been filed as of fieldwork.

Repeat Finding

Not a repeat finding.

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

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

2019-005 Appropriations Limit (Significant Deficiency/Compliance)

Criteria

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

Condition

The District could not provide the Appropriations Limit calculation for the 2018-19 fiscal year.

Cause

The District did not calculate and adopt the Appropriations Limit for the 2018-19 fiscal year.

Effect

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-005 Appropriations Limit (Significant Deficiency/Compliance) (Continued)

Questioned Cost

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

Context

Not applicable.

Repeat Finding

Not a repeat finding.

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

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

ROUGH AND READY FIRE PROTECTION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2019

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
2018-001	<p>Deficiencies in Control Structure Design</p> <p>Recommendation</p> <p>We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.</p> <p>Status</p> <p>In Progress</p>
2018-002	<p>Audit Adjustments</p> <p>Recommendation</p> <p>We recommend that the District reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.</p> <p>Status</p> <p>Implemented</p>
2018-003	<p>Budget</p> <p>Recommendation</p> <p>We recommended that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are requires, we recommend that the District take appropriate action to amend the budget.</p> <p>Status</p> <p>Implemented</p>

ROUGH AND READY FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2019

Finding 2019-001 Capital Assets (Material Weakness)

We recommend the District review and update the depreciation schedule annually and that District personnel obtain Board approval before acquiring capital assets.

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

Responsible Individual: Carol Fassino/Chief Vaughn

Corrective Action Plan: Depreciation schedule will be updated annually. Capital assets will have board approval prior to purchase.

Anticipated Completion Date: Implemented

Finding 2019-002 Deficiencies in Control Structure (Significant Deficiency)

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

Management's Response: Due to limited staff, the District has limited options.

Responsible Individual: Carol Fassino/Chief Vaughn

Corrective Action Plan: All timecards and warrants are reviewed by the Fire Chief prior to being submitted for payment.

Anticipated Completion Date: Ongoing

Finding 2019-003 Cash and Investments (Significant Deficiency)

We recommend that the District establish procedures to reconcile amounts held by the County of Nevada to the general ledger and that unreconciled amounts in cash and investments be researched and resolved.

Management's Response: Previous office staff did not reconcile the cash and other accounts on the District's books.

Responsible Individual: Carol Fassino

Corrective Action Plan: The District has hired a qualified bookkeeper to maintain the District's Nevada County Treasury books and reconcile them monthly.

Anticipated Completion Date: Implemented

ROUGH AND READY FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2019

Finding 2019-004 Payroll Tax Returns (Significant Deficiency/Compliance)

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

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

Responsible Individual: Carol Fassino

Corrective Action Plan: The District has brought all filings current.

Anticipated Completion Date: June 30, 2020

Finding 2019-005 Appropriations Limit (Significant Deficiency/Compliance)

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

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

Responsible Individual: Carol Fassino

Corrective Action Plan: Appropriation calculations have been brought up to date.

Anticipated Completion Date: February 18, 2020