

**NORTHSHORE FIRE
PROTECTION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2021**

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NORTHSHORE FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2021

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INTRODUCTORY SECTION

- **List of Officials**

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NORTHSHORE FIRE PROTECTION DISTRICT

List of Officials

For the Year Ended June 30, 2021

Board of Directors

Gerald Shepherd	Chairman
John Barnette	Member
James Burton	Member
Lynn Ringuette	Member
Shannon Stilwell	Member

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Northshore Fire Protection District, California (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 the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in the modified cash basis financial position, thereof for the year then ended in accordance with the basis of accounting described in Note 1C.

Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

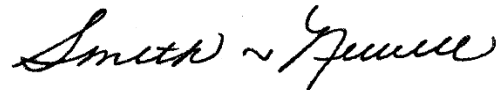
Report on Supplementary and Other Information

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, District Pension Plan information, and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2023 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 District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
March 9, 2023

Basic Financial Statements

- **Government-Wide Financial Statements**

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NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Net Position
June 30, 2021

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 3,979,920
Restricted cash and investments	113,391
Capital assets:	
Non-depreciable	490,789
Depreciable, net	2,460,971
Total capital assets	<u>2,951,760</u>
Total Assets	<u>7,045,071</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	<u>626,893</u>
Total Deferred Outflows of Resources	<u>626,893</u>
LIABILITIES	
Long-term liabilities:	
Due within one year	133,733
Due in more than one year	109,163
Net pension liability	<u>2,626,231</u>
Total Liabilities	<u>2,869,127</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	<u>36,278</u>
Total Deferred Inflows of Resources	<u>36,278</u>
NET POSITION	
Investment in capital assets	2,951,760
Restricted for capital projects	199,032
Restricted for net pension liability	113,391
Unrestricted	<u>1,502,376</u>
Total Net Position	<u>\$ 4,766,559</u>

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

NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 4,702,560	\$ 3,426,640	\$ 790,668	\$ 43,909	\$ (441,343)
Total Governmental Activities	4,702,560	3,426,640	790,668	43,909	(441,343)
Total	\$ 4,702,560	\$ 3,426,640	\$ 790,668	\$ 43,909	(441,343)
General revenues:					
Taxes:					
Property taxes					1,153,102
Interest and investment earnings					32,408
Miscellaneous					37,456
Loss on disposal of asset					(8,071)
					1,214,895
					Change in Net Position
					773,552
					Net Position - Beginning
					3,993,007
					Net Position - Ending
					\$ 4,766,559

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

Basic Financial Statements

- **Fund Financial Statements**

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NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Mitigation Fees	Totals
ASSETS			
Cash and investments	\$ 3,780,888	\$ 199,032	\$ 3,979,920
Restricted cash and investments	113,391	-	113,391
Total Assets	\$ 3,894,279	\$ 199,032	\$ 4,093,311
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted	113,391	199,032	312,423
Committed	50,400	-	50,400
Assigned	1,408,376	-	1,408,376
Unassigned	2,322,112	-	2,322,112
Total Fund Balances	3,894,279	199,032	4,093,311
Total Liabilities and Fund Balances	\$ 3,894,279	\$ 199,032	\$ 4,093,311

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

NORTHSHORE FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Funds Modified Cash Basis
Balance Sheet to the Government-Wide Modified Cash Basis
Statement of Net Position - Governmental Activities
June 30, 2021

Total Fund Balance - Total Governmental Funds	\$ 4,093,311
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	2,951,760
Deferred outflows of resources related to pensions are not reported in the governmental funds.	626,893
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(36,278)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(242,896)
Net pension liability	<u>(2,626,231)</u>
Net Position of Governmental Activities	<u>\$ 4,766,559</u>

