

---

---

**COASTSIDE FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

---

---

**Harshwal & Company LLP  
Certified Public Accountants  
266 17th Street, Suite 200  
Oakland, California 94612-4124  
(505) 814-1201**

# COASTSIDE FIRE PROTECTION DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Activities.....	14
Statement of Fiduciary Net Position.....	15
Statement of Changes in Fiduciary Net Position.....	16
Notes to Financial Statements.....	17 - 32
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	34
Public Employee Retirement Systems (PERS) - Schedule of Funding Progress.....	35
Other Postemployment Benefits (OPEB) Plan - Schedule of Funding Progress.....	36
Schedule of Required Supplementary Information - Pension Plan.....	37
Schedule of Operating Expenditures - Budget and Actual (GAAP) - General Fund.....	38
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.....	39

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
Coastside Fire Protection District  
Half Moon Bay, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Coastside Fire Protection District (the District), as of and for the year ended June 30, 2017, 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.

**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 the major fund of the District as of June 30, 2017, and the respective changes in financial position, and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 and required supplementary information on pages 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018 on our consideration of the Coastside Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coastside Fire Protection District's internal control over financial reporting and compliance.

**Harshwal & Company, LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Oakland, CA**  
**February 21, 2018**

**COASTSIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

This section of the annual financial report of the Coastsides Fire Protection District (the District) present our discussion and analysis of the District financial performance during the fiscal year ended June 30, 2017. The Management's Discussion and Analysis (MD&A) should be read in conjunction with District's financial statements, including the notes and the supplementary information that immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The following summarizes the District's financial highlights for the year ended June 30, 2017

- In total, government-wide net position was \$15,376,573.
- General revenues accounted for \$10,469,857 or 97% percent of total revenues.
- Total government-wide assets were \$27,308,286, cash and cash equivalents were \$17,490,759 and net capital assets totaled \$7,574,110.
- Total program expenses were \$10,859,452 as noted in table 3.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information (not required). The basic financial statements include two kinds of statements that present different views of District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about District overall financial status.

The remaining statements are fund financial statements that focus on individual parts of District, reporting District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Governmental fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.

**The Statement of Net Position and the Statement of Activities**

The statement of net position and statement of activities report information about the District as a whole and its activities. These statements include all assets and liabilities of District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure District's financial health, or financial position. Overtime, increases or decreases in District's net position is one indicator of whether its financial health is improving or deteriorating. To assess the overall health of District, you need to consider additional non-financial factors including the condition District's buildings and other facilities.

**COASTSIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund financial statements**

The fund financial statements provide more detailed information about District's most significant funds — not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

**Governmental funds**

Most of the District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

**COASTSIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following table presents a summary of the District's Statement of Net Position by category as of June 30, 2017 with comparative amounts for 2016.

**TABLE 1: NET POSITION**

	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
<b>Assets</b>		
Current and other assets	\$ 17,597,443	\$ 17,934,128
Capital assets	7,574,110	6,706,552
Deferred outflows	<u>2,136,733</u>	<u>2,310,543</u>
Total assets	<u>27,308,286</u>	<u>26,951,223</u>
<b>Liabilities</b>		
Current liabilities	127,850	1,560,861
Net pension liabilities	10,601,524	8,464,381
Deferred inflows	<u>1,202,339</u>	<u>1,443,807</u>
Total liabilities	<u>11,931,713</u>	<u>11,469,049</u>
<b>Net Position</b>		
Invested in capital assets	7,574,110	6,706,552
Restricted		24,636
Unrestricted	<u>7,802,463</u>	<u>8,750,986</u>
Total net position	<u>\$ 15,376,573</u>	<u>\$ 15,482,174</u>

**COASTSIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONT'D)**

A summary of total District Revenues, Expenses, and Changes in Net Position is presented in the tables below.

**TABLE 2: CHANGES IN NET POSITION**

	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
<b>Program Revenues</b>		
Operating Grants/Reimbursements	\$ 81,827	\$ 26,410
Charges for Services	202,167	199,092
<b>General Revenues</b>		
Taxes	10,340,695	9,941,467
Interest and Investment Earnings	93,730	50,134
Loss on Sale of Asset		
Miscellaneous	<u>35,432</u>	<u>5,143</u>
Total revenues	<u>10,753,851</u>	<u>10,222,246</u>
<b>Program Expenses</b>		
Public Safety	10,585,632	8,203,279
Depreciation	<u>273,820</u>	<u>296,988</u>
Total expenses	<u>10,859,452</u>	<u>8,500,267</u>
Changes in Net Position	<u>\$ (105,601)</u>	<u>\$ 1,721,979</u>

**TABLE 3: GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Service 2017</u>	<u>Total Cost of Service 2016</u>
Public Safety	\$ 10,585,632	\$ 8,203,279
Depreciation-Unallocated	<u>273,820</u>	<u>296,988</u>
Total Governmental Activities	<u>\$ 10,859,452</u>	<u>\$ 8,500,267</u>

The table on page 4 displays, by function, the total and net costs of services provided. The net cost of services represents the total cost less grants and contributions and for revenue received where a charge is made for services provided.



