LAKESIDE FIRE
PROTECTION DISTRICT
Lakeside, California, County of San Diego

ANNUAL FINANCIAL REPORT
With
Independent Auditors Report Thereon
JUNE 30, 2021

LAKESIDE FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2021

LAKESIDE FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
JUNE 30, 2021

Page
Number

FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lakeside Fire Protection District
Lakeside, California

We have audited the accompanying financial statements of the governmental activities and funds of the Lakeside Fire Protection District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Lakeside Fire Protection District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

3445 American River Drive Suite A | Sacramento, CA 95864 | ph 916-333-5360 | fax 916-333-5370
www.fechtercpa.com
Member of the American Institute of Certified Public Accountants Tax Section
and California Society of CPAs

Board of Directors
Lakeside Fire Protection District
Lakeside, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, post-employment benefits, and pension information on pages 3-8 and 38-42 respectively, 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 consist 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeside Fire Protection District's basic financial statements. The accompanying financial and statistical information listed in the table of contents on pages 38-46, is presented for purposes of additional analysis and is not a required part of the financial statement of Lakeside Fire Protection District. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fechter & Company
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
October 31, 2021

As management of the Lakeside Fire Protection District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

Financial Highlights

- The District's Net Position at the end of the fiscal year was negative $9.27 Million.
- The District's Net Pension Liability is $31.88 Million.
- The Change in Net Position was an increase of $183,116 before prior period adjustments.
- The District had an overall General Fund revenue in excess of expenses, or Net change in Fund Balance in the amount of positive $0.19 Million.
- This year the District had $1.59 Million worth of additions to Capital Assets compared to $4.90 Million last year.
- The District's General Fund Balance increased by $191,463 (includes prior period adjustment) to $10,777,370.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

Basic Financial Statements

The basic financial statements include *Government-wide Financial Statements* and *Fund Financial Statements*. The two sets of statements are tied together by reconciliations showing why they differ.

The *Government-wide Financial Statements* provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

The *Fund Financial Statements* report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

Reports on Compliance and Internal Control encompass the independent auditor's reports showing compliance with Government Auditing Standards and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *Findings and Recommendations* section notes material weaknesses in the system and recommendations.

Government-wide Financial Analysis

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Statement of Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net Position may serve over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by negative $9.27 Million as of June 30, 2021. The Net Position of the District is the product of several financial transactions including net result of activities, capital asset changes and depreciation, and pension liability changes.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	FY 20-21	FY 19-20	$ Change
Current and Other Assets	$ 13,181,218	$ 12,696,004	$ 485,214
Deferred Outflow of Resources	11,240,438	9,773,157	1,467,281
Capital Assets (Net)	19,886,469	19,432,313	454,156
Total Assets & Deferred Outflows	$ 44,308,125	$ 41,901,474	$ 2,406,651
Current Liabilities	$ 2,414,896	$ 2,110,098	$ (304,798)
Deferred Inflows of Resources	4,756,002	4,554,997	(201,005)
General Long-Term Debt	46,404,356	44,686,625	(1,717,731)
Total Liabilities	$ 53,575,254	$ 51,351,720	$ (2,223,534)
Net Assets			
Investment in Capital Assets	$ 11,619,699	$ 10,634,807	(984,892)
Unrestricted Net Position	(20,886,828)	(20,085,052)	801,776
Total Net Position	$ (9,267,129)	$ (9,450,245)	$ (183,116)

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. The District's long-term debt consists of net pension liability, compensated leave due, OPEB liability, construction loans and bonds. The General Obligation Bond debt service payments are funded by the County of San Diego through a Cooperation Agreement for the construction of the River Park Fire Station and Administration Building. The Net Pension Liability of $31,879,003 is 69% of the long-term debt and is being addressed by CalPERS changes such as lowering the discount rate and creating UAL debt payments.

Significant Changes in Individual Funds

It is the policy of the Lakeside Fire Protection District to identify the various classifications of the District's governmental fund balances in its annual financial report and annual budget. These classifications take into consideration the District's long-term infrastructure needs, non-current liabilities, economic uncertainties, and possible catastrophic events. The District policy is to maintain transparency by maintaining appropriate reserve levels and categories based on prudent long-term financial and strategic goals. The District policy is to maintain a minimum target of fifty percent (50%) of property tax revenue in unrestricted General Fund Reserves order to meet the cash flow needs of the District.

Table 2 presents a summary of changes in the District fund balances.

