



California Fire & Rescue Training Authority. Sacramento

3121 Gold Canal Dr., Mather, CA 95670 • Phone (916) 475-1660 • Fax (916) 475-1662

www.fireandrescuetraining.ca.gov

Governing Council

Fire Chief Brian Marshall
Deputy Chief Niko King
Fire Chief Todd Harms

California Governor's Office of Emergency Services
Sacramento Fire Department
Sacramento Metropolitan Fire District

*Asst. Chief Joe Gear
Executive Director*

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY AT SACRAMENTO GOVERNING COUNCIL

November 18, 2021 at 1:00 PM

This meeting will be held in person and accessible by Zoom Conference call or Video for the public who would like to participate but cannot attend in person.

Meeting Location: California Fire & Rescue Training Authority
3121 Gold Canal Drive
Rancho Cordova, CA 95670

Join Zoom Meeting

<https://us02web.zoom.us/j/88012220330?pwd=Q0daakJtUVhTUUVB2L3ZWV1I2V2NUUT09>

Join Zoom meeting via teleconferencing using a cell phone or traditional landline phone.

**Join the Meeting via the Zoom Phone Number
1 669 900 6833**

Meeting ID: 880 1222 0330

Passcode: 150030

Instructions to Make Public Comment

During the meeting, members of the public who wish to provide verbal comments during the meeting, may do so. If you wish to provide verbal comments via teleconference, follow these instructions:

To request to make a public comment by phone press *9 to raise your hand. Please wait to be called upon by the Governing Council Clerk.

Please note that members of the public waiting to speak will be put in order by request to speak. All public comments will be limited to three-minutes.

If you have questions related to the Governing Council Meeting or the use of Zoom Meeting, please contact the Governing Council Clerk, Lana Nielsen at (916) 202-1775 or email Lana.nielsen@fireandrescuetraining.ca.gov before 5:00 PM, November 17, 2021.

AGENDA

CALL TO ORDER

PLEDGE TO THE FLAG

ROLL CALL

PUBLIC COMMENT ON AGENDA/NON-AGENDA ITEMS

This portion of the meeting is reserved for persons wishing to address the Governing Council on any matter, including matters which are not on the agenda. Please note that state law prohibits the Governing Council from acting on matters not on the agenda. Matters raised by the public may be referred to staff or placed on the next meeting's agenda. While the Governing Council welcomes and encourages attendance and input at Council meetings, comments from individuals will be limited to three minutes and Organizations to five minutes. The Council Chair may in the interest of time and good order limit the length and number of public member presentations. Speakers may not disrupt the meeting or use profanity.

COUNCIL MEMBER ANNOUNCEMENTS

CONSENT AGENDA

1. Approval of Action Summary:
October 26, 2021

Action: Motion to approve Consent Agenda

EXECUTIVE DIRECTOR REPORT (Gear)

Action: Accept and file Executive Director report

TRAINING REPORT (Gear)

1. US&R and Fire Training programs update
Action: Accept US&R and Fire training update

AUDITOR PRESENTATION (Gear)

2. Auditor Presentation
Action: Accept Auditor presentation

FY 17 and FY 18 AUDIT REPORT (Gear)

3. FY 2017 and FY 2018 Audit Report
Action: Accept and file Audit Report

DISSOLUTION OF AUTHORITY (Gear)

Action: Overview, Assessment and Discussion regarding Dissolution of Authority and provide possible directions.

RECESS TO CLOSED SESSION

CLOSED SESSION GOVERNMENT CODES:

Closed session pursuant to Government Code § 54957.6 – Conference with Labor Negotiator

Agency Designated Representatives: Authority Chair, Executive Director, and Authority General Counsel Sloan Sakai Yeung & Wong LLP

Unrepresented Employees: Administrative Officers for Finance, US&R Training, and Fire Training, Logistician/Operations Support, and Financial Secretary

CLOSED SESSION REPORT

GOVERNING COUNCIL QUESTIONS AND COMMENTS

ADJOURNMENT

NEXT MEETING(S) - Location: California Fire & Rescue Training Authority
3121 Gold Canal Drive, Rancho Cordova, CA 95670

December 14, 2021 at 10:30 AM

Posted on November 15, 2021, by:



Lana Nielsen, Council Clerk



California Fire & Rescue Training Authority. Sacramento

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Executive Director*

DRAFT

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY AT SACRAMENTO GOVERNING COUNCIL

October 26, 2021

CALL TO ORDER

Council Chair, Fire Chief Brian Marshall called the meeting to order at 10:34 AM

PLEDGE TO THE FLAG

ROLL CALL Roll call was taken, all present except for Meg Wilson, legal counsel: Fire Chief Brian Marshall, Deputy Chief Niko King, Fire Chief Todd Harms. Staff: Executive Director Assistant Chief Joe Gear, Council Clerk Lana Nielsen, and an audience of 3 with 10 people attending via Zoom video conference.