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

NORTHSHORE FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Revenues,
Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Mitigation Fees	Totals
REVENUES			
Taxes	\$ 1,153,102	\$ -	\$ 1,153,102
Licenses and permits	12,523	-	12,523
Fines and forfeitures	157	-	157
Use of money and property	31,699	709	32,408
Intergovernmental revenues	790,668	-	790,668
Charges for services	3,338,202	75,758	3,413,960
Other revenues	37,456	-	37,456
Total Revenues	<u>5,363,807</u>	<u>76,467</u>	<u>5,440,274</u>
EXPENDITURES			
Current public protection:			
Salaries and benefits	2,494,943	-	2,494,943
Services and supplies	1,707,775	-	1,707,775
Capital outlay	284,355	-	284,355
Total Expenditures	<u>4,487,073</u>	<u>-</u>	<u>4,487,073</u>
Excess of Revenues Over (Under) Expenditures	876,734	76,467	953,201
OTHER FINANCING SOURCES (USES)			
Transfers in	26,000	-	26,000
Transfers out	-	(26,000)	(26,000)
Total Other Financing Sources (Uses)	<u>26,000</u>	<u>(26,000)</u>	<u>-</u>
Net Change in Fund Balances	902,734	50,467	953,201
Fund Balances - Beginning	<u>2,991,545</u>	<u>148,565</u>	<u>3,140,110</u>
Fund Balances - Ending	<u><u>\$ 3,894,279</u></u>	<u><u>\$ 199,032</u></u>	<u><u>\$ 4,093,311</u></u>

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

NORTHSHORE FIRE PROTECTION DISTRICT
Reconciliation of the Modified Cash Basis Statement of
Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Government-Wide Modified Cash
Basis Statement of Activities - Governmental Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 953,201
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	284,355
Donation of capital asset	43,909
Less current year depreciation	(198,846)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. Proceeds from the sale of capital assets were \$0.	
	(8,071)
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pensions	(131,310)
Change in deferred inflows of resources related to pensions	52,312
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(14,360)
Change in net pension liability	(207,638)
Change in Net Position of Governmental Activities	<u>\$ 773,552</u>

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Northshore Fire Protection District was formed on November 8, 2006 as the Northshore Fire Protection District (the District) under provisions of the California Public Resource Code by combining the Upper Lake, Nice, Lucerne, and Clearlake Oaks Fire Protection Districts. The District currently provides fire protection, weed abatement, emergency response, and ambulance services to the Northshore communities of Lake County, encompassing an area of approximately 357 square miles and services an estimated population of 12,000.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

The District is a member of the Golden State Risk Management Authority (GSRMA). GSRMA is a joint powers authority organized for the purpose of providing services and other functions necessary and appropriate for the creation, operation, and maintenance of liability, workers' compensation, property and other risk pooling and coverage plans for its members. GSRMA began operations on July 1, 1979, and has continued without interruption since that time. GSRMA is composed of member agencies consisting of cemetery districts, cities, counties, fire districts, school districts and special districts and is governed by a board of directors appointed by the members. Complete audited financial statements can be obtained from GSRMA's office at P.O. Box 706, Willows, CA 95988. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by taxes, charges for services and intergovernmental revenues. The District had no business-type activities at June 30, 2021.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into two funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds, general capital asset acquisitions are reported as expenditures and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Cash and Investments

The District pools all cash and investments, other than cash in checking accounts and amounts held in a restricted mutual fund, with the County of Lake. The Lake County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants.

F. Restricted Cash and Investments

Restricted assets in the General fund represent cash and investments held for the Length of Service Awards Program, defined benefit pension plan, of \$113,391.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets, including public domain infrastructure, are defined by the District as assets with a cost of more than \$10,000. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3 to 30 years
Buildings and improvements	30 to 40 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Tax

Lake County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Lake up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1 and becomes delinquent if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide Statement of Activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

K. Compensated Absences

The District has adopted the requirements for recording compensated absences as outlined in GASB Statement No. 16. The District’s policy regarding compensated absences is to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The District includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles required that the reported results must pertain to liability and assets information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has one item that qualifies for reporting in this category. This item relates to the outflows from changes in the net pension liability and is reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item relates to the inflows from changes in the net pension liability and is reportable on the Statement of Net Position.