TABLE 2
COMPARISON OF FUND BALANCES

	Fund Balance June 30, 2021	Fund Balance June 30, 2020	Increase (Decrease)
Non-spendable Reserves:			
Non-Spendable	$ 21,809	$ 10,453	$ 11,356
Committed Reserves:			
Economic/Budget Stability	$ 3,688,752	$ 3,688,752	$ -
Assigned Reserves:			
Budget Stability	$ 911,725	$ 1,011,725	(100,000)
Leave Reserve	1,472,126	1,340,340	131,786
Capital Facilities	1,410,390	1,632,333	(221,943)
Capital Equipment	1,818,523	1,769,637	48,886
Self-insured Retention Reserve	-	85,668	(85,668)
HCFA JPA Reserve	620,700	653,800	(33,100)
CSA-69 Reserve	333,211	176,081	157,130
Unassigned	500,134	217,118	283,016
Total	**10,777,370**	**10,585,907**	**191,463**

Capital Assets

The District finalized the purchases of the following assets during the year:

Cost		Capital Item
$	679,926	CIP Project - Station #1 relocation
$	443,699	Engine Type 3 - Finishing (FY18-19 WIP $8,472)
$	10,151	Fire Prevention multi-touch plan review table/digital
$	75,900	Radios and supplies Grant purchases. FY18 & the FY18 State Homeland Security Grants
$	71,843	Medical Emergency Gurneys
$	140,643	Ambulance Rechassis
$	159,351	New Ambulance
$	15,012	Improvements to Watertender purchased in FY19-20

In compliance with GASB Statement No. 34 the District reports the net book value of its capital assets. (Historical cost less accumulated depreciation. The detail on capital assets can be found in Note 1.J.1 and Note 4 of the Notes to Basic Financial Statements.)

Debt Administration

The District has long term debt of $46,425,126 made up of the following balances.

Amount		Item Description
$	1,472,126	Compensated absences
$	4,807,227	Other Post Employment Benefit (OPEB)
$	8,246,000	Capital Loans for Station#2/Admin and Station #3
$	31,879,003	Net pension liability
$	20,770	Accrued interest related to debt

Governmental Accounting Standards Board Statement 68

Governmental Accounting Standards Board Statement 68 (GASB 68) was issued by GASB in June 2012, requiring public employers to comply with new accounting and financial reporting standards. Statement 68 outlines a different approach to the recognition and calculation of pension obligations. Under GASB68, employers that participate in a defined benefit pension plan are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on entry age normal actuarial cost method less the plan's fiduciary net position.

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. This may be a negative expense (pension income).

Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense.

Under the new GASB standards, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements.

Changes to the financial statements commencing in Fiscal Year 2014/2015:

- Statement of Net Position - Deferred Inflows & Outflows of Resources (Note 8)

Governmental Accounting Standards Board Statement 75

Governmental Accounting Standards Board Statement 75 (GASB 75) was issued by GASB in June 2015, requiring public employers to comply with new accounting and financial reporting standards. The District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. This Statement requires employers to recognize in its financial statements the total Other Post-employment Benefit (OPEB) liability for the health benefits provided to retirees, less the amount held in a trust fund.

Economic Factors Bearing on the District's Financial Future

The District considers economic developments when preparing the annual budget, including statewide and national political developments that may affect the District.

- The District derives the majority of its revenue from the ad valorem property tax; therefore, management pays particular attention to the developments of the state economic factors that threaten the property tax revenue source. The District has lost more than $36 million in tax revenue since 1993 due to the current Educational Revenue Augmentation Fund (ERAF) shift.
- The District's pension costs are expected to rise by over $560,000 over the next 5 years, an average 1.0% property tax growth rate annually is needed just to cover these costs to pay down the pension unfunded liability.
- The District contracts with the County of San Diego to provide paramedic services to the County Service Area (CSA-69).
- The District relies on a cooperation agreement between the County of San Diego and the District to service the long-term debt related to the recently completed River Park Fire Station. The cooperation agreement requires that the County of San Diego pay $550,000 annually for 20 years from the Upper San Diego River Improvement Project (USDRIP) tax increment.
- These and other factors are taken into consideration when preparing the District's annual budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lakeside Fire Protection District, Finance & HR Director, 12216 Lakeside Avenue, Lakeside, CA 92040.

