

COASTSIDE FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018, 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 34 through 37 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 January 24, 2019 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 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.

Harshwal & Company, LLP
Certified Public Accountants

Harshwal & Company LLP

Oakland, CA
January 24, 2019

**COASTSIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018

- In total, government-wide net position was \$18,087,858.
- General revenues accounted for \$11,187,582 or 96% percent of total revenues.
- Total government-wide assets were \$31,733,118, cash and cash equivalents were \$18,733,885 and net capital assets totaled \$9,044,477.
- Total program expenses were \$9,006,506 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, 2018**

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, 2018**

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, 2018 with comparative amounts for 2017.

TABLE 1: NET POSITION

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Assets		
Current assets	\$ 18,844,235	\$ 17,597,443
Capital and other assets	9,776,512	7,574,110
Deferred outflows	<u>3,112,371</u>	<u>2,136,733</u>
Total Assets and Deferred Outflows of Resources	<u>31,733,118</u>	<u>27,308,286</u>
Liabilities		
Current liabilities	129,644	127,850
Net pension liabilities	11,992,464	10,601,524
Deferred inflows	<u>1,523,152</u>	<u>1,202,339</u>
Total Liabilities and Deferred Inflows of Resources	<u>13,645,260</u>	<u>11,931,713</u>
Net Position		
Invested in capital assets	9,044,477	7,574,110
Restricted		
Unrestricted	<u>9,043,381</u>	<u>7,802,463</u>
Total net position	<u>\$ 18,087,858</u>	<u>\$ 15,376,573</u>

**COASTSIDE FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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, 2018</u>	<u>JUNE 30, 2017</u>
Program Revenues		
Operating Grants/Reimbursements	\$ 266,973	\$ 81,827
Charges for Services	220,879	202,167
General Revenues		
Taxes	10,983,140	10,340,695
Interest and Investment Earnings	167,270	93,730
Miscellaneous	<u>37,172</u>	<u>35,432</u>
Total revenues	<u>11,675,434</u>	<u>10,753,851</u>
Program Expenses		
Public Safety	8,749,596	10,585,632
Depreciation	<u>256,910</u>	<u>273,820</u>
Total expenses	<u>9,006,506</u>	<u>10,859,452</u>
Changes in Net Position	<u>\$ 2,668,928</u>	<u>\$ (105,601)</u>

TABLE 3: GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Service 2018</u>	<u>Total Cost of Service 2017</u>
Public Safety	\$ 8,749,596	\$ 10,585,632
Depreciation-Unallocated	<u>256,910</u>	<u>273,820</u>
Total Governmental Activities	<u>\$ 9,006,506</u>	<u>\$ 10,859,452</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
YEAR ENDED JUNE 30, 2018**

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

General Fund Budgetary Highlights

As finalized by the Board of Directors, budgeted revenues totaled \$10,856,298 expenditures totaled \$9,537,344 and revenues were projected to exceed expenditures by \$1,318,954.

Capital Assets and Debt Administration

Capital Assets at Year End Net of Depreciation

As of June 30, 2018 and 2017, the District owned the following capital assets:

TABLE 4: CAPITAL ASSETS

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Capital Assets		
Land	\$ 1,802,580	\$ 1,802,580
Structures and improvements	6,707,923	4,980,646
Equipment	4,962,988	4,962,988
Accumulated depreciation	<u>(4,429,014)</u>	<u>(4,172,104)</u>
Total Capital Assets-Net	<u>\$ 9,044,477</u>	<u>\$ 7,574,110</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, 2018

	2018
Assets	
Current Assets	
Cash and investments in County Treasury	
Available for general operations	\$ 5,006,570
Investment in Local Agency Investment Fund	13,727,315
Accounts receivable (Net of Allowances)	57,691
Interest receivable	26,824
Prepaid expenses	25,835
Total Current Assets	18,844,235
Non Current Assets	
Land	1,802,580
Structure & Improvements	6,707,923
Equipments	4,962,988
Accumulated depreciation	(4,429,014)
Net OPEB assets (Note 8)	732,035
Total Non Current assets	9,776,512
Total Assets	28,620,747
Deferred Outflows of Resources	
Related to Pension (Note 7)	3,112,371
Total Deferred Outflows	3,112,371
Total Assets and Deferred Outflows of Resources	31,733,118
Liabilities	
Accounts payable	129,644
Net pension liability (Note 7)	11,992,464
Total Liabilities	12,122,108
Deferred Inflows of Resources	
Related to Pension (Note 7)	1,523,152
Total Deferred Inflows	1,523,152
Total Liabilities and Deferred Inflows of Resources	13,645,260
Net Position	
Net investment in capital assets	9,044,477
Unrestricted	9,043,381
Total Net Position	18,087,858
Total Liabilities and Net Position	\$ 31,733,118