N. Estimates

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 84, “Fiduciary Activities.” The requirements of this statement are effective for periods beginning after December 15, 2019. The District does not have any fiduciary activities to report for the year ended June 30, 2021.

Statement No. 90, “Majority Equity Interest.” In September 2018, the GASB issued Statement No. 90, an amendment of GASB Statements No. 14 and No. 61. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2021. The District does not have any majority equity interests to report for the year ended June 30, 2021.

P. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 87 “Leases” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period” The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

Statement No. 91 “Conduit Debt Obligations” The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)

Statement No. 92 “Omnibus 2020” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 93 “Replacement of Interbank Offered Rates” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2021, the District's cash and investments consisted of the following:

Cash:		
Deposits (less outstanding checks)	\$	85,844
Total Cash		85,844
Investments:		
Mutual Funds		113,391
Lake County Treasurer's Pool		3,894,076
Total Investments		4,007,467
Total Cash and Investments	\$	4,093,311

B. Cash

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$85,844 and the bank balance was \$128,788. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

C. Investments

The District does not have a formal investment policy. At June 30, 2021, all investments of the District, except the mutual funds held with Mass Mutual, were in the County of Lake investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following.

- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium-Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal government or its agencies
- State of California Obligations
- Local Agency Bonds
- Treasury Obligations
- Obligations of California Local Agencies

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2021, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Mutual Funds	\$ 113,391	\$ 113,391	\$ -	\$ -
Total Investments Measured at Fair Value	113,391	<u>\$ 113,391</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Lake County Treasurer's Pool	<u>3,894,076</u>			
Total Investments	<u>\$ 4,007,467</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

As of June 30, 2021, the District had the following investments, all of which had a maturity of 5 years or less:

<u>Investment Type</u>	<u>Interest Rates</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>		
Mutual Funds	Variable	\$ 113,391	\$ -	\$ 113,391	-
Lake County Treasurer's Pool	Variable	<u>3,894,076</u>	<u>-</u>	<u>3,894,076</u>	<u>-</u>
Total Investments		<u>\$ 4,007,467</u>	<u>\$ -</u>	<u>\$ 4,007,467</u>	<u>-</u>

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy and the actual rating as of year-end for each investment type.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Mutual Funds	N/A	N/A	N/A	2.83%
Lake County Treasurer's Pool	N/A	Unrated	Unrated	<u>97.17%</u>
Total				<u>100.00%</u>

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in mutual funds and the Lake County investment pool which contains a diversification of investments.

D. Investments in External Pool

The Lake County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Lake County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's office at 255 North Forbes Street, Lakeport, CA 95453.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital Assets, Not Being Depreciated				
Land	\$ 340,789	\$ -	\$ -	\$ 340,789
Construction in progress	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Capital Assets, Not Being Depreciated	<u>340,789</u>	<u>150,000</u>	<u>-</u>	<u>490,789</u>
Capital Assets, Being Depreciated				
Buildings and improvements	1,266,003	29,995	(9,800)	1,286,198
Equipment	<u>3,903,919</u>	<u>148,269</u>	<u>-</u>	<u>4,052,188</u>
Total Capital Assets, Being Depreciated	<u>5,169,922</u>	<u>178,264</u>	<u>(9,800)</u>	<u>5,338,386</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(886,889)	(29,859)	1,729	(915,019)
Equipment	<u>(1,793,409)</u>	<u>(168,987)</u>	<u>-</u>	<u>(1,962,396)</u>
Total Accumulated Depreciation	<u>(2,680,298)</u>	<u>(198,846)</u>	<u>1,729</u>	<u>(2,877,415)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,489,624</u>	<u>(20,582)</u>	<u>(8,071)</u>	<u>2,460,971</u>
Total Capital Assets, Net	<u>\$ 2,830,413</u>	<u>\$ 129,418</u>	<u>(\$ 8,071)</u>	<u>\$ 2,951,760</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Public Protection	<u>\$ 198,846</u>
Total Depreciation Expense	<u>\$ 198,846</u>