**COASTSIDE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONT'D)**

**General Fund Budgetary Highlights**

As finalized by the Board of Directors, budgeted revenues totaled \$10,647,270 expenditures totaled \$9,033,172 and revenues were projected to exceed expenditures by \$1,614,098.

**Capital Assets and Debt Administration**

**Capital Assets at Year End Net of Depreciation**

As of June 30, 2017 and 2016, the District owned the following capital assets:

**TABLE 4: CAPITAL ASSETS**

	<u>JUNE 30,</u> <u>2017</u>	<u>JUNE 30,</u> <u>2016</u>
<b>Capital Assets</b>		
Land	\$ 1,802,580	\$ 1,802,580
Structures and improvements	4,980,646	3,839,268
Equipment	4,962,988	5,027,034
Accumulated depreciation	<u>(4,172,104)</u>	<u>(3,962,330)</u>
Total Capital Assets-Net	<u>\$ 7,574,110</u>	<u>\$ 6,706,552</u>

**Long Term Debt**

Currently, the District does not have any long-term debt outstanding.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Assistant Chief Paul Cole, Coastside Fire Protection District, 1191 Main Street, Half Moon Bay, CA 94019.

## **Basic Financial Statements**

**COASTSIDE FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>2017</b>
<b>Assets</b>	
Current Assets	
Cash and investments in County Treasury	
Available for general operations	\$ 2,936,038
Cash in banks	14,676
Investment in Local Agency Investment Fund	14,540,045
Accounts receivable (Net of Allowances)	54,025
Interest receivable	26,824
Prepaid expenses	25,835
Total Current Assets	17,597,443
Non Current Assets	
Land	1,802,580
Structure & Improvements	4,980,646
Equipments	4,962,988
Accumulated depreciation	(4,172,104)
Total Non Current assets	7,574,110
Deferred Outflows of Resources	
Net OPEB assets (Note 10)	732,035
Pension deferred charges (Note 9)	1,404,698
Total Deferred Outflows	2,136,733
Total Asset	27,308,286
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	127,850
Net pension liability (Note 9)	10,601,524
Total Current Liabilities	10,729,374
Deferred Inflows of Resources	
Pension deferred credits( Note 9)	1,202,339
Total Deferred Inflows	1,202,339
Total Liabilities	11,931,713
<b>Net Position</b>	
Net investment in capital assets	7,574,110
Restricted for:	
Weed abatement	0
Unrestricted	7,802,463
Total Net Position	15,376,573
Total Liabilities and Net Position	\$ 27,308,286

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	<b>2017</b>
<b>Program Expenses</b>	
Public Safety	
Operations	\$ 10,585,632
Depreciation	<u>273,820</u>
Total Program Expenses	<u>10,859,452</u>
<b>Program Revenues</b>	
Operating Grants, Contributions, Reimbursements	81,827
Charges for Services	<u>202,167</u>
Total Program Revenues	<u>283,994</u>
Net Program Expenses	<u>10,575,458</u>
<b>General Revenues</b>	
Taxes levied	10,340,695
Interest and investment earnings	93,730
Miscellaneous	<u>35,432</u>
Total general revenues	<u>10,469,857</u>
Excess of revenues over Expenditure	<u>(105,601)</u>
Change in net position	(105,601)
Net position - Beginning	<u>15,482,174</u>
Net position - Ending	<u>\$ 15,376,573</u>

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>2017</b>
	<u>General Fund</u>
<b>Assets</b>	
Current Assets	
Cash and investments in County treasury	
Available for General Operations	\$ 2,936,038
Cash in Banks	14,676
Investment in Local Agency Investment Fund	14,540,045
Accounts Receivable (Net of Allowances)	54,025
Interest Receivable	26,824
Prepaid Expenses	25,835
Total Current Assets	17,597,443
Total Assets	17,597,443
<b>Liabilities and Fund Balances</b>	
Liabilities	
Accounts payable	127,850
Total Liabilities	127,850
Fund Balances	
Nonspendable	
Prepaid expenses	25,835
Spendable	
Assigned	7,544,681
Unassigned	9,899,077
Total Fund Balance	17,469,593
Total Liabilities and Fund Balance	\$ 17,597,443