PUBLIC COMMENT ON AGENDA/NON-AGENDA ITEMS

None

COUNCIL MEMBER ANNOUNCEMENTS

None

CONSENT AGENDA

1. Approval of Action Summary:
September 24, 2021

Council Action: Harms/King: Move to approve consent agenda
(AYES: King, Harms)
Motion Passed

EXECUTIVE DIRECTOR REPORT (Gear)

Council Action: Harms/King: Move to accept and file Executive Director
Report
(AYES: King, Harms)
Motion Passed

TRAINING REPORT (Gear)

1. US&R and Fire Training programs update

Fire Training update:

As of July 1st, the agency has conducted 12 State Fire training courses and 1 FEMA NIMS course, with over 252 students having been trained.

US&R Training update:

The new FEMA program directive regarding vaccine requirements has put a bump in the road but we are working through those, with a full training calendar scheduled. The December exercise did get cancelled but we are still moving forward with the training classes on the calendar.

For the Mobilization exercises we do intend to try to squeeze them all in this fiscal year the reality is slim that we will be able to do all of them. Teams are asking if the funding will still be there after April 30, 2022 if their MOBEX hasn't been completed. For their planning and budgeting of these exercises they are looking for some confirmation or guidance regarding their \$150,000 being available after July 1, 2022.

Chief Marshall: The MOBEX funds will be returned to Cal OES and will be available after July 1, 2022 to the teams.

Council Action: Harms/King: Move to accept oral training Report
(AYES: King, Harms)
Motion Passed

FINANCE AUDIT REPORT (Gear)2. FY 2017 and FY 2018 Audit Report

Action: Table audit report until November 18, 2021 meeting. Request the auditor to present on the audit findings and discuss the process and procedures of the final audit.

Council Action: Harms/King: Move to table audit report discussion until November 18, 2021.
(AYES: King, Harms)
Motion Passed

At the Council's discretion posted agenda items can be discussed out of order. The Dissolution of the Authority will be discussed after closed session.

RECESS TO CLOSED SESSION**CLOSED SESSION GOVERNMENT CODES:****Closed session pursuant to Government Code § 54957.6 – Conference with Labor Negotiator**

Agency Designated Representatives: Authority Chair, Executive Director, and Authority General Counsel Sloan Sakai Yeung & Wong LLP
Unrepresented Employees: Administrative Officers for Finance, US&R Training, and Fire Training, Logistician/Operations Support, and Financial Secretary

CLOSED SESSION REPORT

No reportable action from closed session.

DISSOLUTION OF AUTHORITY (Gear)

It has been determined the airplane at Zinfandel is the property of the CFRTA. There are some items in the quick claim deed and restrictions associated with our transfer of it. It prevents us from transferring the whole plane, we could transfer it for salvage or look at reaching out to Sacramento Metro and working with them to see if they have concerns with us disposing of it, for instance to the museum for parts versus salvaging it. In summary, we do own the plane and have to find a way to dispose of it with the dissolution.

Council Action: Harms/King: Move to receive the Dissolution of Authority
Report
(AYES: King, Harms)
Motion Passed

GOVERNING COUNCIL QUESTIONS AND COMMENTS

None

ADJOURNMENT - Meeting adjourned at 12:09 PM

NEXT MEETING(S) - Location: California Fire & Rescue Training Authority
3121 Gold Canal Drive, Rancho Cordova, CA 95670

November 18, 2021 at 1:00 PM
December 14, 2021 at 10:30 AM

Posted on October 22, 2021, by:



Lana Nielsen, Council Clerk



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Fire Chief Brian Marshall, Chairperson
Deputy Chief Niko King, Vice Chairperson
Fire Chief Todd Harms, Secretary

Governing Council

California Governor's Office of Emergency Services
Sacramento Fire Department
Sacramento Metropolitan Fire District

*Asst. Chief Joe Gear
Executive Director*

Date: November 18, 2021
To: California Fire & Rescue Training Authority – Governing Council
Subject: Executive Director Report

A) The Executive Director has been in contact with several companies to get quotes on digitizing all CFRTA records and then having the hard copies shredded and destroyed.