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various District operations and re-allocations of special revenues. The following are the interfund transfers for the fiscal year ended June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 26,000	\$ -
Mitigation Fees	<u>-</u>	<u>26,000</u>
Total	<u>\$ 26,000</u>	<u>\$ 26,000</u>

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

Type of Indebtedness	Balance July 1, 2020	Adjustments/ Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Compensated absences	\$ 228,536	\$ 147,137	(\$ 132,777)	\$ 242,896	\$ 133,733
Total	<u>\$ 228,536</u>	<u>\$ 147,137</u>	<u>(\$ 132,777)</u>	<u>\$ 242,896</u>	<u>\$ 133,733</u>

NOTE 6: LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

NOTE 7: RENTAL INCOME FROM LEASE

On February 1, 2021, the District entered into a lease agreement with Verizon for a cell antenna to be located on District property in 2020/21. The term of the lease is five years and the annual rental income of \$14,400 started in FY 2020/21.

NOTE 8: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 9: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 9: FUND BALANCES (CONTINUED)

The fund balances for all governmental funds as of June 30, 2021, were distributed as follows:

	General Fund	Mitigation Fees	Totals
Restricted for:			
Capital projects	\$ -	\$ 199,032	\$ 199,032
Net pension liability	113,391	-	113,391
Subtotal	<u>113,391</u>	<u>199,032</u>	<u>312,423</u>
Committed for:			
Medical insurance	50,400	-	50,400
Subtotal	<u>50,400</u>	<u>-</u>	<u>50,400</u>
Assigned to:			
General reserve	10,000	-	10,000
Designated	55,228	-	55,228
Equipment	240,586	-	240,586
Building	297,554	-	297,554
Medical equipment	805,008	-	805,008
Subtotal	<u>1,408,376</u>	<u>-</u>	<u>1,408,376</u>
Unassigned	<u>2,322,112</u>	<u>-</u>	<u>2,322,112</u>
Total	<u>\$ 3,894,279</u>	<u>\$ 199,032</u>	<u>\$ 4,093,311</u>

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors adopted a fund balance policy for financial statement reporting on April 12, 2017. The policy establishes procedures for reporting fund balance classifications, establishes a prudent reserve requirement and establishes a hierarchy of fund balance expenditures.

NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. General Information about the Pension Plan

All qualified permanent and probationary employees are eligible to participate in the District's Safety and Miscellaneous (all other) Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)

A. General Information about the Pension Plan (Continued)

Effective January 1, 2013, the District added retirement tiers for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six-month break in service. Applicable new hires to the District defined as classic employees as determined by CalPERS will be subject to the appropriate non-PEPRA benefit tier (i.e., Safety or Miscellaneous). New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013
Safety	Safety members hired before January 1, 2013

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous Plan Members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	55	1.426 to 2.418%
Miscellaneous PEPRA	2.0% @ 62	62	1.000 to 2.500%
Safety	3.0% @ 55	55	2.400 to 3.000%
Safety PEPRA	2.7% @ 57	57	2.000 to 2.700%

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	10.484%	7.000%	0.000%
Miscellaneous PEPRA	7.732%	6.750%	0.000%
Safety	21.746%	9.000%	0.000%
Safety PEPRA	13.044%	12.000%	0.000%

(a) The District pays the member contribution for the Fire Chief

For the year ended June 30, 2021, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 5,743	\$ -
Safety	382,013	-

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<u>Proportion June 30, 2020</u>	<u>Proportion June 30, 2021</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.00194%	.00205%	-.00011%
Safety	.03507%	.03558%	.00051%

