

STAFF REPORT

SUBJECT: RESOLUTION ACCEPTING JUNE 30, 2021 AUDITED FINANCIAL STATEMENTS FROM HARSHWAL & COMPANY LLP

Board of Directors of Coastside Fire Protection District:

Recommendation:

It is recommended that the Fire Board adopt the attached resolution accepting into the public record the Audited Financial Statements dated June 30, 2021 from Harshwal & Company LLP.

Background and Discussion:

The annual audit was conducted in May 2022. The District is in the fifth year of a contract with the independent audit firm Harshwal & Company LLP.

Attachment 2 is the Audited Financial Statements. The audit at page 2 contains the auditor's opinion. It reads as follows:

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, 2021, 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.

Conclusion

It is appropriate for the Fire Board to accept these reports at this time so that they become a part of the formal public record, available for public review.

Attachments:

1. Resolution Accepting June 30, 2021 Audited Financial Statements from Harshwal & Company LLP
2. Coastside Fire Protection District Audited Financial Statements June 30, 2021

ATTACHMENT 1
RESOLUTION

RESOLUTION NO. 2022-48

A RESOLUTION OF THE DISTRICT BOARD OF COASTSIDE FIRE PROTECTION DISTRICT ACCEPTING JUNE 30, 2021 AUDITED FINANCIAL STATEMENTS FROM HARSHWAL & COMPANY LLP.

WHEREAS, Harshwal & Company LLP is the District's auditor; and

WHEREAS, on May 11, 2022, Harshwal & Company LLP completed their audit for 2021; and

WHEREAS, on June 22, 2022, the Board of Directors reviewed the Audited Financial Statements.

NOW, THEREFORE, BE IT RESOLVED, by the Fire Board of the Coastsid e Fire Protection District that:

1. The June 30, 2021 Audited Financial Statements from Harshwal & Company LLP are accepted as a part of the formal public record, available for public review.

PASSED AND ADOPTED as a Resolution of the Coastsid e Fire Protection District at the regular meeting held on the 22nd day of June 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Gary Burke, Board President

ATTEST:

Deputy Chief Jonathan Cox, District Secretary

ATTACHMENT 2

COASTSIDE FIRE PROTECTION DISTRICT
AUDITED FINANCIAL STATEMENTS JUNE 30,
2021

COASTSIDE FIRE PROTECTION DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021



**COASTSIDE FIRE PROTECTION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
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, 2021, 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 District'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 District'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 each major fund of the District as of June 30, 2021, 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 3 through 7 and required supplementary information on pages 32 through 38 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 May 11, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coastside Fire Protection District's internal control over financial reporting and compliance.

Harshmal & Company LLP

Oakland, California
May 11, 2022

**COASTSIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

This section of the annual financial report of the Coastside Fire Protection District (the District) present our discussion and analysis of the District financial performance during the fiscal year ended June 30, 2021. 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, 2021:

- In total, government-wide net position was \$27,338,529.
- General revenues accounted for \$13,158,862 or 95% percent of total revenues.
- Total government-wide assets were \$41,162,717, cash and cash equivalents were \$17,140,594 and net capital assets totaled \$20,302,828.
- Total program expenses were \$11,690,114 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, and required supplementary information. 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 the District's financial health, or financial position. Overtime, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition of the District's buildings and other facilities.

**COASTSIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements

The fund financial statements provide more detailed information about the 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 the 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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021 with comparative amounts for 2020.