BASIC FINANCIAL STATEMENTS

LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Cash and investments	$ 11,547,471
Cash with fiscal agent	241,505
Interest receivable	18,611
Due from other governments	1,351,822
Prepaid ERP fees	21,809
Capital assets, net	19,886,469
TOTAL ASSETS	33,067,687
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension (Footnote 8)	10,183,270
Deferred OPEB (Footnote 7)	1,057,168
LIABILITIES	
Accounts payable	143,811
Accrued payroll	1,592,897
PASIS claim liability	657,418
Accrued interest	20,770
Current portion of long-term debt	532,000
Long-term liabilities:	
Net pension liability	31,879,003
Compensated absences	1,472,126
OPEB liability	4,807,227
Long-term debt	7,714,000
TOTAL LIABILITIES	48,819,252
DEFERRED INFLOWS OF RESOURCES	
Deferred pension (Footnote 8)	4,706,004
Deferred OPEB (Footnote 7)	49,998
NET POSITION	
Invested in capital assets, net of related debt	11,619,699
Unrestricted	(20,886,828)
NET POSITION	$ (9,267,129)

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

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

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Net (Expense) Revenue and Change in Net Position
Governmental Activities:					
Public Safety	$ 19,221,579	$ 3,597,037	$ -	$ 641,544	$ (14,982,999)
Total Governmental Activities	$ 19,221,579	$ 3,597,037	$ -	$ 641,544	(14,982,999)
		General Revenues			
		Property taxes			11,920,614
		Special assessments			919,815
		Use of money and property			126,692
		Mitigation fees			96,978
		Reimbursements			1,805,761
		Miscellaneous			290,018
		Gain on disposal of fixed assets			6,238
		Total general revenues			15,166,115
		Change in net position			183,116
		Net position at beginning of fiscal year			(9,450,245)
		Net position at end of fiscal year			$ (9,267,129)

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

BASIC FUND FINANCIAL STATEMENTS

LAKESIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2021

	General Fund
ASSETS	
Cash and investments	$ 11,547,471
Cash with fiscal agent	241,505
Interest receivable	18,611
Due from other governments	1,351,822
Prepaid ERP fees	21,809
TOTAL ASSETS	$ 13,181,218
LIABILITIES	
Accounts payable	$ 153,533
Accrued payroll	1,592,897
PASIS claim liability	657,418
Total liabilities	2,403,848
FUND BALANCES	
Fund balances:	
Non-spendable	21,809
Committed:	
Economic/budget stability reserve	3,688,752
Assigned:	
Assigned for Self-Insurance retention	-
Assigned for CSA-69 reserve	333,211
Assigned for HCFA JPA	620,700
Assigned for facility capital expenditures	1,410,390
Assigned for sick and vacation leave	1,472,126
Assigned for capital equipment replacement reserve	1,818,523
Assigned for budget stability reserve	911,725
Unassigned	500,134
Total fund balance	10,777,370
TOTAL LIABILITIES AND FUND BALANCES	$ 13,181,218

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

LAKESIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds	$ 10,777,370
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.	
Capital assets at historical cost, net	19,886,469
Deferred outflows of resources are not recorded in the fund financial statements	11,240,438
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:	
Deferred inflows of resources	(4,756,002)
Net pension liability	(31,879,003)
Compensated absences	(1,472,126)
Other post employment benefits	(4,797,505)
Accrued interest	(20,770)
Long-term debt	(8,246,000)
Net position of governmental activities	$ (9,267,129)

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

LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED
June 30, 2021

		General Fund
REVENUES		
Property taxes	$	11,920,614
Special assessments		919,815
Ambulance services		3,597,037
Reimbursements		1,805,761
Mitigation fees		96,978
Use of money and property		126,692
Intergovernmental revenues		641,544
Miscellaneous		298,633
Total revenues		19,407,073
EXPENDITURES		
Current:		
Salaries and benefits		14,152,061
Services and supplies		2,592,247
Capital outlay		1,596,525
Debt service		
Principal		532,000
Interest		342,777
Total expenditures		19,215,609
NET CHANGE IN FUND BALANCES		191,463
FUND BALANCES, BEGINNING OF YEAR		10,585,907
FUND BALANCES, END OF YEAR	$	10,777,370

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

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

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis to the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full

NET CHANGE IN FUND BALANCES	$ 191,463
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are therefore added back to fund balances	1,596,525
Depreciation expense not reported in governmental funds	(1,139,992)
Difference in book gain/loss on disposal of assets	(2,377)
The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Change in net pension liability	(1,365,966)
Change in OPEB liability	504,514
Difference in interest accrued on long-term debt	(1,264)
Change in compensated absences	(131,787)
Principal payments on long-term debt	532,000
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 183,116

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Lakeside Fire Protection District (the District) in San Diego County was formed in 1963 and is home to over 60,000 residents living in the communities of Lakeside, Eucalyptus Hills, Moreno, Winter Gardens, Lakeview, Johnstown, Blossom Valley, Flinn Springs, Pepper Drive, and other areas of unincorporated El Cajon. The service area is primarily suburban residential but also has several core commercial zones, some light industrial, and many rural/agricultural properties. The District also has a significant wildland/urban interface.