One company appears to be quite strong in this area.

Once written quotes are received and reviewed, the Executive Director will sign a contract with the successful bidder.

B) All current CFRTA personnel are actively seeking new positions. The Executive Director is assisting and cooperating as much as possible in these processes. A contingency plan is being developed in case all current personnel resign and relocate before the CFRTA ceases operations.

C) The Executive Director and Staff will be preparing an inventory of assets, furniture, electronics, vehicles, office equipment, and storage containers. Employees will have an option to purchase laptops, iPads, and printers assigned to them at fair market value.

Once this inventory process is completed, a report will be prepared for review by the Governing Council including recommended policies and procedures for the equitable distribution of these assets and any funds received from the sale of any of these assets.

Submitted by:



Assistant Chief Joe Gear
Executive Director



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Governing Council

Fire Chief Brian Marshall, Chairperson
Deputy Chief Niko King
Fire Chief Todd Harms

California Governor's Office of Emergency Services
Sacramento Fire Department
Sacramento Metropolitan Fire District

Joe Gear
Executive Director

Date: November 18, 2021
To: CFRTA Governing Council Members
Subject: Fiscal Audit 2017 and 2018

TOPIC

This request is being made to the Governing Council to review and accept the Fiscal Audit for Fiscal Years ending June 30, 2017 and June 30, 2018.

SUMMARY

This is a request to review and accept the independent financial audit of the California Fire & Rescue Training Authority for the years ending June 30, 2017 and June 30, 2018.

DISCUSSION

Richardson & Company, Certified Public Accountants, conducted an independent audit of the financial statements of the California Fire & Rescue Training Authority for the fiscal years ending June 30, 2017 and June 30, 2018.

The highlights of the report include, but not limited to:

COMMITMENTS AND CONTINGENCIES:

The Authority has a dispute with NCRPSTA about the validity of certain membership contribution invoices received from NCRPSTA. The Authority did not believe the invoices received from the NCRPSTA in total amount of \$68,443 were valid and, accordingly, did not pay these invoices. As the Authority and NCRPSTA are in a process to resolve this dispute, it is not certain how much of these invoices will be paid by the Authority. Therefore, the Authority has not recorded the \$68,443 contingent liabilities in the financial statements. In addition, a portion of the \$22,752 invoice is related to Sacramento Metropolitan Fire District's (SMFD) portion of membership contribution. In event that the Authority pays the invoice related to SMFD to NCRPSTA, the Authority may seek reimbursement from SMFD for the amount paid to NCRPSTA.

PRIOR YEAR AUDIT FINDINGS:

Finding 2014-1: Accrual Basis of Accounting and Fiscal Year End Closing Process

Condition: In order to conform with generally accepted governmental accounting principles, the amounts reported in the Authority's financial statements must be accounted

for using the full accrual basis of accounting. We noted that the Authority utilizes the County of Sacramento for its treasury function and the County system reflects the balance sheet and income statement accounts of the Authority in a separate fund, which the Authority utilizes for their accounting system. However, the information maintained by the Authority on the County's system does not contain all of the necessary entries needed to record expenses in the period to which they relate or to record revenue in the proper period. As a result, we had at least 18 audit adjustments per year to accrue for expenses paid after year-end so the expense is recorded in the year incurred and also to accrue training revenue to the period the course was held. Accumulating the course revenue date to be able to record the revenue in the period the course took place involved time-consuming data extracting from the Authority's internal course tracking system and also required manually going through each course fee to determine the fiscal year the course took place. Had this revenue been recorded in the correct fiscal year at the time payments were received, the time-consuming processes would not have been necessary. The limitation of the County system, which does not allow for adjustments after mid-July, contributes to the difficulty in recording revenues and expenses in the correct year.

Recommendation: We recommend that the Authority utilize their internal accounting software to maintain their general ledger on the accrual basis of accounting, and that course revenue be identified and recorded in the fiscal year the class was held at the time the payments are received.

Status: As of the June 30, 2018 date being audited, the Authority had not fully implemented their internal accounting software.

Management Response: Management concurs with the auditors finding but has not had the resources to fully implement the internal accounting system.

Finding 2014-2 Capital Assets

Condition: The Authority is required to record and depreciate capital assets in the financial statements.

We noted the Authority maintains a subsidiary listing of capital assets but the listing did not match the balances in the general ledger. Audit adjustments were proposed each year to update the capital asset balances.