TABLE 1: NET POSITION

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Assets		
Current assets	\$ 17,159,233	\$ 15,502,988
Capital and other assets	21,248,879	20,841,642
Deferred outflows	<u>2,754,605</u>	<u>2,571,642</u>
Total Assets and Deferred Outflows of Resources	<u>41,162,717</u>	<u>38,916,272</u>
Liabilities		
Current liabilities	-	129,588
Net pension liabilities	13,000,748	12,523,474
Deferred inflows	<u>823,440</u>	<u>1,085,527</u>
Total Liabilities and Deferred Inflows of Resources	<u>13,824,188</u>	<u>13,738,589</u>
Net Position		
Invested in capital assets	20,302,828	19,782,787
Restricted	38,702	38,702
Unrestricted	<u>6,996,999</u>	<u>5,356,194</u>
Total net position	<u>\$ 27,338,529</u>	<u>\$ 25,177,683</u>

**COASTSIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021</u>	<u>JUNE 30, 2020</u>
Program Revenues		
Operating grants/reimbursements	\$ 411,049	\$ 88,793
Charges for services	231,349	211,078
General Revenues		
Taxes	12,960,447	12,520,789
Interest and investment earnings	90,816	292,849
Miscellaneous	107,599	9,127
Total revenues	<u>13,801,260</u>	<u>13,122,636</u>
Program Expenses		
Public safety	11,690,114	9,810,717
Depreciation	-	226,185
Total expenses	<u>11,690,114</u>	<u>10,036,902</u>
Changes in net position	<u>\$ 2,111,146</u>	<u>\$ 3,085,734</u>

TABLE 3: GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Service 2021</u>	<u>Total Cost of Service 2020</u>
Public safety	\$ 11,690,114	\$ 9,810,717
Depreciation-unallocated		226,185
Total governmental activities	<u>\$ 11,690,114</u>	<u>\$ 10,036,902</u>

The above table 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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

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

General Fund Budgetary Highlights

As finalized by the Board of Directors, budgeted revenues totaled \$12,679,151 expenditures totaled \$15,743,399 and revenues were projected to exceed expenditures by \$(3,064,248).

Capital Assets and Debt Administration

Capital Assets at Year End Net of Depreciation

As of June 30, 2021 and 2020, the District owned the following capital assets:

TABLE 4: CAPITAL ASSETS

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Capital assets		
Land	\$ 567,706	\$ 567,706
Structures and improvements	19,896,054	19,151,512
Equipment	4,962,988	4,962,988
Accumulated depreciation	<u>(5,123,920)</u>	<u>(4,899,419)</u>
Total capital assets - net	<u>\$ 20,302,828</u>	<u>\$ 19,782,787</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 Fire Chief Ian Larkin, 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, 2021

ASSETS

Current assets

Cash and investments in county treasury	
Available for general operations	\$ 6,718,227
Investment in local agency investment fund	10,422,367
Accounts receivable (net of allowances)	4,144
Prepaid expenses	<u>14,495</u>
Total current assets	<u>17,159,233</u>

Noncurrent assets

Land	567,706
Structure & improvements	19,896,054
Equipment	4,962,988
Accumulated depreciation	(5,123,920)
Net OPEB assets (Note 8)	<u>946,051</u>
Total noncurrent assets	<u>21,248,879</u>

Total assets	<u>38,408,112</u>
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Deferred outflows of resources

Related to OPEB (Note 8)	107,880
Related to pension (Note 7)	<u>2,646,725</u>
Total deferred outflows	<u>2,754,605</u>

Total assets and deferred outflows of resources	<u>41,162,717</u>
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LIABILITIES

Net pension liability (Note 7)	<u>13,000,748</u>
Total liabilities	<u>13,000,748</u>

Deferred inflows of resources

Related to pension (Note 7)	781,317
Related to OPEB	<u>42,123</u>
Total deferred inflows	<u>823,440</u>

Total liabilities and deferred inflows of resources	<u>13,824,188</u>
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NET POSITION

Net investment in capital assets	20,302,828
Restricted for:	
Weed abatement	38,702
Unrestricted	<u>6,996,999</u>
Total net position	<u>27,338,529</u>
Total net position, deferred inflows of resources and liabilities	<u>\$ 41,162,717</u>

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

**COASTSIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental activities:</u>				
Public safety	\$ 11,690,114	\$ 231,349	\$ 411,049	\$ (11,047,716)
Total governmental activities	11,690,114	231,349	411,049	(11,047,716)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				12,442,173
Taxes levied for other specific purposes				518,274
Interest and investment earnings				90,816
Miscellaneous				107,599
Total general revenues				13,158,862
Change in net position				2,111,146
Net position - beginning				25,177,683
Restatement				49,700
Net position - beginning of year, <i>restated</i>				25,227,383
Net position - ending of year				\$ 27,338,529