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 86,531
Safety	<u>2,370,484</u>
Total Net Pension Liability	<u>\$ 2,457,015</u>

For the year ended June 30, 2021, the District recognized pension expense of \$591,841. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 323,049	\$ -
Changes of assumptions	-	(8,513)
Differences between expected and actual experience	188,278	-
Differences between projected and actual earnings on pension plan investments	54,091	-
Difference between District contributions and proportionate share of contributions	32,092	(14,831)
Adjustment due to differences in proportions	<u>29,383</u>	<u>(12,934)</u>
Total	<u>\$ 626,893</u>	<u>(\$ 36,278)</u>

\$323,049 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2022		\$ 81,021
2023		92,619
2024		66,878
2025		27,048
Thereafter		<u>-</u>
Total		<u>\$ 267,566</u>

**NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021**

**NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)**

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS membership date for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor applies

The mortality table used was developed based on CalPERS- specific data. Table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2018) that can be found on the CalPERS website.

Change of Assumptions

During 2020-2021, there were no changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefits payment of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods to all periods of projected benefits payments to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 10: PENSION PLAN - CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all the funds' assets classes, expected compounds (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected.

The table below reflects the 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 rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
Miscellaneous	\$ 146,960	\$ 86,531	\$ 36,601
Safety	3,682,377	2,370,484	1,293,951

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 11: PENSION PLAN - LENGTH OF SERVICE AWARDS PROGRAM

A. General Information about the Pension Plan

Plan Description

The former Upper Lake Fire Protection District established the Length of Service Awards Program (LOSAP) for volunteer firefighters effective December 1, 1999. In November 2006 when the Northshore Fire Protection District was formed the plan was closed to new participants. The LOSAP is a single employer defined benefit plan.

Benefits Provided

Benefits are calculated at \$5 per month for life once members reach 1 year of service and age 55.

Employees Covered

At June 30, 2021, the following employees were covered by the benefit terms:

	<u>Inactive Employees or Beneficiaries Currently Receiving Benefits</u>	<u>Inactive Employees Entitled to But Not Yet Receiving Benefits</u>	<u>Active Employees</u>
LOSAP	3	2	3

B. Net Pension Liability

The District's net pension liability for the LOSAP is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of November 30, 2020, using an annual actuarial valuation as of December 1, 2019 rolled forward to November 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the December 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 1, 2019
Measurement Date	November 30, 2020
Funding Method	Entry-Age Normal Frozen Initial Liability
Actuarial Assumptions:	
Discount Rate	2.05%, net of pension plan investment expense, including inflation
Salary increase	Not applicable
Inflation	0.00%
Mortality	No pre-retirement mortality; post retirement RP2000 projected to 2030

Change of Assumptions

The investment rate of return was changed from 2.91 percent to 2.05 percent.

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 11: PENSION PLAN - LENGTH OF SERVICE AWARDS PROGRAM (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 2.05 percent which is based on the 20-year AA general obligation bond rate as of November 30, 2020.

C. Changes in the Net Pension Liability

As of June 30, 2021, the changes in the net pension liability of the LOSAP, is as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 1, 2019	\$ 151,372	\$ -	\$ 151,372
Changes in the year:			
Service cost	2,036	-	2,036
Interest	3,038	-	3,038
Difference between expected and actual experience	933	-	933
Change of assumptions	19,297	-	19,297
Benefit payments and expenses	(7,460)	-	(7,460)
Net Changes	<u>17,844</u>	<u>-</u>	<u>17,844</u>
Balances at November 30, 2020	<u>\$ 169,216</u>	<u>\$ -</u>	<u>\$ 169,216</u>

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

The following presents the net pension liability as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>1.05%</u>	Discount Rate <u>2.05%</u>	1% Increase <u>3.05%</u>
LOSAP	\$ 195,224	\$ 169,216	\$ 148,343

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District has agreed to pay postemployment health insurance benefits for four retirees. These benefits are financed on a pay-as-you-go basis. The District has not had an actuarial valuation of the OPEB plan and has not recorded the OPEB liability. The amount paid on the pay-as-you-go basis for the year ended June 30, 2021 was \$21,487.