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, 2018

	2018
Program Expenses	
Public Safety	
Operations	\$ 8,749,596
Depreciation	<u>256,910</u>
Total Program Expenses	<u>9,006,506</u>
Program Revenues	
Operating Grants, Contributions, Reimbursements	266,973
Charges for Services	<u>220,879</u>
Total Program Revenues	<u>487,852</u>
Net Program Expenses	<u>8,518,654</u>
General Revenues	
Taxes levied	10,983,140
Interest and investment earnings	167,270
Miscellaneous	<u>37,172</u>
Total general revenues	<u>11,187,582</u>
Excess of revenues over Expenditure	<u>2,668,928</u>
Change in net position	2,668,928
Net position - Beginning of year	<u>15,376,573</u>
<i>Restatement</i> (Note 12)	<u>42,357</u>
Net position - beginning of year, <i>Restated</i>	<u>15,418,930</u>
Net position - End of year	<u>\$ 18,087,858</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, 2018

	<u>2018</u>
	<u>General Fund</u>
Assets	
Current Assets	
Cash and investments in County treasury	
Available for General Operations	\$ 5,006,570
Investment in Local Agency Investment Fund	13,727,315
Accounts receivable (Net of Allowances)	57,691
Interest receivable	26,824
Prepaid expenses	25,835
Total Current Assets	18,844,235
Total Assets	18,844,235
Liabilities and Fund Balances	
Liabilities	
Accounts payable	129,644
Total Liabilities	129,644
Fund Balances	
Nonspendable	
Prepaid expenses	25,835
Spendable	
Assigned	7,544,681
Unassigned	11,144,075
Total Fund Balance	18,714,591
Total Liabilities and Fund Balance	\$ 18,844,235

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, 2018

		<u>2018</u>
Fund Balances - Total Governmental Funds		\$ 18,714,591
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	5,512,618	
Depreciable capital assets, net of accumulated depreciation	<u>3,531,859</u>	9,044,477
Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds financial statements		732,035
Deferred outflow of resources related to pension		3,112,371
Net Pension Liability		(11,992,464)
Deferred inflow of resources related to pension		<u>(1,523,152)</u>
Net Position of Governmental Activities		<u>\$ 18,087,858</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 BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
	<u>General Fund</u>
Revenues	
Property taxes	
Secured	\$ 9,067,385
Unsecured	479,496
Homeowners' Property Tax Relief	38,511
Weed Abatement	21,300
Prior Years' Levies	4,591
ERAF Refund	898,713
District Special Taxes	342,477
Special Tax (CFD #5)	130,667
Plan Review/Reports	62,134
EMR JPA Charges	119,452
AMR Lease	39,293
Reimbursements	266,973
Miscellaneous	37,172
Interest income	167,270
Total Revenues	<u>11,675,434</u>
Expenditures	
Operating Expenditures	
Salaries and employee benefits	938,201
Contracted Personnel Services	6,799,548
Material, Supplies, and Services	1,007,767
Capital outlay	<u>1,727,277</u>
Total Expenditures	<u>10,472,793</u>
Net Change in Fund Balances	1,202,641
Fund Balance - Beginning	<u>17,469,593</u>
Restatement	<u>42,357</u>
Net position, beginning of year, Restated	<u>17,511,950</u>
Fund Balance - Ending	<u>\$ 18,714,591</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, 2018

	2018
Net Change in Fund Balances - Governmental Funds	\$ 1,202,641
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.	1,727,277
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.	(256,910)
Adjustments to expenses on the statement of activities but not on the funds statement.	
Pension Expenses	(4,080)
Change in Net Position - Governmental Activities	<u><u>\$ 2,668,928</u></u>