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**COASTSIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>
ASSETS	
Cash and investments in county treasury available for general operations	\$ 6,718,227
Investment in local agency investment fund	10,422,367
Accounts receivable (net of allowances)	4,144
Prepaid expenses	14,495
Total assets	17,159,233
LIABILITIES AND FUND BALANCES	
FUND BALANCES	
Nonspendable	
Prepaid expenses	14,495
Spendable	
Restricted	38,702
Assigned	10,000,000
Unassigned	7,106,036
Total fund balance	17,159,233
Total liabilities and fund balance	\$ 17,159,233

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

**COASTSIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund Balances - Total Governmental Funds		\$ 17,159,233
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	17,465,875	
Depreciable capital assets, net of accumulated depreciation	2,836,953	20,302,828
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds financial statements		946,051
Deferred outflow of resources related to pension		2,646,725
Deferred outflow of resources related to OPEB		107,880
Net pension liability		(13,000,748)
Deferred inflow of resources related to pension		(781,317)
Deferred inflow of resources related to OPEB		(42,123)
Net position of governmental activities		<u><u>\$ 27,338,529</u></u>

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
<i>REVENUES</i>	
Property taxes	
Secured	\$ 10,653,090
Unsecured	461,862
Homeowners' property tax relief	35,654
Weed abatement	29,096
Prior years' levies	4,002
ERAF refund	1,258,469
District special taxes	343,964
Special tax (CFD #5)	174,310
Plan review/reports	77,887
EMR JPA charges	118,287
AMR lease	35,175
Reimbursements	411,049
Miscellaneous	107,599
Interest income	90,816
	<u>13,801,260</u>
 <i>EXPENDITURES</i>	
Current:	
Operating expenditures	
Salaries and employee benefits	1,384,820
Contracted personnel services	6,354,203
Material, supplies, and services	3,578,935
Capital outlay	747,169
	<u>12,065,127</u>
<i>Net change in fund balances</i>	1,736,133
Fund balance, beginning of year	15,373,400
Restatement	49,700
	<u>15,423,100</u>
Fund balance, beginning of year, restated	15,423,100
Fund balance, ending of year	<u>\$ 17,159,233</u>

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

**COASTSIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds	\$ 1,736,133
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.	744,542
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.	(224,501)
Adjustments to expenses on the statement of activities but not on the funds statement:	
Net pension income (expenses)	(159,380)
Net OPEB income (expenses)	<u>14,352</u>
Change in Net Position - Governmental Activities	<u><u>\$ 2,111,146</u></u>

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

FIDUCIARY FUNDS

**COASTSIDE FIRE PROTECTION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
RETIRED EMPLOYEE'S HEALTH CARE PLAN
JUNE 30, 2021**

ASSETS

Cash and cash equivalents	<u>\$ 4,592,798</u>
Total assets	<u>4,592,798</u>

NET POSITION

Held in trust for retired employees' healthcare benefits	<u>\$ 4,592,798</u>
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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, 2021

ADDITIONS

Investment income (loss)	\$ <u>1,019,926</u>
Total additions	<u>1,019,926</u>

DEDUCTIONS

Administrative expenses	<u>273,360</u>
Total deductions	<u>273,360</u>

Net increase (decrease)	746,566
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Held in trust for retired employees' healthcare benefits

Net position - beginning	<u>3,846,232</u>
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Net position - ending	<u><u>\$ 4,592,798</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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 "*economic 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. 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.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

B. Basis of Accounting and Measurement Focus - Cont'd

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis 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 at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 expense 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 Fire engines, Fire Apparatus,	7-50
Machinery & Equipment	Furniture, Computers	3-20

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 consists 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, laws 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, 2021, the District did not have any committed fund balance.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. Fund Balance - Cont'd

- 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.