NOTE 13: RISK MANAGEMENT

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

NORTHSHORE FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2021

NOTE 13: RISK MANAGEMENT (CONTINUED)

Northshore Fire Protection District is a member of the Golden State Risk Management Authority - Joint Powers Insurance Authority (JPIA). The JPIA's members have pooled funds to be self-insured for property/liability and workers' compensation insurance. The District participates in the property/liability and workers' compensation programs.

Settled claims have not exceeded insurance coverage in the last three years and no additional liability has been accrued at June 30, 2021 based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 14: OTHER INFORMATION

A. Commitments and Contingencies

There are potential claims and legal actions pending against the District for which no provisions have been made in the financial statements. In the opinion of the District management and legal counsel, liabilities arising from these claims and legal actions, if any, either will not be material or cannot be estimated at this time.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2021 through March 9, 2023, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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Supplementary Information

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NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2021
Last 10 Years*

Measurement Date	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
LOSAP				
Total Pension Liability				
Service cost	\$ 2,761	\$ 3,235	\$ 3,787	\$ 1,839
Interest	4,643	4,092	5,234	3,792
Differences between expected and actual experience	-	501	390	2,089
Changes of assumptions	(3,827)	16,906	(6,631)	18,118
Payments for benefits and admin expenses	(5,062)	(5,220)	(7,620)	(8,465)
Net Change in Total Pension Liability	(1,485)	19,514	(4,840)	17,373
Total Pension Liability - Beginning	120,810	119,325	138,839	133,999
Total Pension Liability - Ending (a)	<u>\$ 119,325</u>	<u>\$ 138,839</u>	<u>\$ 133,999</u>	<u>\$ 151,372</u>
Plan Fiduciary Net Position				
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 119,325</u>	<u>\$ 138,839</u>	<u>\$ 133,999</u>	<u>\$ 151,372</u>
Plan fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Total pension liability as a percentage of covered-employee payroll	0%	0%	0%	0%

* The District implemented GASB 73 for fiscal year June 30, 2017, therefore only five years are shown.

2019/20

\$ 2,036
3,038
933
19,297
(7,460)

17,844

151,372

\$ 169,216

\$ -

\$ 169,216

0%

\$ -

0%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021
Last 10 Years*

Measurement Date	2013/14	2014/15	2015/16	2016/17	2017/18
Miscellaneous					
Proportion of the net pension liability	0.00209%	0.00172%	0.00345%	0.00290%	0.00237%
Proportionate share of the net pension liability	\$ 130,243	\$ 117,819	\$ 119,915	\$ 114,472	\$ 89,346
Covered payroll	45,513	73,896	82,472	74,547	44,125
Proportionate share of the net pension liability as a percentage of covered payroll	286.17%	159.44%	145.40%	153.56%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	58.84%	66.09%	67.21%	67.95%	78.93%
Safety					
Proportion of the net pension liability	0.02477%	0.02197%	0.03627%	0.03519%	0.03514%
Proportionate share of the net pension liability	\$ 1,541,144	\$ 1,507,791	\$ 1,878,300	\$ 2,102,937	\$ 2,061,718
Covered payroll	766,311	939,509	1,028,486	1,068,866	1,025,064
Proportionate share of the net pension liability as a percentage of covered payroll	201.11%	160.49%	182.63%	196.74%	201.13%
Plan fiduciary net position as a percentage of the total pension liability	75.44%	76.72%	73.63%	73.27%	75.60%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only seven years are shown.