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTL FUND BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

		<u>2017</u>
<b>Fund Balances - Total Governmental Funds</b>		<b>\$ 17,469,593</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statements.		
Non-depreciable capital assets	3,785,341	
Depreciable capital assets, net of accumulated depreciation	<u>3,788,769</u>	7,574,110
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds financial statements		
		732,035
Pension Deferred Changes		1,404,698
Net Pension Liability		(10,601,524)
Pension Deferred Credits		<u>(1,202,339)</u>
<b>Net Position of Governmental Activities</b>		<b>\$ <u>15,376,573</u></b>

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u> <u>General Fund</u>
<b>Revenues</b>	
Property taxes	
Secured	\$ 8,594,436
Unsecured	433,355
Homeowners' Property Tax Relief	39,820
Weed Abatement	24,162
Prior Years' Levies	3,501
ERAF Refund	796,108
District Special Taxes	340,549
Special Tax (CFD #5)	108,764
Plan Review/Reports	72,265
EMR JPA Charges	93,902
AMR Lease	36,000
Reimbursements	81,827
Miscellaneous	35,432
Interest income	<u>93,730</u>
Total Revenues	<u>10,753,851</u>
<b>Expenditures</b>	
Operating Expenditures	
Salaries and employee benefits	831,767
Contracted Personnel Services	5,960,986
Material, Supplies, and Services	1,723,394
Capital outlay	<u>1,141,378</u>
Total Expenditures	<u>9,657,525</u>
Net Change in Fund Balances	1,096,326
Fund Balance - Beginning	<u>16,373,267</u>
Fund Balance - Ending	<u><u>\$ 17,469,593</u></u>

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE TO THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	2017
<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,096,326</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report additions of capital assets as part of capital outlay and other program expenditures. However, in the Government - Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,141,378
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(273,820)
Adjustments to expenses on the statement of activities but not on the funds statement.	(1,170,731)
Changes in Net OPEB asset did not require the use of current financial resources or meet revenue recognition criteria in the Governmental Funds Financial Statements and therefore are not reported in governmental funds.	<u>(898,754)</u>
<b>Change in Net Position - Governmental Activities</b>	<b><u><u>\$ (105,601)</u></u></b>

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



**COASTSIDE FIRE PROTECTION DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
RETIRED EMPLOYEE'S HEALTH CARE PLAN  
JUNE 30, 2017**

	<u>2017</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>4,114,380</u>
Total Assets	<u>4,114,380</u>
<b>Net Position</b>	
Held in Trust for Retired Employees' Healthcare Benefits	\$ <u><u>4,114,380</u></u>

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**RETIRED EMPLOYEE'S HEALTH CARE PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017
<b>Additions</b>	
Contribution	\$ 760,000
Investment Income (Loss)	391,998
Total Additions	1,151,998
<b>Deductions</b>	
Administrative Expenses	19,029
Total Deductions	19,029
Net Increase	1,132,969
Held in Trust for Retired Employees' Healthcare Benefits	
Beginning of Year	2,981,411
End of Year	\$ 4,114,380

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

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Coastside Fire Protection District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**A. Reporting Entity**

The District is an independent District governed by a five (5) member Board of Directors elected at large by the voters of the District. The District provides fire protection services for the City of Half Moon Bay and the communities of Montara, Moss Beach, Princeton, El Granada and Miramar in addition to the surrounding unincorporated areas, with a total District size of 50 square miles. The District operates three fire stations in the District area.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of the respective governing board. The governing board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**B. Basis of Accounting and Measurement Focus**

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

**Government-wide financial statements**

The District's government-wide financial statements include a statement of net position and a statement of activities. Government-wide financial statements are presented on an "economics resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities including capital assets, infrastructure assets, and long-term liability are included in the accompanying statement of net position. The statement of activities and changes in net position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Certain types of transactions reported as program revenues for the District are reported in the following category:

- Charges for services

The District applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**Governmental Fund Financial Statements**

Governmental funds financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The District has presented all funds as major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenue, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and grant revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The District reports the following major governmental funds:

*The General Fund* - is the general operating fund which is used to account for all financial resources of the District.

**C. Cash and Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortize cost. All other investments are stated fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Cash and Investments (Cont'd)**

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Since the San Mateo County Treasurer is designated as the District's Treasurer per Health and Safety Code Section 13854, The District participated in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under oversight of the Treasurer of the San Mateo County. Included in the County Pool's investment portfolio are U.S. Treasury Notes, Obligations issued by agencies of the U.S. Government, LAIF, Corporate Notes, Commercial Paper, Collateralized Mortgage Obligations, Mortgage Backed Securities, other assets backed securities and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. The balance available for withdrawal is based on the accounting records maintained by the County Pool, which are recorded on an amortized cost basis.