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

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

G. Net Position

Government-Wide Financial Statements

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

- Net Investment in Capital Assets - This amount consists 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."

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.

I. New Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2021:

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The provisions of this Statement have been implemented as of June 30, 2021. The implementation resulted no changes in the fiduciary fund.

The GASB issued Statement No. 90, *Majority Equity Interests* - an Amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. Implementation of the statement does not have material impact on the District's financial statement.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirements of the Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. Implementation of the statement does not have material impact on the District's financial statement.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. New Accounting Pronouncements - cont'd

Implementation Guide No. 2019-1. Implementation Guide Update-2019. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2021.

The District is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements:

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for 18 months.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021 and the requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2020. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. New Accounting Pronouncements - cont'd

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32 in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021.

Implementation Guide No. 2019-3. *Leases*. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

NOTE 2 - CASH AND INVESTMENTS

The following is a summary of pooled cash and investments at June 30, 2021 were as follows:

Demand Deposits:	
Local agency investment fund (LAIF)	\$ 10,422,367
San Mateo County Investment Pool	<u>6,718,227</u>
Total Demand Deposits	<u><u>\$ 17,140,594</u></u>

A. Cash Deposits

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.

B. External Investments Pool

The carrying amounts of the District's investments with the County were \$6,718,227 at June 30, 2021. 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 53601 to invest in time deposits, U.S. Government Securities, state registered warrants, note or bonds, State Treasury's investment pool, bankers' acceptance commercial paper, negotiable certificates of deposit and repurchase agreements.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 - CASH AND INVESTMENTS - CONT'D

B. External Investments Pool - Cont'd

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 is 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, 2021 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 from 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, 2021, the District had \$10,422,367 invested in LAIF. The fair value of the District's position in the pool was the same as the value of the pool shares.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2021 consisted of the following:

	<u>Balance July 01, 2020</u>	<u>Additions</u>	<u>Balance June 30, 2021</u>
Governmental activities			
Capital assets, not being depreciated:			
Land	\$ 567,706	\$ -	\$ 567,706
Construction in Progress	<u>16,153,627</u>	<u>744,542</u>	<u>16,898,169</u>
Total Capital assets, not being depreciated	<u>16,721,333</u>	<u>744,542</u>	<u>17,465,875</u>
Capital assets, being depreciated			
Buildings and improvements	2,997,885	-	2,997,885
Machinery and equipment	<u>4,962,988</u>	<u>-</u>	<u>4,962,988</u>
Total Capital assets, being depreciated	<u>7,960,873</u>	<u>-</u>	<u>7,960,873</u>
Less: accumulated depreciation for			
Buildings and improvements	1,502,722	58,716	1,561,438
Machinery and equipment	<u>3,396,697</u>	<u>165,785</u>	<u>3,562,482</u>
Total accumulated depreciation	<u>4,899,419</u>	<u>224,501</u>	<u>5,123,920</u>
Total Capital assets, being depreciated, net	<u>3,061,454</u>	<u>(224,501)</u>	<u>2,836,953</u>
Total capital assets, net of depreciation	<u>\$ 19,782,787</u>	<u>\$ 520,041</u>	<u>\$ 20,302,828</u>

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, the District received \$118,287 for its portion of revenue from the Emergency Medical Response JPA. The contract was reauthorized for an additional five years and signed in June 2019 with the option of an additional five-year term to June 30, 2029.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to third parties and natural disasters.

To protect against these risks, 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 per occurrence with an annual aggregate of \$20,000,000.

The Main Street Fire Station on 1191 Main Street has coverage up to \$7,417,339 for the Building and \$243,640 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 \$1,331,091 for the building and \$97,396 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 \$1,141,796 for the building and \$97,396 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 \$438,432.

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	\$10000 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, 2021, the District does not have any claims outstanding.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

A. Plan Description, Benefits Provided and Employees Covered

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, 2021, the District did not have any active employees.

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, 2019 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2019 actuarial valuation report. This report is a publicly 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.