	<u>2018/19</u>	<u>2019/20</u>
	0.00194%	0.00021%
\$	77,745	\$ 86,531
	38,412	34,128
	202.40%	253.55%
	82.71%	80.94%
	0.03507%	0.03558%
\$	2,189,476	\$ 2,370,484
	676,559	1,058,434
	323.62%	223.96%
	75.73%	75.46%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2021
Last 10 Years*

Fiscal Year	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Miscellaneous					
Contractually required contributions (actuarially determined)	\$ 29,448	\$ 6,600	\$ 6,245	\$ 3,715	\$ 2,802
Contributions in relation to the actuarially determined contributions	<u>(29,448)</u>	<u>(28,968)</u>	<u>(29,642)</u>	<u>(30,543)</u>	<u>(6,376)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (22,368)</u>	<u>\$ (23,397)</u>	<u>\$ (26,828)</u>	<u>\$ (3,574)</u>
Covered payroll	\$ 73,896	\$ 82,472	\$ 74,547	\$ 44,125	\$ 38,412
Contributions as a percentage of covered payroll	39.85%	35.12%	39.76%	69.22%	16.60%
Safety					
Contractually required contributions (actuarially determined)	\$ 267,006	\$ 154,087	\$ 198,053	\$ 165,359	\$ 162,718
Contributions in relation to the actuarially determined contributions	<u>(267,006)</u>	<u>(275,623)</u>	<u>(332,024)</u>	<u>(342,116)</u>	<u>(314,266)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (121,536)</u>	<u>\$ (133,971)</u>	<u>\$ (176,757)</u>	<u>\$ (151,548)</u>
Covered payroll	\$ 939,509	\$ 1,028,486	\$ 1,068,866	\$ 1,025,064	\$ 676,559
Contributions as a percentage of covered payroll	28.42%	26.80%	31.06%	33.38%	46.45%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only seven years are shown.

<u>2019/2020</u>	<u>2019/2020</u>
\$ 2,384	\$ 8,319
<u>(5,743)</u>	<u>(8,319)</u>
<u>\$ (3,359)</u>	<u>\$ -</u>
\$ 34,128	\$ 36,873
16.83%	22.56%
\$ 173,793	\$ 314,730
<u>(382,013)</u>	<u>(314,730)</u>
<u>\$ (208,220)</u>	<u>\$ -</u>
\$ 1,058,434	\$ 1,060,344
36.09%	29.68%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2021

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2018
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount rate	7.00%
Payroll growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 831,510	\$ 831,500	\$ 1,153,102	\$ 321,602
Licenses and permits	11,000	11,000	12,523	1,523
Fines and forfeitures	-	-	157	157
Use of money and property	36,360	36,360	31,699	(4,661)
Intergovernmental revenues	291,386	291,386	790,668	499,282
Charges for services	2,610,000	2,610,000	3,338,202	728,202
Other revenues	189,130	189,130	37,456	(151,674)
Total Revenues	<u>3,969,386</u>	<u>3,969,376</u>	<u>5,363,807</u>	<u>1,394,431</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	2,841,650	2,706,650	2,494,943	211,707
Services and supplies	2,004,341	2,080,478	1,707,775	372,703
Capital outlay	156,000	424,371	284,355	140,016
Total Expenditures	<u>5,001,991</u>	<u>5,211,499</u>	<u>4,487,073</u>	<u>724,426</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,032,605)</u>	<u>(1,242,123)</u>	<u>876,734</u>	<u>2,118,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	40,000	26,000	(14,000)
Total Other Financing Sources (Uses)	<u>45,000</u>	<u>40,000</u>	<u>26,000</u>	<u>(14,000)</u>
Net Change in Fund Balances	(987,605)	(1,202,123)	902,734	2,104,857
Fund Balances - Beginning	<u>2,991,545</u>	<u>2,991,545</u>	<u>2,991,545</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,003,940</u>	<u>\$ 1,789,422</u>	<u>\$ 3,894,279</u>	<u>\$ 2,104,857</u>