**D. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the District as all assets that have a useful life of more than one year and cost more than \$3,000. Such assets are recorded at historical cost or estimated cost, if historical cost is not available.

Capital assets are depreciated over their estimated useful lives using the straight-line method. This means the cost of asset is divided by its expected useful life in years and the result is charged to expenses each year until the asset is fully depreciated. The purpose of the depreciation is to spread the cost of capital assets over the useful life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of capital assets is charged as an expenses against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position of the government-wide financial statements as a reduction in the book value of the capital assets.

The District has assigned the useful lives listed below to capital assets.

<u>Assets Class</u>	<u>Examples</u>	<u>Estimated Useful Life in Years</u>
Buildings & Improvements	Fire Stations, Additions	7-50
Machinery & Equipment	Fire engines, Fire Apparatus, Furniture, Computers	3-20

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Fund Balance**

The District has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The governmental fund statements conform to this new classification. The fund financial statement consist of Non-spendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

- **Nonspendable** – Items that cannot be spent because they are not in spendable form, such as prepaid items, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.
- **Restricted** – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments, as well as restrictions imposed by law through constitutional provision or enabling legislation.
- **Committed** – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. As of June 30, 2013, the District did not have any committed fund balance.
- **Assigned** – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose.
- **Unassigned** – This category is for any balances that have no restrictions placed upon them.

The District established the following policies relating to its fund balance classifications.

1. Committed Fund Balance

- **Highest Level of Decision-Making Authority** - The Board of Directors of the District are acknowledged as the highest level of decision-making authority in terms of establishing fund balance classifications and creating committed fund balances.
- **Formal Action Required** - The Board shall have the authority to establish, modify or rescind committed fund balances by Resolution, where appropriate, passed by a majority vote.
- **Timing** - The Board will take formal action to commit any resources as soon as possible upon determining its desire to take such action, but no later than June 30 of the fiscal year in which it applies in order for the action to be valid for the presentation of the annual report.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Fund Balance (Cont'd)**

2. Assigned Fund Balances

- **Approval Authority** - The Board has not delegated the authority to assign fund balance amounts.

3. Expenditure of Funds - Order of Expenditure

- **Restricted and Unrestricted Funds** - When expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District shall consider that restricted funds shall be spent first until such funds are exhausted, at which time committed, assigned, or unassigned funds will be used.
- **Committed, Assigned or Unassigned Funds** - When an expenditure is incurred where there are no restricted funds available, and for which committed and assigned fund balances are available, the District shall exhaust unassigned funds first unless the board determines the use of available assigned or committed fund balances are appropriate.

**F. Property Taxes, Tax Increment and Special Assessment Revenue**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The San Mateo County levies, bills and collects property taxes and special assessments as follows:

Lien Date	July 1	July 1
Due Date	November 1 & February 1	Upon receipt of billing
Delinquent Date	December 10 & April 10	August 31

**G. Net Position**

**Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net position are classified in the following categories:

- **Net Investment in Capital Assets** - This amount consist of capital assets net of accumulated depreciated and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.
- **Restricted Net Position** - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- **Unrestricted Net Position** - This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**H. Use of Estimates**

The preparation of financial statement in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**NOTE 2: CASH AND INVESTMENTS**

The following is a summary of pooled cash and investments at June 30, 2017 were as follows:

	<u>Government - Wide Statement of Net Position Governmental Activities</u>
Demand Deposits:	
Cash on hand and in bank	\$ 14,676
Local agency investment fund (LAIF)	14,540,045
San Mateo County Investment Pool	<u>2,936,038</u>
Total Demand Deposits	<u>\$ 17,490,759</u>

**A. Cash Deposits**

The carrying amount of the District's cash deposits were \$14,676 as of June 30, 2017. Bank balance was \$14,676 at that date which was fully insured. The District has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The California Government Code requires California banks and savings and loan associations to secure the District's cash by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash is considered to be held by the third party bank or institution owned trust department in the District's name. The market value of pledged securities must equal at least 110% of the District's cash. California law also allows institutions to secure District cash by pledging first trust deed mortgage notes having of 150% of the District's total cash.



**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (CONT'D)**

***B. External Investments Pool***

The carrying amounts of the District's investments with the County were \$2,936,038 at June 30, 2017. The District maintains a significant portion of its investments in the San Mateo County Treasury as part of a common investment pool. The County is restricted by Government Code 53635 pursuant to Section 5360 I to invest in time deposits, U.S. Government Securities, state registered warrants, note or bonds, State Treasure's investment pool, bankers' acceptance commercial paper, negotiable certificates of deposit and repurchase agreements.