Applicable Dates and Period

Reporting Date	June 30, 2021
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
Valuation Date	June 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - CONT'D

B. Changes in the Net Pension Liability

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 <u>(a)</u>	Plan Fiduciary Net Pension <u>(b)</u>	Plan Net Pension Liability/(Asset) <u>(c) = (a) - (b)</u>
Balance at: June 30, 2020 (MD)	\$ 42,340,928	\$ 29,817,454	\$ 12,523,474
Balance at: June 30, 2021 (MD)	<u>\$ 42,752,377</u>	<u>\$ 29,751,629</u>	<u>\$ 13,000,748</u>
Net Changes during 2020-21	<u>\$ (411,449)</u>	<u>\$ 65,825</u>	<u>\$ (477,274)</u>

C. 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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	Discount Rate + 1% <u>(8.15%)</u>
Plan's Net Pension Liability/(Assets)	\$ 18,804,652	\$ 13,000,748	\$ 8,237,536

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pension

For the measurement period ending June 30, 2020 (the measurement date), the District incurred a total pension expense of \$1,509,700 for the Plan. As of June 30, 2021, the Coastsides Fire Protection District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,000,542	\$ -
Changes of assumptions	-	(44,416)
Net difference between projected and actual earnings on pension plan investments	284,891	-
Change in employer's proportion	10,972	(344,863)
Difference between employer contributions and the employer's proportionate share of contributions	-	(392,038)
Pension contribution subsequent to measurement date	<u>1,350,320</u>	<u>-</u>
Total	<u>\$ 2,646,725</u>	<u>\$ (781,317)</u>

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - CONT'D

E. Recognition of Deferred Outflow and Inflow of Resources in Future Pension Expense

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

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (41,516)
2023	215,953
2024	198,089
2025	142,562
Total	<u>\$ 515,088</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

Plan Description

Coastside Fire Protection District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2018 (the measurement date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2020. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an “implicit rate subsidy”).

Covered Employees

Following is a table of plan participants

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	28
Inactive Employees Entitled to But Not Receiving Benefits*	-
Participating Active Employees	-
Total Number of participants	<u>28</u>

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS - CONT'D

Discount Rate

A discount rate of 6.2% was used in the valuation. The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 years General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

Following is the assumed asset allocation and assumed rate of return for each.

<u>Assets Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All equities	60.0000	7.7950
Long-term corporate bonds	5.0000	5.2950
Intermediate-term government bonds	30.0000	4.5000
Short-term govt fixed	5.0000	3.2500

The following table shows the Net OPEB liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation:

	<u>Trend - 1% (3.00%)</u>	<u>Healthcare Trend (4.00%)</u>	<u>Trend + 1% (2.00%)</u>
Net OPEB Liability	\$ (694,095)	\$ (946,051)	\$ (1,164,454)

The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation:

	<u>Discount Rate - 1% (5.20%)</u>	<u>Current Discount Rate (6.20%)</u>	<u>Discount Rate + 1% (7.20%)</u>
Net OPEB Liability	\$ (1,194,652)	\$ (946,051)	\$ (659,376)

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an "actuarial cost method". The following table illustrates the District's June 30, 2021 Net OPEB Obligation:

	<u>TOL</u>	<u>FNP</u>	<u>NOL</u>
Net OPEB obligation (asset)-beginning of the year	\$ 2,984,957	\$ 4,043,812	\$(1,058,855)
OPEB beginning balance differences determined by the Actuary			
Interest on TOL	176,954	106,441	70,513
Administrative expense	-	(23,203)	23,203
Benefit payments	(280,818)	(280,818)	-
Experience (Gain)/Losses	19,088	-	19,088
Net change	<u>(84,776)</u>	<u>(197,580)</u>	<u>112,804</u>
Net OPEB obligation (asset)-end of year	<u>\$ 2,900,181</u>	<u>\$ 3,846,232</u>	<u>\$ (946,051)</u>

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS - CONT'D

OPEB Expense Fiscal Year Ending June 30, 2021:

	<u>Total</u>
Interest on total OPEB liability (TOL)	\$ 176,954
Expected return on assets	(241,292)
Recognized experience Gains/Losses	19,088
Recognized Investment Gains/Losses	7,695
Administrative Expense	<u>23,203</u>
OPEB Expenses**	<u>\$ (14,352)</u>

** May include a slight rounding error.

** The above OPEB expense does not include an estimated \$- in employer contributions.

Deferred Inflows and Outflows

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. (Please see Appendix E, Paragraph 244 for more information.) Therefore, valuation-based deferred items will not begin until the next valuation.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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 term of the agreement covers the period through June 30, 2027. The amount authorized to be spent for the agreed services with Cal Fire for fiscal year ended June 30, 2021 was \$8,711,564. The District's expenditures for the agreed services with Cal Fire for fiscal year ended June 30, 2021 were \$6,084,414. Also, refer to note 11 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, 2021 is as follows:

	<u>General Fund</u>
Nonspendable	
Prepaid items	\$ 14,495
Total nonspendable fund balances	14,495
Restricted for	
Weed abatement	38,702
Total restricted fund balances	38,702
Assigned to	
Apparatus replacement	1,000,000
Tools & equipment	1,500,000
New Fire Station	7,500,000
Total assigned fund balances	10,000,000
Unassigned fund balances	7,106,036
Total fund balances	\$ 17,159,233

NOTE 11 - CAL-FIRE AGREEMENT

On May 27, 2020, the District signed a cooperative agreement with California Department of Forestry and Fire Protection (CALFIRE). The terms of the agreement are July 1, 2020 through June 30, 2027. Coastside Fire Protection District shall reimburse CAL FIRE for fire protection services. The agreement value shall not exceed more than \$70,929,629.

**COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 - SUBSEQUENT EVENTS

The COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations and financial position.

Subsequent events were evaluated through May 11, 2022, which is the date the financial statements were available to be issued.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2021, the District found that the accounts receivable, accounts payable, and prepaid expense balances were not properly recorded on its previous year's financial statements. As a result, following the prior period, adjustments have been made in the District's financial statements to record the proper beginning fund balance and the net position:

	<u>Net position</u>	<u>Fund balance</u>
Beginning net position and fund balance as previously reported at June 30, 2020	\$ 25,177,683	\$ 15,373,400
Decrease in accounts receivable	(54,054)	(54,054)
Decrease in accounts payables	129,589	129,589
Decrease in prepaid expenses	<u>(25,835)</u>	<u>(25,835)</u>
Net position and fund balance as restated, July 01, 2020	<u>\$ 25,227,383</u>	<u>\$ 15,423,100</u>

REQUIRED SUPPLEMENTARY INFORMATION

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative) Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes:				
Secured	\$ 9,967,892	\$ 9,967,892	\$ 10,653,090	\$ 685,198
Unsecured	499,133	499,133	461,862	(37,271)
Homeowner Property Tax Relief	24,678	24,678	35,654	10,976
Weed Abatement	35,000	35,000	29,096	(5,904)
Prior Years Levies	3,019	3,019	4,002	983
ERAF	920,450	920,450	1,258,469	338,019
District Special Tax	344,001	344,001	343,964	(37)
Special Tax (CFD #5)	100,527	100,527	174,310	73,783
Plan Review/Reports	65,000	65,000	77,887	12,887
EMR JPA Charges	118,287	118,287	118,287	-
AMR Fuel Refund	42,000	42,000	35,175	(6,825)
Reimbursement	410,885	410,885	411,049	164
Miscellaneous	43,191	43,191	107,599	64,408
Interest Income	105,088	105,088	90,816	(14,272)
	<u>12,679,151</u>	<u>12,679,151</u>	<u>13,801,260</u>	<u>1,122,109</u>
Total Revenues				
Expenditures				
Operating Expenditures:				
Salaries and Benefits	1,350,903	1,350,903	1,384,820	(33,917)
Contracted Personnel Services	9,208,564	9,208,564	6,354,203	2,854,361
Materials , Supplies , and Services	3,983,932	3,983,932	3,578,935	404,997
Capital Outlay	1,200,000	1,200,000	747,169	452,831
	<u>15,743,399</u>	<u>15,743,399</u>	<u>12,065,127</u>	<u>3,678,272</u>
Total Expenditures				
Revenue over (under) expenditures	<u>(3,064,248)</u>	<u>(3,064,248)</u>	<u>1,736,133</u>	<u>4,800,381</u>
Fund Balances				
Fund balance, beginning of year	<u>3,777,895</u>	<u>3,777,895</u>	<u>15,373,400</u>	<u>11,595,505</u>
Restatement	<u> </u>	<u> </u>	<u>49,700</u>	<u>49,700</u>
Fund balance, beginning of year - restated	<u>3,777,895</u>	<u>3,777,895</u>	<u>15,423,100</u>	<u>11,645,205</u>
Fund balance, ending of year	<u>\$ 713,647</u>	<u>\$ 713,647</u>	<u>\$ 17,159,233</u>	<u>\$ 16,445,586</u>