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, 2018**

	<u>2018</u>
Assets	
Cash and Cash Equivalents	\$ <u>4,061,973</u>
Total Assets	<u>4,061,973</u>
Net Position	
Held in Trust for Retired Employees' Healthcare Benefits	\$ <u><u>4,061,973</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, 2018

	2018
Additions	
Investment Income (Loss)	\$ <u>321,972</u>
Total Additions	<u>321,972</u>
Deductions	
Administrative Expenses	<u>374,379</u>
Total Deductions	<u>374,379</u>
Net Increase	(52,407)
Held in Trust for Retired Employees' Healthcare Benefits	
Beginning of Year	<u>4,114,380</u>
End of Year	<u><u>\$ 4,061,973</u></u>

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

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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.

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.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

C. Cash and Investments (Cont'd)

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, 2018

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 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, 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, 2018, 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, 2018

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 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."

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

H. Use of Estimates

The preparation of financial statement inconformity 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, 2018 were as follows:

	Government - Wide Statement of Net Position <u>Governmental Activities</u>
Demand Deposits:	
Local agency investment fund (LAIF)	13,727,315
San Mateo County Investment Pool	<u>5,006,570</u>
Total Demand Deposits	<u>\$ 18,733,885</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 \$5,006,570 at June 30, 2018. 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.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (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 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, 2018 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, 2018, the District had \$13,727,315 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.

NOTE 3: CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2018 consisted of the following:

	<u>Balance</u> <u>July 01, 2017</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,802,580	\$	\$	\$ 1,802,580
Construction in Progress	<u>1,982,761</u>	<u>1,727,277</u>	<u>-</u>	<u>3,710,038</u>
Total Capital assets, not being depreciated	<u>3,785,341</u>	<u>1,727,277</u>	<u></u>	<u>5,512,618</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></u>	<u>4,962,988</u>
Total Capital assets, being depreciated	<u>7,960,873</u>	<u></u>	<u></u>	<u>7,960,873</u>
Less accumulated depreciation for				
Buildings and improvements	1,326,574	58,716		1,385,290
Machinery and equipment	<u>2,845,530</u>	<u>198,194</u>	<u></u>	<u>3,043,724</u>
Total accumulated depreciation	<u>4,172,104</u>	<u>256,910</u>	<u></u>	<u>4,429,014</u>
Total Capital assets, being depreciated, net	<u>3,788,769</u>	<u>(256,910)</u>	<u></u>	<u>3,531,859</u>
Government activities capital assets, net	<u>\$ 7,574,110</u>	<u>\$ 1,470,367</u>	<u>\$</u>	<u>\$ 9,044,477</u>

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the District received \$119,452 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.

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:

COVERAGE	LIMIT
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, 2018, the District does not have any claims outstanding.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 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.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	7.15%
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 7.15 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.

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.

Assets Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
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, 2018

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: June 30, 2017 (MD)	\$ 37,538,037	\$ 26,936,513	\$ 10,601,524
Balance at: June 30, 2018 (MD)	\$ 40,444,876	\$ 28,452,412	\$ 11,992,464
Net Changes during 2017-18	\$ (2,906,839)	\$ (1,515,899)	\$ (1,390,940)

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:

	<u>Discount Rate - 1%</u> (6.15%)	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1%</u> (8.15%)
Plan's Net Pension Liability/(Assets)	\$ 17,649,195	\$ 11,992,464	\$ 7,366,997

PENSION EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended June 30, 2018, Pension Expense recognized is as follows:

Pension Expense- June 30, 2018

Allocated portion of collective pension expense	\$ 1,576,417
Recognition of employer-specific amounts:	
Change in proportion	(173,759)
Difference between actual contribution and proportionate share of total contributions	(562,928)
Difference in proportions	<u>34,037</u>
Total employer-specific recognition	<u>(702,650)</u>
Total Pension Expense Recognized	<u>\$ 873,767</u>

For the measurement period ended June 30, 2017 (the measurement date), the Coastsides Fire Protection District incurred a pension expense/(income) of \$506,189 for the Plan.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: EMPLOYEE RETIREMENT SYSTEM (CONT'D)