The District invests in Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotation are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2017 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- *Structured Notes* - Are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- *Asset-Backed Securities* - The bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flow form a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2017, the District had \$14,540,045 invested in LAIF. The LAIF fair value factor of 1.000181284 was used to calculate the fair value of the investments in LAIF. The fair value adjustment was not made as amount was deemed to be immaterial. The fair value of the District's position in the pool was the same as the value of the pool shares.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3: CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2017 consisted of the following:

	Balance <u>July 01, 2016</u>	<u>Additions</u>	<u>Retirement</u>	Balance June 30, 2017
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,802,580	\$	\$	\$ 1,802,580
Construction in Progress	<u>841,383</u>	<u>1,141,378</u>	<u>-</u>	<u>1,982,761</u>
Total Capital assets, not being depreciated	<u>2,643,963</u>	<u>1,141,378</u>	<u>-</u>	<u>3,785,341</u>
Capital assets, being depreciated				
Buildings and improvements	2,997,885			2,997,885
Machinery and equipment	<u>5,027,034</u>		<u>(64,046)</u>	<u>4,962,988</u>
Total Capital assets, being depreciated	<u>8,024,919</u>		<u>(64,046)</u>	<u>7,960,873</u>
Less accumulated depreciation for				
Buildings and improvements	1,266,818	59,756		1,326,574
Machinery and equipment	<u>2,695,512</u>	<u>214,064</u>	<u>(64,046)</u>	<u>2,845,530</u>
Total accumulated depreciation	<u>3,962,330</u>	<u>273,820</u>	<u>(64,046)</u>	<u>4,172,104</u>
Total Capital assets, being depreciated, net	<u>4,062,589</u>	<u>(273,820)</u>		<u>3,788,769</u>
Government activities capital assets, net	<u>\$ 6,706,552</u>	<u>\$ 867,558</u>	<u>\$</u>	<u>\$ 7,574,110</u>

**NOTE 4: EMERGENCY MEDICAL RESPONSE JOINT POWER AUTHORITY**

In September 1997, the District began its participation with other fire departments of cities and fire Districts throughout San Mateo County in the development of a Joint Powers Agreement to establish the San Mateo Pre-Hospital Emergency Services Providers Group, which provides pre-hospital emergency services in San Mateo County. The District receives revenue on a monthly basis. For the fiscal year ended June 30, 2017, the District received \$93,902 for its portion of revenue from the Emergency Medical Response JPA. The contract was reauthorized for an additional ten years and signed in May 2009.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5: RISK MANAGEMENT**

The District is insured for general liability and property by ABD Insurance & Financial Services. The primary policy includes the coverage in the table below. The excess umbrella policy provides \$10,000,000 excess coverage with a deductible of \$1,000 per occurrence.

The Main Street Fire Station on 1191 Main Street has coverage up to \$5,534,932 for the Building and \$192,552 for contents, with a \$1,000 deductible per occurrence. Earthquake coverage is included, with a deductible of 5% of the building limit.

The El Granada Fire Station has coverage up to \$993,281 for the building and \$76,974 for contracts, with a \$1,000 deductible per occurrence. Earthquake coverage is included, with a deductible of 5% of the building limit.

The Moss Beach Fire Station has coverage up to \$852,027 for the building and \$76,974 for contracts with a \$1,000 deductible per occurrence. Earthquake coverage is included, with a deductible of 5% for the building limit.

There is a blanket contents limit of \$346,500.

The general liability limits are as follows:

<u>COVERAGE</u>	<u>LIMIT</u>
General Aggregate	\$3,000,000
Products & Completed Operations Aggregate	\$3,000,000
Personal & Injury	\$1,000,000
Each Occurrence	\$1,000,000
Medical Expenses	\$5000 per occurrence

The District claims have not exceeded the insurance coverage in any of the past three fiscal years.

**NOTE 6: CONTINGENCIES**

As of June 30, 2017, the District does not have any claims outstanding.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: EMPLOYEE RETIREMENT SYSTEM**

On June 1, 2008, all Districts' employees with the exception of one part time employee became employees of State of California. The District is still responsible for retirement benefit cost for retirement benefits earned by the District's employees who became employees of the State of California during their employment period with the District; however, the State of California is responsible for the retirement benefit cost for any subsequent retirement benefits earned by those employees. As of June 30, 2017, the District did not have any active employees.