Recommendation: We recommend that general ledger account balances for capital asset be adjusted annually to match the amount on the capital asset listing at least annually. In addition, the Authority needs to add the training facility improvements and training plane contributed by Sacramento Metropolitan Fire District to the capital asset listing

Status: The Authority has not updated its general ledger to match the balances on the capital asset listing and the contributed training facility assets have not been added to the listing.

Management Response: Management concurs with the auditors finding and is developing a process to update of general ledger account balances annually and to add the contributed assets to the list.

On-Behalf Payments

The Authority's member agencies have been making direct salary and benefit payments on behalf of the Authority to certain personnel of the Authority. The Authority considered these on-behalf payments made by the member agencies as additional contributions from member agencies, and accordingly, the Authority does not have any obligation to repay the member agencies for any direct salary and benefit payments made on behalf of the Authority. The Authority's personnel who received the on-behalf payments from the member agencies included the Authority's current executive director and training captains. Generally Accepted Accounting Principles requires the Authority to record revenue equal to the amounts that these recipients of the payments received and that are receivable at the year-end for each fiscal year and to record expenditures that equal the amount recorded as revenues. However, the Authority has not tracked these on-behalf payments and accordingly, has not recorded these payments in the financial statements. The amounts that should have been recorded in the financial statements are not determined. The Authority's management believes that the amounts of these on-behalf payments are likely to be immaterial to the financial statements.

Recommendation: The Authority should track and determine the amount of on-behalf payments received on a monthly basis. We recommend the Authority include the on-behalf payment calculation as part of its annual year end accounting closing procedures.

Management Response: Management concurs with the auditor's finding and will develop a process with the Authority's Member Agencies to recognize on-behalf payments.

Current Status of Prior Year Finding: The Authority has yet to develop a process in order to recognize on-behalf payments from its Member Agencies. We reiterate our previous finding and recommend the Authority develop a process for tracking and determining on-behalf payments.

Classification of Contractors and Employees

The Authority employs instructors to provide trainings and classes for emergency personnel. Individuals providing training services are classified as either a contractor or limited term employees. But, the Authority does not have a policy which sets forth the criteria for determining which individuals are contractors or employees. Not having such a policy puts the Authority at risk of not correctly classifying individuals as employees and being possibly liable for related payroll taxes.

Recommendation: We recommend the Authority develop a contractor and employee classification policy that adheres to IRS guidelines for properly classifying individuals.

Management Response: Management concurs with the auditor's comment. As a result, written procedures are being developed in accordance with IRS guidelines to ensure proper classification of employees.

Current Status of Prior Year Finding: The Authority has drafted a policy but it has not yet been adopted.

FISCAL IMPACT

None.

RECOMMENDATION

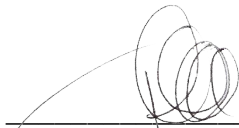
Accept the Independent Fiscal Audit for Fiscal Years ending June 30, 2017 and June 30, 2018.

Submitted by:



Lana Nielsen
Administrative Officer ~ Finance

Approved by:



Joe Gear
Executive Director



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GOVERNANCE LETTER

To the Board of Directors
California Fire and Rescue Training Authority
Sacramento, California

We have audited the financial statements of the California Fire and Rescue Training Authority (the Authority) for the years ended June 30, 2017 and 2018 and have issued our report thereon dated August 10, 2021. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated June 29, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated January 24, 2018.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. We noted no transaction entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. We noted several transactions that have been recognized in the financial statements in a different period than when the transaction occurred. However, adjustments were made during the audit to ensure transactions were recorded in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Accounting estimates are used in determining the depreciable lives and methods used for capital assets. The depreciable lives and methods used for capital assets affects the amount of depreciation expense that is recorded and are based on the Authority's estimate of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The audits were delayed because of difficulties in obtaining the information needed to record the training course revenue in the period the courses took place, which is the accrual basis of accounting, instead of when the cash is received, which is the cash basis of accounting.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjustments included 12 closing entries and audit adjustments each year needed to correct balances of the accounts and transactions. The nature of these adjustments consists of the following:

- Corrections to match fiscal year 2016 and 2017 audited balances
- Adjust capital assets to the correct balances and record depreciation
- Record disposals of capital assets
- Accrue June credit card charges paid in July
- Record revenue and receivables in the period the courses were provided
- Record unearned revenue for revenue received in advance of the period to which they relate
- Accrue for June payroll paid in July
- Record grant revenue in the proper period

This large volume of adjustments indicates that the Authority's current accounting practices are not sufficient to ensure that financial statements can be prepared on the accrual basis of accounting, due to the limitations of the County's system on which the Authority's general ledger is maintained.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 10, 2021.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Richardson & Company, LLP