As of June 30, 2018, 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	\$ 111,040	\$ 29,879
Changes of Assumptions	1,712,386	131,361
Net Difference between Projected and Actual Earnings on Pension Plan Investments	373,682	-
Change in employer's proportion	45,576	640,386
Difference between Employer Contributions and the employer's Proportionate share of contributions	-	721,526
Pension contribution subsequent to measurement date	<u>869,687</u>	<u>-</u>
Total	<u>\$ 3,112,371</u>	<u>\$ 1,523,152</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>
2019	(185,253)
2020	698,540
2021	424,972
2022	(218,727)
2023	-
Thereafter	-

NOTE 8: OTHER POST EMPLOYMENT BENEFITS

Plan Description

Coastsides Fire Protection District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2017 (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, 2017. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

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

	Number of Participants
Inactive Employees Receiving Benefits	29
Inactive Employees Entitled to But Not Receiving Benefits*	-
<u>Participating Active Employees</u>	<u>-</u>
<u>Total Number of participants</u>	<u>29</u>

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 year 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.

Assets Class	Percentage of Portfolio	Assumed Gross Return
All Equities	600,000	7.7950
Long-Term Corporate Bonds	50,000	5.2950
Intermediate-Term Government Bonds	300,000	4.5000
Short-Term Gov't Fixed	50,000	3.2500

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

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	<u>(5.20%)</u>	<u>Rate (6.20%)</u>	<u>(7.20%)</u>
Liability/(Assets)	\$ (410,836)	\$ (732,035)	\$ (1,003,820)

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, 2018 Net OPEB Obligation:

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

	<u>TOL</u>	<u>FNP</u>	<u>NOL</u>
Net OPEB obligation (asset)-beginning of the year	\$ 3,469,006	\$ 2,981,411	\$ 487,595
OPEB beginning balance differences determined by the Actuary			
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, 2018:

	<u>Total</u>
Service Cost	\$ -
Interest on Total OPEB Liability (TOL)	206,006
Employee Contributions	-
Recognized Actuarial Gains/Losses	-
Recognized Assumption Changes	-
Actual Investment Income	(391,999)
Recognized Investment Gains/Losses	-
Contributions After Measurement Date*	-
Liability Change Due to Benefit Changes	-
Administrative Expense	<u>19,029</u>
OPEB Expenses**	<u>\$ (166,964)</u>

* Should be added by Coastsides Fire Protection District if reporting date is after the measurement date.

** May include a slight rounding error.

** The above OPEB expense does not include an estimated \$1,052,666 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 FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was \$7,385,388. The District's expenditures for the agreed services with Cal Fire for fiscal year ended June 30, 2018 were \$5,118,117. 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, 2018 is as follows:

	<u>General Fund</u>
Nonspendable	
Prepaid items	\$ <u>25,835</u>
Total nonspendable fund balances	<u>25,835</u>
Assigned to	
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>11,144,075</u>
Total fund balances	<u>\$ 18,714,591</u>

COASTSIDE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made in the amount of \$42,357 to the General Fund and Government-Wide financial statements of the primary government. An adjustment to deposits was made in the amount of \$42,357, this adjustment was made to record cash not correctly recorded in prior years.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative) Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes:				
Secured	\$ 8,881,000	\$ 8,881,000	\$ 9,067,385	\$ 186,385
Unsecured	435,003	435,003	479,496	44,493
Homeowner Property Tax Relief	20,000	20,000	38,511	18,511
Weed Abatement	15,000	15,000	21,300	6,300
Prior Years Levies	3,500	3,500	4,591	1,091
ERAF	796,000	796,000	898,713	102,713
District Special Tax	264,000	264,000	342,477	78,477
Special Tax (CFD #5)	80,000	80,000	130,667	50,667
Plan Review/Reports	50,000	50,000	62,134	12,134
EMR JPA Charges	121,788	121,788	119,452	(2,336)
AMR Fuel Refund	42,000	42,000	39,293	(2,707)
Reimbursement	40,000	40,000	266,973	226,973
Miscellaneous	90,007	90,007	37,172	(52,835)
Interest Income	18,000	18,000	167,270	149,270
	<u>10,856,298</u>	<u>10,856,298</u>	<u>11,675,434</u>	<u>819,136</u>
Total Revenues				
Expenditures				
Operating Expenditures:				
Salaries and Benefits	892,956	892,956	938,201	(45,245)
Contracted Personnel Services	7,125,343	7,125,343	6,799,548	325,795
Materials , Supplies , and Services	848,045	848,045	1,007,767	(159,722)
Capital Outlay	671,000	671,000	1,727,277	(1,056,277)
	<u>9,537,344</u>	<u>9,537,344</u>	<u>10,472,793</u>	<u>(935,449)</u>
Total Expenditures				
Revenue over (under) expenditures	<u>1,318,954</u>	<u>1,318,954</u>	<u>1,202,641</u>	<u>(116,313)</u>
Fund Balances				
Fund balance, July 01, 2017-Resteted	<u>1,614,098</u>	<u>1,614,098</u>	<u>17,511,950</u>	<u>15,897,852</u>
Fund balance, June 30, 2018	<u>\$ 2,933,052</u>	<u>\$ 2,933,052</u>	<u>\$18,714,591</u>	<u>\$ 15,781,539</u>

COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2018

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Plan's Proportion of the Net Pension Liability/(Assets)	0.12252 %	0.12252 %	0.12332 %
Plan's Proportionate Share of the Net pension Liability/(Assets)	\$ 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 %
Plan Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.31 %	74.06 %	78.40 %
Plan Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -	\$ -

**COASTSIDE FIRE PROTECTION DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS
JUNE 30, 2018**

	<u>Fiscal year 2016-17</u>	<u>Fiscal year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 869,687	\$ 506,189	\$ 420,828
Contributions in relations to the Actuarially Determined Contribution	<u>(869,687)</u>	<u>(506,189)</u>	<u>(420,828)</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, 2017 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Positive (Negative) Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Operating Expenditures				
Salaries and Benefits:				
Salaries and Wages	\$ 870,456	\$ 870,456	\$ 878,730	\$ (8,274)
Employee Medical, Dental and Life Insurance	13,500	13,500	52,983	(39,483)
Workers Comp Insurance	<u>9,000</u>	<u>9,000</u>	<u>6,488</u>	<u>2,512</u>
Total Salaries and Benefits	<u>892,956</u>	<u>892,956</u>	<u>938,201</u>	<u>(45,245)</u>
Contracted Personnel Services:				
California Department of Forestry and Fire Protection	<u>7,125,343</u>	<u>7,125,343</u>	<u>6,799,548</u>	<u>325,795</u>
Total Contracted Personnel Services	<u>7,125,343</u>	<u>7,125,343</u>	<u>6,799,548</u>	<u>325,795</u>
Material, Supplies and Services:				
Agriculture Weed Abatement	13,300	13,300	11,023	2,277
Clothing and Uniforms	1,000	1,000	264	736
Communication Expenses	39,400	39,400	21,251	18,149
Household Expenses	22,500	22,500	22,464	36
Medical Supplies and Equipment	6,000	6,000	165	5,835
Office Expenses	17,000	17,000	12,377	4,623
Subscription	10,000	10,000	3,502	6,498
Postage	4,000	4,000	3,104	896
Computer Expenses	45,000	45,000	19,814	25,186
Small Tools and Equipment	19,000	19,000	57,684	(38,684)
County Membership	11,000	11,000	8,124	2,876
Publication and Legal Notices	5,200	5,200	5,465	(265)
Special District Expenses	11,000	11,000	11,988	(988)
Motor Vehicle Equipment Maintenance	110,000	110,000	437,072	(327,072)
General Facility Maintenance	293,200	293,200	197,716	95,484
Rents and Leases	15,500	15,500	14,354	1,146
Insurance Premiums	54,945	54,945	60,529	(5,584)
Utilities	52,000	52,000	42,612	9,388
Training and Education	33,000	33,000	11,544	21,456
Medical Exams	1,000	1,000	80	920
San Mateo County Tax Collector	4,000	4,000	4,199	(199)
Legal Expenses	<u>80,000</u>	<u>80,000</u>	<u>62,436</u>	<u>17,564</u>
Total Materials, Supplies and Services	<u>848,045</u>	<u>848,045</u>	<u>1,007,767</u>	<u>(159,722)</u>
Capital Outlay	<u>671,000</u>	<u>671,000</u>	<u>1,727,277</u>	<u>(1,056,277)</u>
Total Expenditures	<u>\$ 9,537,344</u>	<u>\$ 9,537,344</u>	<u>\$10,472,793</u>	<u>\$ (935,449)</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***

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2019.

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

**Oakland, CA
January 24, 2019**