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Plan's Proportion of the Net Pension Liability/(Assets)	0.11949%	0.12222%	0.12222%	0.12093%	0.12252%	0.12332%
Plan's Proportionate Share of the Net pension Liability/(Assets)	\$ 13,000,748	\$ 12,523,474	\$ 12,081,040	\$ 11,992,464	\$ 10,601,524	\$ 8,464,381
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%	0.00%	0.00%	0.00%
Plan Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.10%	75.26%	75.26%	74.31%	74.06%	78.40%
Plan Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS - PENSION
JUNE 30, 2021**

	<u>Fiscal year 2020-21</u>	<u>Fiscal year 2019-20</u>	<u>Fiscal year 2018-19</u>	<u>Fiscal year 2017-18</u>	<u>Fiscal year 2016-17</u>	<u>Fiscal Year 2015-16</u>
Actuarially Determined Contribution	\$ 1,350,320	\$ 1,214,401	\$ 1,133,665	\$ 869,687	\$ 506,189	\$ 420,828
Contributions in relations to the Actuarially Determined Contribution	<u>(1,350,320)</u>	<u>(1,214,401)</u>	<u>(1,133,665)</u>	<u>(869,687)</u>	<u>(506,189)</u>	<u>(420,828)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered - Employee Payroll	0.00%	0.00%	0.00%	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, 2020 as they have minimal cost impact.

Change in Assumptions: None

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

Reporting Date	June 30, 2021	June 30, 2020
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total OPEB liability		
Interest on the total	\$ 176,954	\$ 194,538
Difference b/w actual and expected experience	19,088	(25,427)
Experience (Gains) Losses	-	(206,746)
Benefit payments, including implicit subsidies net of retiree contributions	<u>(280,818)</u>	<u>(255,651)</u>
Net change in total OPEB liability	(84,776)	(293,286)
Total OPEB liability - beginning	<u>2,984,957</u>	<u>3,278,243</u>
Total OPEB liability - ending	<u>2,900,181</u>	<u>2,984,957</u>
Plan's fiduciary net position		
Contributions - employer	-	-
Contributions - employee	-	-
Interest on TOL	106,441	-
Net investment income	-	243,186
Benefit payments, including implicit subsidies net of retiree contributions	(280,818)	(255,651)
Administrative expense	(23,203)	(23,584)
Other	<u>-</u>	<u>17,887</u>
Net change in plan's fiduciary net position	(197,580)	(18,162)
Plan's Fiduciary Net Position - beginning	<u>4,043,812</u>	<u>4,061,974</u>
Plan's Fiduciary Net Position - ending	<u>3,846,232</u>	<u>4,043,812</u>
Net OPEB Liability - ending	<u>\$ (946,051)</u>	<u>\$ (1,058,855)</u>
Plan's fiduciary net position as a percentage of the Total OPEB Liability	133%	135%
Covered employee payroll	-	-
Plan net OPEB liability as percentage of covered employee payroll		