August 10, 2021



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MANAGEMENT LETTER

To the Board of Directors
California Fire and Rescue Training Authority
Sacramento, California

In planning and performing our audit of the financial statements of the California Fire and Rescue Training Authority (the Authority) for the years ended June 30, 2017 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for determining our auditing procedures 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of the following matters that have been included in this letter for your consideration:

Strategic and risk assessment plans: We recommend the Authority prepare strategic and risk assessment plans. It is our understanding that the Authority is currently performing an assessment of future needs and that a strategic plan will be prepared when that is completed. The Authority also needs to ensure that it has a process in place whereby risks that could result in fraud or material misstatement of the financial statements are identified and discussed, and then to implement internal controls to mitigate those identified risks. This risk assessment should be performed on a periodic basis and can be incorporated into existing staff and management meetings. In addition, the Finance Committee should be involved in this risk assessment process as well.

Fixed Assets Policy: The Authority has a policy indicating that inventory of fixed assets would be performed annually this has not occurred. We recommend that the inventory be done on fixed assets in compliance with the policy.

Fraud Prevention Policy: The development of a whistleblower policy has been found helpful to encourage employees to express concerns about the operations and accounting practices of an organization. We recommend the Authority develop a whistleblower policy. We also recommend the Authority periodically evaluate the risk of fraud within the organization and develop a fraud prevention policy to address these risks. We understand a policy is in the process of being developed.

Payroll: We noted that although it was indicated that the payroll and timesheets are approved by the executive director, there is no sign off or indication that the payroll was reviewed and approved by the executive director. We recommend that the payroll register be printed, signed, and dated by the executive director to indicate payroll has been reviewed and approved prior to being paid.

* * * * *

To the Board of Directors
California Fire and Rescue Training Authority
Page 2

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the Board, management, and others within the Authority and is not intended to be and should not be used by anyone other than these specific parties.

Richardson & Company, LLP

August 10, 2021

**CALIFORNIA FIRE AND RESCUE
TRAINING AUTHORITY**

Audited Financial Statements and
Other Reports

June 30, 2018 and 2017

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

Audited Financial Statements and
Other Reports

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Fire and Rescue Training Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Fire and Rescue Training Authority (the Authority) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's 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 audits. We conducted our audits 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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
California Fire and Rescue Training Authority

Opinions

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 of the Authority as of June 30, 2018 and 2017 and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Substantial Doubt about the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note G to the financial statements, two of the Authority's members have withdrawn their membership, which requires dissolution of the Authority. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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 the financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 10, 2021

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

BALANCE SHEETS

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	\$ 1,468,008	\$ 1,284,732
Receivables		
Accounts receivable	74,603	148,632
Interest	11,998	4,360
Capital assets:		
Being depreciated, net	<u>3,008,621</u>	<u>3,221,489</u>
TOTAL ASSETS	<u>\$ 4,563,230</u>	<u>\$ 4,659,213</u>
LIABILITIES AND FUND BALANCES/NET POSITION		
Accounts payable and accrued expenses	\$ 44,230	\$ 114,298
Unearned revenue	<u>36,078</u>	<u>12,115</u>
Total Liabilities	<u>80,308</u>	<u>126,413</u>
NET POSITION		
Investment in capital assets	3,008,621	3,221,489
Unrestricted	<u>1,474,301</u>	<u>1,311,311</u>
Total Net Position	<u>4,482,922</u>	<u>4,532,800</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,563,230</u>	<u>\$ 4,659,213</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Training charges	\$ 332,908	\$ 127,083
Member contributions	800,000	800,000
Other revenue	320,705	512,255
TOTAL OPERATING REVENUES	<u>1,453,613</u>	<u>1,439,338</u>
OPERATING EXPENSES		
Salaries and employee benefits	693,285	602,419
Services and supplies	621,254	799,010
Depreciation	212,868	214,794
TOTAL OPERATING EXPENSES	<u>1,527,407</u>	<u>1,616,223</u>
OPERATING LOSS	(73,794)	(176,885)
NONOPERATING REVENUES (EXPENSES)		
Interest income	23,916	8,606
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>23,916</u>	<u>8,606</u>
CAPITAL CONTRIBUTIONS		
Capital contributions	-	50,000
TOTAL CAPITAL CONTRIBUTIONS	<u>-</u>	<u>50,000</u>
CHANGE IN NET POSITION	(49,878)	(118,279)
Total net position, beginning of year	<u>4,532,800</u>	<u>4,651,079</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 4,482,922</u>	<u>\$ 4,532,800</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,551,605	\$ 1,773,673
Cash paid to suppliers	(691,322)	(1,033,354)
Cash paid to employees	(693,285)	(550,578)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>166,998</u>	<u>189,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	-	50,000
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>50,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,278	9,471
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,278</u>	<u>9,471</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	183,276	249,212
Cash and cash equivalents, beginning of year	<u>1,284,732</u>	<u>1,035,520</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,468,008</u></u>	<u><u>\$ 1,284,732</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (73,794)	\$ (176,885)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	212,868	214,794
Changes in assets and liabilities:		
Accounts receivable	74,029	(87,480)
Due from other governments	-	415,665
Other assets	-	15,000
Accounts payable and accrued expenses	(70,068)	(97,503)
Due to other governments	-	(100,000)
Unearned revenue	23,963	6,150
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 166,998</u></u>	<u><u>\$ 189,741</u></u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the California Fire and Rescue Training Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the Authority are described below.