*Plan Description, Benefits Provided and Employees Covered*

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

*Contribution Description*

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were based on the following actuarial methods and assumptions.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: EMPLOYEE RETIREMENT SYSTEM (CONT'D)**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power
Increase	Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans runs out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Assets Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	47.00 %	5.25 %	5.71 %
Global Fixed Income	19.00 %	0.99 %	2.43 %
Inflation Sensitive	6.00 %	0.45 %	3.36 %
Private Equity	12.00 %	6.83 %	6.95 %
Real Estate	11.00 %	4.50 %	5.13 %
Infrastructure and Forestland	3.00 %	4.50 %	5.09 %
Liquidity	2.00 %	(0.55)%	(1.05)%

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: EMPLOYEE RETIREMENT SYSTEM (CONT'D)**

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Plan Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2016 (MD)	\$ 36,776,592	\$ 28,312,211	\$ 8,464,381
Balance at: 6/30/2017 (MD)	\$ 37,538,037	\$ 26,936,513	\$ 10,601,524
Net Changes during 2016-17	\$ (761,445)	\$ 1,375,698	\$ (2,137,143)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Assets)	\$ 15,696,090	\$ 10,601,524	\$ 6,418,746

**PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

For the fiscal year ended June 30, 2017, Pension Expense recognized is as follows:

**Pension Expense- June 30, 2017**

Allocated portion of collective pension expense	\$ 514,704
Recognition of employer-specific amounts:	
Change in proportion	48,942
Difference between actual contribution and proportionate share of total contributions	(469,913)
Difference in proportions	<u>1,583,187</u>
Total employer-specific recognition	<u>1,162,216</u>
Total Pension Expense Recognized	<u><u>\$ 1,676,920</u></u>

For the measurement period ended June 30, 2016 (the measurement date), the Coastside Fire Protection District incurred a pension expense/(income) of \$420,828 for the Plan.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7: EMPLOYEE RETIREMENT SYSTEM (CONT'D)**

As of June 30, 2017, the Coastsides Fire Protection District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ -	\$ 32,148
Changes of Assumptions	-	144,537
Net Difference between Projected and Actual Earnings on Pension Plan Investments	711,045	-
Change in employer's proportion	187,464	219,086
Difference between Employer Contributions and the employer's Proportionate share of contributions	-	806,568
Pension contribution subsequent to measurement date	<u>506,189</u>	<u>-</u>
Total	<u>\$ 1,404,698</u>	<u>\$ 1,202,339</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	(414,373)
2019	(321,110)
2020	246,568
2021	185,084

**NOTE 8: OTHER POST EMPLOYMENT BENEFITS**

The District implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans* in FYE 2010. The District provides certain health care benefits is recognized as an expenditure of health care premium paid. For the year ended June 30, 2017, these expenditures totaled \$(166,964).

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. It includes amortization of the unfunded actuarial accrued liability (UAAL) over as many as 30 years.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)**

The following table illustrates the District's June 30, 2017 Net OPEB Obligation:

	<u>TOL</u>	<u>FNP</u>	<u>NOL</u>
Net OPEB obligation (asset)-beginning of the year			\$(1,630,789)
OPEB beginning balance differences determined by the Actuary			2,118,384
Balance at June 30,2016	3,469,006	2,981,411	487,595
Service Cost	-	-	-
Interest on TOL	206,006	-	206,006
Employer Contributions	-	1,052,666	(1,052,666)
Employee Contributions	-	-	-
Actual Investment Income	-	391,999	(391,999)
Administrative Expense	-	(19,029)	19,029
Benefit Payments	(292,666)	(292,666)	-
Net Change during 2016-17	<u>(86,660)</u>	<u>1,132,970</u>	<u>(1,219,630)</u>
Net OPEB obligation (asset)-end of year	<u>\$ 3,382,346</u>	<u>\$ 4,114,381</u>	<u>\$ (732,035)</u>

OPEB Expense Fiscal Year Ending June 30, 2017:

	<u>Total</u>
Service Cost	\$ -
Interest on Total OPEB Liability (TOL)	206,006
Actual Investment Income	(391,999)
Administrative Expense	<u>19,029</u>
OPEB Expenses	<u>\$ (166,964)</u>

Funded Status and Funding Progress - June 30, 2015 was most recent actuarial valuation date, the plan was 68.3% funded. The actuarial accrued liability (AAL) for benefits was \$4,005,517, and the actuarial value of plan assets was \$2,735,918, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,269,599. As of July 1, 2015, the District's retiree health program did not have any covered payroll (annual payroll of active employees covered by the plan), resulting in ratio of the UAAL to the covered payroll of 0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)**

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE 9: COOPERATIVE AND REIMBURSEMENT AGREEMENT - CAL FIRE**

The District has entered into a cooperative and reimbursement agreement with the California Department of Forestry and Fire Protection (Cal Fire) to provide fire protection services such as emergency fire protection, advanced life support, dispatch services, fire code inspection and Pre-Fire planning services. The District will be reimbursing Cal Fire for the fire services provided in accordance with the terms of the agreement. The agreement covers the period through June 30, 2020. The amount authorized to be spent for the agreed services with Cal Fire for fiscal year ended June 30, 2017 was \$7,336,814. The District's expenditures for the agreed services with Cal Fire for fiscal year ended June 30, 2017 were \$5,905,584. Also, refer to note 13 for additional information.