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
Mitigation Fees - Major Special Revenue Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 709	\$ 709
Charges for services	-	-	75,758	75,758
Total Revenues	-	-	76,467	76,467
EXPENDITURES				
Current public protection: Services and supplies	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	76,467	76,467
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(26,000)	(26,000)	-
Total Other Financing Sources (Uses)	-	(26,000)	(26,000)	-
Net Change in Fund Balances	-	(26,000)	50,467	76,467
Fund Balances - Beginning	148,565	148,565	148,565	-
Fund Balances - Ending	<u>\$ 148,565</u>	<u>\$ 122,565</u>	<u>\$ 199,032</u>	<u>\$ 76,467</u>

NORTHSHORE FIRE PROTECTION DISTRICT
Supplementary Information
Note to Budgetary Comparison Schedules
For the Year Ended June 30, 2021

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General fund and major special revenue fund. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C.

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Fire Chief submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors review the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities and each major fund of Northshore Fire Protection District, California (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 March 9, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies. (2021-001 and 2021-002)

To the Board of Directors
Northshore Fire Protection District
Lucerne, California

Compliance and Other Matters

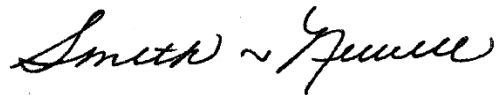
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Smith & Newell CPAs
Yuba City, California
March 9, 2023

NORTHSHORE FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-001 Capital Assets (Significant Deficiency)

Criteria

Good internal control over financial reporting requires that the depreciation schedule be reviewed and updated on an annual basis.

Condition

The depreciation schedule provided at the beginning of field work contained numerous errors and required several current year additions to be included by the District.

Cause

The District's depreciation schedule had few errors but did not include all current year additions.

Effect of Condition

The depreciation schedule required revisions and was missing \$247,586 of current year additions.

Question Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2020-001.

Recommendation

We recommend that the District review the depreciation schedule for completeness and accuracy.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

NORTHSHORE FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2021

2021-002 Audit Adjustments (Significant Deficiency)

Criteria

Governmental auditing standards require independent auditors to evaluate all unadjusted misstatements of financial statements. Also, producing timely audited financial statements is more difficult when adjustments are not recorded prior to the start of the annual audit.

Condition

At the time of our audit, we noted that the financial statements as presented to us for audit contained misstatements in cash, revenues, and expenditures that required adjustment.

Cause

The District does not record outside bank accounts in the general ledger.

Effect

The financial statements as presented to us contained misstatements and required adjustment.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2021-002.

Recommendation

We recommend that the District record outside bank account activity in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

NORTHSHORE FIRE PROTECTION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2021

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
2020-001	<p>Capital Assets</p> <p>Recommendation</p> <p>We recommend that the District review the depreciation schedule for completeness and accuracy.</p> <p>Status</p> <p>Partially implemented</p>
2020-002	<p>Audit Adjustments</p> <p>Recommendation</p> <p>We recommend that the District record outside bank account activity in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.</p> <p>Status</p> <p>Not implemented</p>

NORTHSHORE FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2021

2021-001 Capital Assets (Significant Deficiency)

We recommend that the District review the depreciation schedule for completeness and accuracy.

Management's Response: The District concurs with the finding.

Responsible Individual: Maya Colacion, Office Manager

Corrective Action Plan: The District will review the depreciation schedule for completeness and accuracy.

Anticipated Completion Date: 6/30/2023

2021-002 Audit Adjustments (Significant Deficiency)

We recommend that the District record the activity in the outside bank account in the general ledger so that the financial statements are correctly stated. All required adjustments should be recorded prior to the start of the annual audit.

Management's Response: The District concurs with the finding.

Responsible Individual: Maya Colacion, Office Manager

Corrective Action Plan: The District will record the activity of the outside bank account in the general ledger and perform and record all required adjustments prior to the annual audit.

Anticipated Completion Date: 6/30/2023