Background: The Authority was organized through a Joint Powers Agreement (JPA) beginning December 1, 1997, to acquire, construct, operate, and maintain facilities for the purpose of providing Fire, Rescue, Emergency Medical Service, and Hazardous Materials training for member agencies and other entities. The original JPA members were the American River Fire Protection District, the City of Sacramento for the Sacramento Fire Department, the Sacramento County Fire Protection District, and the California Office of Emergency Services, Fire and Rescue. Effective December 1, 2000, the American River and Sacramento County Fire Protection Districts reorganized and consolidated into the Sacramento Metropolitan Fire District, leaving three remaining Authority members (California Office of Emergency Services, Sacramento Metropolitan Fire District, Sacramento Fire Department). The Governing Council is currently comprised of three council members – one member from each member agency: California Office of Emergency Services, Sacramento Metropolitan Fire District, and Sacramento Fire Department. In March 2003, the Governing Council voted to change the name of the Authority from Regional Fire and Rescue Training Authority to California Fire and Rescue Training Authority.

The Authority includes all financial activities under control of its Governing Council. Control was determined on the basis of budget adoption and continuing oversight responsibilities. The Authority is funded through contributions made by JPA members and service fees charged for training classes.

Basis of Presentation – Fund Accounting: The Authority's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principle operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets: Capital assets are recorded at historical cost. Donated assets are valued at estimated fair value on the date received. Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Facilities	25 years
Equipment	5-10 years

Maintenance and repairs are charged to operations when incurred. It is the Authority’s policy to capitalize all capital assets with a cost of more than \$5,000 and a useful life of more than one year. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Unearned Revenue: Unearned revenue represents course registration fees received prior to June 30, 2018 and 2017 for the next fiscal year.

Net Position: Net position is categorized as follows:

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority has no restricted net position.

Unrestricted Net Assets – This category represents net position of the Authority not restricted for any project or other purpose.

Use of 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash in the County pool.

Investment policy: California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Authority does not have its own investment policy that addresses its interest rate risk, credit risk and concentration of credit risk, but uses the County’s policy.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE B – CASH AND INVESTMENTS

Investment in the County of Sacramento’s Investment Pool: The Authority maintains its cash in Sacramento County’s cash and investment pool, which is managed by the Sacramento County Treasurer. The amount invested by all public agencies in Sacramento County’s cash and investment pool is \$4,018,101,484 and \$3,917,739,101 at June 30, 2018 and 2017, respectively. Sacramento County does not invest in any derivative financial products. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County’s cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority’s position in the pool. Investments held in the County’s investment pool are available on demand to the Authority and are stated at cost, which approximates fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 and 2017, the weighted average maturity of the investments contained in the County’s investment pool was approximately 309 days and 277 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County’s investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County’s investment pool).