**NOTE 10: FUND BALANCES**

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned and unassigned (see Note I for a description of these categories). A detailed schedule of fund balances at June 30, 2017 is as follows:

	<u>General Fund</u>
<b>Nonspendable</b>	
Prepaid items	\$ <u>25,835</u>
Total nonspendable fund balances	<u>25,835</u>
<b>Assigned to</b>	
General reserve	1,882,127
CalPers pension reserve	300,000
Structure/land improvement	1,585,911
Apparatus replacement	1,984,531
Tools & equipment	1,242,112
Legal reserve	50,000
Special projects	<u>500,000</u>
Total assigned fund balances	<u>7,544,681</u>
Unassigned fund balances	<u>9,899,077</u>
Total fund balances	<u>\$ 17,469,593</u>

**COASTSIDE FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11: CAL-FIRE AGREEMENT**

On July 26, 2013, The District signed a cooperative agreement with California Department of Forestry and Fire Protection (CALFIRE). The terms of the agreement are July 1, 2013 through June 30, 2020. Coastside Fire Protection District shall reimburse CAL FIRE for fire protection services. The agreement value shall not exceed more than \$50,279,713.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COASTSIDE FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL (GAAP) - GENRAL FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Positive (Negative) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes:				
Secured	\$ 8,663,263	\$ 8,663,263	\$ 8,594,436	\$ (68,827)
Unsecured	436,004	436,004	433,355	(2,649)
Homeowner Property Tax Relief	27,000	27,000	39,820	12,820
Weed Abatement	18,000	18,000	24,162	6,162
Prior Years Levies	264,000	264,000	3,501	(260,499)
ERAF	796,000	796,000	796,108	108
District Special Tax	-	-	340,549	340,549
Special Tax (CFD #5)	80,000	80,000	108,764	28,764
Plan Review/Reports	80,000	80,000	72,265	(7,735)
EMR JPA Charges	85,000	85,000	93,902	8,902
AMR Fuel Refund	30,000	30,000	36,000	6,000
Reimbursement	80,001	80,001	81,827	1,826
Miscellaneous	74,002	74,002	35,432	(38,570)
Interest Income	14,000	14,000	93,730	79,730
	<u>10,647,270</u>	<u>10,647,270</u>	<u>10,753,851</u>	<u>106,581</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Operating Expenditures:				
Salaries and Benefits	7,523,172	7,523,172	831,767	6,691,405
Contracted Personnel Services	23,000	23,000	5,960,986	(5,937,986)
Materials , Supplies , and Services	907,000	907,000	1,723,394	(816,394)
Capital Outlay	580,000	580,000	1,141,378	(561,378)
	<u>9,033,172</u>	<u>9,033,172</u>	<u>9,657,525</u>	<u>(624,353)</u>
<b>Total Expenditures</b>				
<b>Revenue over (under) expenditures</b>				
	<u>1,614,098</u>	<u>1,614,098</u>	<u>1,096,326</u>	<u>(517,772)</u>
<b>Fund Balances</b>				
Fund balance, July 01, 2016	_____	_____	<u>16,373,267</u>	<u>16,373,267</u>
Fund balance, June 30, 2017	<u>\$ 1,614,098</u>	<u>\$ 1,614,098</u>	<u>\$ 17,469,593</u>	<u>\$ 15,855,495</u>

**COASTSIDE FIRE PROTECTION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**2. PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS) - SCHEDULE OF FUNDING  
PROGRESS**

The District's plan is part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

**COASTSIDE FIRE PROTECTION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**3. OTHER POSTEMPLOYMENT BENEFIT PLAN - SCHEDULE OF FUNDING  
 PROGRESS**

<i>Funded Status of Plan</i>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Unfunded (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Liability as Percentage of Covered Payroll</u>
7/1/2010	\$ 550,600	\$ 4,078,800	\$ 3,528,200	13.5%	\$ -	-
7/1/2012	\$1,770,000	\$ 3,817,000	\$ 2,047,000	46.4%	\$ -	-
7/1/2015	\$2,735,918	\$ 4,005,517	\$ 1,269,599	68.3%	\$ -	-

\* Latest information available.

