

**SOUTH PLACER
FIRE DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2021



Robert W. Johnson
an accountancy corporation

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October 12, 2021

To the Board of Directors
South Placer Fire District
Granite Bay, California

We have audited the financial statements of South Placer Fire District as of and for the year ended June 30, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of South Placer Fire District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered South Placer Fire 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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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. We have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

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1. Operational Analysis:

Business Basis:

	<u>2021</u>	<u>2020</u>	Favorable (Unfavorable) <u>Variance</u>
Program revenues	\$ 2,493,631	\$ 2,214,714	\$ 278,917
General revenues	<u>11,265,093</u>	<u>10,933,938</u>	<u>331,155</u>
Total revenues	13,758,724	13,148,652	610,072
Expenses	<u>15,562,853</u>	<u>14,728,372</u>	(<u>834,481</u>)
Net income/(loss)	\$(<u>1,804,129</u>)	\$(<u>1,579,720</u>)	\$(<u>224,409</u>)
Cash	\$ <u>4,764,404</u>	\$ <u>5,148,098</u>	\$(<u>383,694</u>)
Net pension liability	\$ <u>11,566,739</u>	\$ <u>9,833,883</u>	\$(<u>1,732,856</u>)
Net OPEB liability	\$ <u>3,609,569</u>	\$ <u>3,581,307</u>	\$(<u>28,262</u>)

Observations:

- On a business basis – large loss of \$1,804,129 was realized. Large loss was primarily due to continuing large increases in pension costs - \$1,732,856 increase in net pension liability in 2020-21 fiscal year alone.
- District’s cash position declined by \$383,694.

Board Designated (Equity) Reserves:

Observation:

At June 30, 2021 the District had Board-designated equity reserves of \$2,917,785. Several of these reserves, totaling approximately \$1.7M, are related to the former Loomis Fire Protection District. See Note 8 to the June 30, 2021 audited financial statements for more detail on components of equity.

Recommendation:

Board of Directors may wish to review the District's board-designated reserves (not mitigation reserves), possibly consolidating some of the former Loomis Fire Department reserves in with the consolidated district. The Board may also review the Contingency Reserve, currently set at \$410,000, less than the historical 5% of budget, which is closer to \$700,000. Board may give special consideration to updating reserves, bearing in mind that deficit budgets and / or operating losses degrade rather than bolster reserves.