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

	Balance June 30, 2017	Additions	Transfers	Disposals	Balance June 30, 2018
Capital assets, being depreciated:					
Facilities	\$ 3,443,097				\$ 3,443,097
Equipment	358,908				358,908
Total capital assets, being depreciated	<u>3,802,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,802,005</u>
Less accumulated depreciation for:					
Facilities	(403,448)	\$ (142,587)			(546,035)
Equipment	(177,068)	(70,281)			(247,349)
Total accumulated depreciation	<u>(580,516)</u>	<u>(212,868)</u>	<u>-</u>	<u>-</u>	<u>(793,384)</u>
Total capital assets for governmental activities	<u>\$ 3,221,489</u>	<u>\$ (212,868)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,008,621</u>

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE C – CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Transfers	Disposals	Balance June 30, 2017
Capital assets, being depreciated:					
Facilities	\$ 3,443,097				\$ 3,443,097
Equipment	432,026			\$ (73,118)	358,908
Total capital assets, being depreciated	<u>3,875,123</u>	<u>-</u>	<u>-</u>	<u>(73,118)</u>	<u>3,802,005</u>
Less accumulated depreciation for:					
Facilities	(260,861)	\$ (142,587)			(403,448)
Equipment	(177,979)	(72,207)		73,118	(177,068)
Total accumulated depreciation	<u>(438,840)</u>	<u>(214,794)</u>		<u>73,118</u>	<u>(580,516)</u>
Total capital assets for governmental activities	<u>\$ 3,436,283</u>	<u>\$ (214,794)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,221,489</u>

NOTE D – OPERATING LEASES

The Authority entered into a 55-year ground lease with the Sacramento Metropolitan Fire District commencing on December 19, 2011 for the use of 15.6 acres of land located in the City of Rancho Cordova, California, for developing an urban search and rescue training facility. The annual minimum rent payment is \$30,000 and is payable at the beginning of the lease year. The ground lease expires on December 19, 2066. In addition to the annual rent related to the ground lease, the Authority also agreed to pay a one-time fee for leasehold improvements located at the ground lease site. The one-time fee was \$1,521,794 and was paid at the execution of the lease on December 19, 2011.

The Authority entered into a 48-month building lease agreement on July 1, 2015 with Sacramento Metropolitan Fire Department to lease 6,721 square feet of the building located at 10545 Armstrong Avenue, Rancho Cordova, CA 95665. The annual payment is \$31,452 payable in 12 monthly payments of \$2,621, with scheduled annual increases every April. The building lease has two options to extend the terms of the lease for a period of three years each. The lease was terminated March 2020.

The Authority entered into a 1-year building lease agreement on July 1, 2020 with Sacramento Metropolitan Fire Department to lease a building on Gold Canal Drive. The annual payment is \$18,000 in 12 monthly payments of \$1,500. The building lease has the option to extend the term of the lease by one additional year term after the expiration of the first one-year term. The Authority exercised its option to extend the lease through June 30, 2022.

Total rent expense for the years ending June 30, 2018 and 2017, were \$78,706 and \$292,592 respectively. Future minimum lease payments under these agreements are as follows for the years ended June 30:

Year ending June 30:	Amount
2019	\$ 63,618
2020	55,776
2021	48,000
2022	30,000
2023	30,000
Thereafter	<u>1,290,000</u>
Total	<u>\$ 1,517,394</u>

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE E – COMMITMENTS AND CONTINGENCIES

The Authority has a dispute with NCRPSTA about the validity of certain membership contribution invoices received from NCRPSTA. The Authority did not believe the invoices received from the NCRPSTA totaling \$68,443 were valid and, accordingly, did not pay these invoices. As the Authority and NCRPSTA are in a process to resolve this dispute, it is not certain how much of these invoices will be paid by the Authority. Therefore, the Authority has not recorded the \$68,443 contingent liability in the financial statements. In addition, a portion of the \$22,752 invoice is related to Sacramento Metropolitan Fire District's (SMFD) portion of membership contribution. In event that the Authority pays the invoice related to SMFD to NCRPSTA, the Authority may seek reimbursement from SMFD for the amount paid to NCRPSTA.

The Authority receives grants for specific purposes that are subject to review and audit by the funding source. Such audits could result in the funding source's request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE F – GOING CONCERN

Two of the Authority's member agencies, California Office of Emergency Services and Sacramento Metropolitan Fire District, have given notice of withdrawal of their membership to the Authority's Board of Directors. The JPA Agreement states that if two members withdraw from the JPA, then that constitutes the dissolution of the JPA. The dissolution will be effective June 30, 2022. The assets and liabilities of the Authority will be returned to each member in proportion to their contributions to the Authority.

COMPLIANCE REPORT

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
California Fire and Rescue Training Authority
Sacramento, 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 California Fire and Rescue Training Authority (the Authority), as of and for the years ended June 30, 2017 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of prior year findings and recommendations as finding 2014-1 and 2014-2 that we consider to be material weaknesses.

