

**SOUTH PLACER
FIRE DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2022

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
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November 18, 2022

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

In planning and performing our audit of the financial statements of South Placer Fire District as of and for the year ended June 30, 2022, 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 first 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

Robert W. Johnson, An Accountancy Corporation
Citrus Heights, California
November 18, 2022

1. Comparison of Operational Results – Government-wide:

	<u>2022</u>	<u>2021</u>	<u>Favorable (Unfavorable) Variance</u>
Program revenues	\$ 2,735,774	\$ 2,493,631	\$ 242,143
General revenues	<u>11,951,709</u>	<u>11,265,093</u>	<u>686,616</u>
Total revenues	14,687,483	13,758,724	928,759
Expenses	<u>11,940,276</u>	<u>15,562,853</u>	<u>3,622,577</u>
Net income/(loss)	<u>\$ 2,747,207</u>	<u>\$(1,804,129)</u>	<u>\$ 4,551,336</u>
Cash	<u>\$ 4,855,474</u>	<u>\$ 4,764,404</u>	<u>\$ 91,070</u>
Net pension liability	<u>\$ 3,437,844</u>	<u>\$11,566,739</u>	<u>\$ 8,128,895</u>
Deferred inflows – pension	<u>\$ 8,660,094</u>	<u>\$ 2,749,379</u>	<u>\$(5,910,715)</u>
Net OPEB liability	<u>\$ 3,663,661</u>	<u>\$ 3,609,569</u>	<u>\$ 54,092</u>

Observations:

Government-wide financial statements present capital assets and depreciation, long-term debt, including net pension and net OPEB liabilities. Noteworthy items are as follows:

23% decline in expenses (government-wide financial statements refer to “expenses” rather than “expenditures” in fund financial statements)—due to a \$2.9M adjustment on the government-wide basis resulting from a significant decline in net pension liability.

The District’s net pension liability (NPL) decreased by \$8.1M, although it was somewhat offset by a large increase in deferred inflows of resources. The CalPERS pension plan investment pool the District participates in saw a positive result due to high investment returns in CalPERS investments as of the Plan 6/30/20 measurement date. The District will likely see the NPL increase in the next two years as CalPERS pension fund reflects the recent decline in the stock market.

2. Prior Year Recommendation:

Board Designated (Equity) Reserves:

Recommendation:

We recommended that the Board of Directors review its board-designated reserves (not mitigation reserves), possibly consolidating some of the former Loomis Fire Department reserves into the consolidated district. We further recommended the Board 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.

Follow up:

Mitigation fees from the former Loomis Fire Department were consolidated with South Placer Fire District mitigation reserves, pursuant to our recommendation. Subsequent to June 30, 2022 fiscal year end, by action of the District's Board of Directors, reserves were reviewed and reallocated. Such changes to reserves will be reflected on the 6/30/23 interim and year-end financial statements.