**COASTSIDE FIRE PROTECTION DISTRICT
 SCHEDULE OF PLAN CONTRIBUTIONS - OPEB
 JUNE 30, 2021**

Fiscal Year Ended	June 30, 2021
Actuarially determined contribution (ADC)	\$ -
Contributions in relation to the ADC	-
Contribution deficiency (excess)	-
Covered - employee payroll	<u>\$ -</u>
Contributions as a % of covered-employee payroll	-

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL (GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Positive (Negative) Variance with Final <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenditures				
Salaries and Benefits:				
Salaries and Wages	\$ 1,326,403	\$ 1,326,403	\$ 1,365,305	\$ (38,902)
Employee Medical, Dental and Life Insurance	18,000	18,000	8,476	9,524
Workers Comp Insurance	<u>6,500</u>	<u>6,500</u>	<u>11,039</u>	<u>(4,539)</u>
Total Salaries and Benefits	<u>1,350,903</u>	<u>1,350,903</u>	<u>1,384,820</u>	<u>(33,917)</u>
Contracted Personnel Services:				
California Department of Forestry and Fire Protection	<u>9,208,564</u>	<u>9,208,564</u>	<u>6,354,203</u>	<u>2,854,361</u>
Total Contracted Personnel Services	<u>9,208,564</u>	<u>9,208,564</u>	<u>6,354,203</u>	<u>2,854,361</u>
Material, Supplies and Services:				
Agriculture Weed Abatement	5,000	5,000	338	4,662
Weed Contractor	30,000	30,000	-	30,000
Clothing and Uniforms	20,000	20,000	8,726	11,274
Communication Expenses	20,016	20,016	20,888	(872)
Station	70,568	70,568	49,900	20,668
Household Expenses	25,000	25,000	31,230	(6,230)
Laundry Service	25,000	25,000	27,924	(2,924)
Medical Supplies and Equipment	9,000	9,000	23,259	(14,259)
Office Expenses	15,000	15,000	17,722	(2,722)
Subscription	9,000	9,000	25,219	(16,219)
Postage	4,000	4,000	3,784	216
Computer Expenses	68,000	68,000	79,184	(11,184)
Small Tools and Equipment	30,000	30,000	21,395	8,605
Disbursements (LAIF & PARS)	100,000	100,000	-	100,000
County Membership	18,600	18,600	12,005	6,595
Publication and Legal Notices	4,000	4,000	1,610	2,390
Special District Expenses	14,883	14,883	18,074	(3,191)
Motor Vehicle Equipment Maintenance	110,000	110,000	72,474	37,526
General Facility Maintenance	430,865	430,865	487,060	(56,195)
Rents and Leases	10,000	10,000	8,494	1,506
Insurance Premiums	75,000	75,000	65,562	9,438
Utilities	55,500	55,500	84,678	(29,178)
Training and Education	50,000	50,000	8,028	41,972
Medical Exams	10,000	10,000	6,145	3,855
San Mateo County Tax Collector	4,500	4,500	5,137	(637)
Legal Expenses	80,000	80,000	75,494	4,506

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF OPERATING EXPENDITURES - BUDGET AND ACTUAL (GAAP) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Cap Improvements /Structures < \$10,000	100,000	100,000	20,805	79,195
Cap Equipment & Apparatus < \$10,000	760,000	760,000	339,810	420,190
Cap Improvements /Structures > \$10,000	200,000	200,000	31,800	168,200
Cap Equipment & Apparatus > \$10,000	1,480,000	1,480,000	2,032,190	(552,190)
Land and Structures Expense	150,000	150,000	-	150,000
Total Materials, Supplies and Services	3,983,932	3,983,932	3,578,935	404,997
Capital Outlay	1,200,000	1,200,000	747,169	452,831
Total Expenditures	\$15,743,399	\$ 15,743,399	\$12,065,127	\$ 3,678,272

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

The Board of Directors
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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2022.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Harshmal & Company LLP

Oakland, California
May 11, 2022

**COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

**COASTSIDE FIRE PROTECTION DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2021**

There were no findings in the prior year.