**COASTSIDE FIRE PROTECTION DISTRICT**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN**  
**JUNE 30, 2017**

**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Plan's Proportion of the Net Pension Liability/(Assets)	0.12252 %	0.12332 %	0.11059 %
Plan's Proportionate Share of the Net pension Liability/(Assets)	\$10,601,524	\$ 8,464,381	\$ 6,881,552
Plan's Covered – Employee Payroll	\$ -	\$ -	\$ -
Plan's Proportionate Share of the Net Pension Liability/(Assets) as a Percentage of its Covered – Employee Payroll	0.00 %	0.00 %	0.00 %
Plan Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06 %	78.40 %	79.82 %
Plan Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -	\$ -

**Schedule of Plan Contributions**

	<u>Fiscal year 2015-16</u>	<u>Fiscal Year 2014- 15</u>	<u>Fiscal Year 2013-14</u>
Actuarially Determined Contribution	\$ 506,189	\$ 420,828	\$ 325,574
Contributions in relations to the Actuarially Determined Contribution	<u>(506,189)</u>	<u>(420,828)</u>	<u>(325,574)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered – Employee Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered – Employee Payroll	0.00 %	0.00 %	0.00 %

**Notes to Schedule**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes, which occurred after June 30, 2015 as they have minimal cost impact.

Change in Assumptions: None

**COASTSIDE FIRE PROTECTION DISTRICT**  
**SCHEDULE OF OPERATING EXPENDITURES-BUDGET AND ACTUAL (GAAP) -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Negative) <u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Operating Expenditures</b>				
Salaries and Benefits:				
Salaries and Wages	\$ 6,556,899	\$ 6,556,899	\$ 520,758	\$ 6,036,141
Employee Medical, Dental and Life Insurance	957,273	957,273	302,649	654,624
Workers Comp Insurance	<u>9,000</u>	<u>9,000</u>	<u>8,360</u>	<u>640</u>
Total Salaries and Benefits	<u>7,523,172</u>	<u>7,523,172</u>	<u>831,767</u>	<u>6,691,405</u>
Contracted Personnel Services:				
California Department of Forestry and Fire Protection	<u>23,000</u>	<u>23,000</u>	<u>5,960,986</u>	<u>(5,937,986)</u>
Total Contracted Personnel Services	<u>23,000</u>	<u>23,000</u>	<u>5,960,986</u>	<u>(5,937,986)</u>
Material, Supplies and Services:				
Agriculture Weed Abatement	20,000	20,000	13,147	6,853
Clothing and Uniforms	3,500	3,500	10,386	(6,886)
Communication Expenses	39,600	39,600		39,600
Household Expenses	20,000	20,000	6,389	13,611
Medical Supplies and Equipments	6,000	6,000	889	5,111
Office Expenses	15,000	15,000	777,305	(762,305)
Subscription	4,800	4,800	8,762	(3,962)
Postage	2,500	2,500	4,170	(1,670)
Computer Expenses	36,600	36,600	12,576	24,024
Small Tools and Equipment	14,000	14,000	17,328	(3,328)
County Membership	9,400	9,400	10,148	(748)
Publication and Legal Notices	5,000	5,000	4,915	85
Special District Expenses	11,000	11,000	2,634	8,366
Motor Vehicle Equipment Maintenance	201,000	201,000	515,118	(314,118)
General Facility Maintenance	83,700	83,700	44,665	39,035
Rents and Leases	15,000	15,000	14,290	710
Insurance Premiums	65,000	65,000	59,764	5,236
Utilities	50,000	50,000	71,890	(21,890)
Training and Education	94,000	94,000	41,525	52,475
Professional Services	146,900	146,900	20,493	126,407
Medical Exams	1,000	1,000	208	792
San Mateo County Tax Collector	3,000	3,000	3,752	(752)
Legal Expenses	<u>60,000</u>	<u>60,000</u>	<u>83,040</u>	<u>(23,040)</u>
Total Materials, Supplies and Services	<u>907,000</u>	<u>907,000</u>	<u>1,723,394</u>	<u>(816,394)</u>
Capital Outlay	<u>580,000</u>	<u>580,000</u>	<u>1,141,378</u>	<u>(561,378)</u>
Total Expenditures	<u>\$ 9,033,172</u>	<u>\$ 9,033,172</u>	<u>\$ 9,657,525</u>	<u>\$ (624,353)</u>



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

Members of the Board of the  
Coastside Fire Protection District  
Half Moon Bay, CA

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 governmental activities and the major fund of the Coastside Fire Protection District ("the District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated **February 21, 2018**.

**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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Coastside Fire Protection 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

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

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**February 21, 2018**