To the Board of Directors
California Fire and Rescue Training Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatements, 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 provision 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*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Richardson & Company, LLP

August 10, 2021

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

PRIOR YEAR AUDIT FINDINGS:

Finding 2014-1: Accrual Basis of Accounting and Fiscal Year End Closing Process

Condition: In order to conform with generally accepted governmental accounting principles, the amounts reported in the Authority's financial statements must be accounted for using the full accrual basis of accounting. We noted that the Authority utilizes the County of Sacramento for its treasury function and the County system reflects the balance sheet and income statement accounts of the Authority in a separate fund, which the Authority utilizes for their accounting system. However, the information maintained by the Authority on the County's system does not contain all of the necessary entries needed to record expenses in the period to which they relate or to record revenue in the proper period. As a result, we had at least 18 audit adjustments per year to accrue for expenses paid after year-end so the expense is recorded in the year incurred and also to accrue training revenue to the period the course was held. Accumulating the course revenue date to be able to record the revenue in the period the course took place involved time-consuming data extracting from the Authority's internal course tracking system and also required manually going through each course fee to determine the fiscal year the course took place. Had this revenue been recorded in the correct fiscal year at the time payments were received, the time-consuming processes would not have been necessary. The limitation of the County system, which does not allow for adjustments after mid-July, contributes to the difficulty in recording revenues and expenses in the correct year.

Recommendation: We recommend that the Authority utilize their internal accounting software to maintain their general ledger on the accrual basis of accounting, and that course revenue be identified and recorded in the fiscal year the class was held at the time the payments are received.

Status: As of the June 30, 2018 date being audited, the Authority had not fully implemented their internal accounting software.

Management Response: Management concurs with the auditors finding but has not had the resources to fully implement the internal accounting system.

Finding 2014-2 Capital Assets

Condition: The Authority is required to record and depreciate capital assets in the financial statements. We noted the Authority maintains a subsidiary listing of capital assets but the listing did not match the balances in the general ledger. Audit adjustments were proposed each year to update the capital asset balances.

Recommendation: We recommend that general ledger account balances for capital asset be adjusted annually to match the amount on the capital asset listing at least annually. In addition, the Authority needs to add the training facility improvements and training plane contributed by Sacramento Metropolitan Fire District to the capital asset listing.

Status: The Authority has not updated its general ledger to match the balances on the capital asset listing and the contributed training facility assets have not been added to the listing.

Management Response: Management concurs with the auditors finding and is developing a process to update of general ledger account balances annually and to add the contributed assets to the list.

CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

On-Behalf Payments

The Authority's member agencies have been making direct salary and benefit payments on behalf of the Authority to certain personnel of the Authority. The Authority considered these on-behalf payments made by the member agencies as additional contributions from member agencies, and accordingly, the Authority does not have any obligation to repay the member agencies for any direct salary and benefit payments made on behalf of the Authority. The Authority's personnel who received the on-behalf payments from the member agencies included the Authority's current executive director and training captains. *Generally Accepted Accounting Principles* requires the Authority to record revenue equal to the amounts that these recipients of the payments received and that are receivable at the year-end for each fiscal year and to record expenditures that equal the amount recorded as revenues. However, the Authority has not tracked these on-behalf payments and accordingly, has not recorded these payments in the financial statements. The amounts that should have been recorded in the financial statements are not determined. The Authority's management believes that the amounts of these on-behalf payments are likely to be immaterial to the financial statements.

Recommendation: The Authority should track and determine the amount of on-behalf payments received on a monthly basis. We recommend the Authority include the on-behalf payment calculation as part of its annual year end accounting closing procedures.

Management Response: Management concurs with the auditor's finding and will develop a process with the Authority's Member Agencies to recognize on-behalf payments.

Current Status of Prior Year Finding: The Authority has yet to develop a process in order to recognize on-behalf payments from its Member Agencies. We reiterate our previous finding and recommend the Authority develop a process for tracking and determining on-behalf payments.

Classification of Contractors and Employees

The Authority employs instructors to provide trainings and classes for emergency personnel. Individuals providing training services are classified as either a contractor or limited term employees. But, the Authority does not have a policy which sets forth the criteria for determining which individuals are contractors or employees. Not having such a policy puts the Authority at risk of not correctly classifying individuals as employees and being possibly liable for related payroll taxes.

Recommendation: We recommend the Authority develop a contractor and employee classification policy that adheres to IRS guidelines for properly classifying individuals.

Management Response: Management concurs with the auditor's comment. As a result, written procedures are being developed in accordance with IRS guidelines to ensure proper classification of employees.

Current Status of Prior Year Finding: The Authority has drafted a policy but it has not yet been adopted.