The Lakeside Fire District is proud to have been an original participant in the Heartland Mutual Aid Pact and continues to operate the longest running paramedic program in San Diego County.

A. Accounting Policies

The financial statements of the Lakeside Fire Protection District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred Revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into one major fund in the General Fund.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoptions. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carry over from year to year.

E. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

F. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death, or unforeseeable emergencies.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement, (e.g. custody) nor does it perform the investment function. Therefore, the fair market value of the plan assets held by Voya and CalPERS at June 30, 2021, in the amounts of \$3,560,418 and \$4,604,075 respectively, are not included in the District's financial statements.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the Statement of Net Position. Unused sick leave may be cashed out annually, converted to vacation, or added into the employee's Health Reimbursement Account (HRA). Per the terms of the District's Memorandum of Understanding, sick leave time is 25% vested.

H. Employee Retirement Plans

Plan Description and Funding Policy - CalPERS

Plan Description

The Lakeside Fire Protection District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 9.0% for safety employees and 8.0% for miscellaneous employees of their annual covered salary. The District is required to contribute at an actuarially determined rate. The fiscal year 2020/2021 rates are as follows:

Tier	Safety	Non-Safety
Tier 1	25.540%	15.351%
PEPRA	13.884%	7.690%

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Employee Retirement Plans (continued)

Funding Policy (continued)

The contribution requirements of plan members and the District are established and may be amended by CalPERS. CalPERS has changed its methodology of calculating its unfunded liability payments as it no longer incorporates these payments into the overall contribution rates. The following is a schedule of the unfunded liability payments made during the 2020/2021 fiscal year:

Tier	Safety	Non-Safety
Tier 1	$ 1,992,488	$ 47,297
PEPRA	13,317	1,127

At June 30, 2021, the District reported a liability of $31,879,004 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 Pension Plan participants, which was actuarially determined. For the fiscal year ended June 30, 2021, the District recognized pension expense of $4,458,286 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions
The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.15%, net of investment expense
- Inflation Rate – 2.50%
- Salary Increases – Varies by Entry Age and Service
- COLA Increases – up to 2.50%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Employee Retirement Plans (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2019.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
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 Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

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 employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Employee Retirement Plans (continued)

net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents 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 (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	$ 45,844,271	$ 31,879,004	$ 20,416,859

Detailed information about the pension fund's fiduciary net position is available in the separately issued CalPERS comprehensive annual financial report which may be obtained by contacting CalPERS.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before September 30. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

J. Assets, Liabilities, and Equity

1. Capital Assets

Capital Assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Assets, Liabilities, and Equity (continued)

1. Capital Assets (continued)

Asset Class	Examples	Est. Useful Life In Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
HVAC Systems	Heating, air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Machinery and Tools	Shop & maintenance equipment tools	15
Furniture and Accessories	Classroom and other furniture	20
Business Machines	Fax, duplicating, & printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Licensed Vehicles	Buses, other on-road vehicles	8

2. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. At June 30, 2021, the District reported deferred revenues totaling $0 for grants received and not yet expended.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Assets, Liabilities, and Equity (continued)

4. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by September 30.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

K. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance Reserves and Designations

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- Nonspendable Fund Balance – This fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – This fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – This fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (i.e. fund balance designations passed by board resolution).
- Assigned Fund Balance – This fund balance classification are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – This fund balance classification is the residual classification for the general fund.

When available, it is the District's policy to first apply restricted resources to expenditures which are incurred.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

NOTE 2: CASH AND INVESTMENTS

The District follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

Cash and investments consist of the following at June 30, 2021:

Investments in State Treasurer's Investment Pool (LAIF)	$	8,188
Deposits held in financial institutions		49,890
Cash with fiscal agent		-
Cash with County		11,488,893
Petty Cash		500
Total cash at year-end	$	11,547,471

As Presented in the Government-Wide Statement of Net Position:		
Cash and investments	$	11,547,471
Cash with fiscal agent		241,505
Totals	$	11,788,976

A. Custodial Credit Risk

At June 30, 2021, the carrying amount of the deposits held at banks was $49,890. The bank balances are insured by the FDIC for $250,000, and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

NOTE 2: CASH AND INVESTMENTS (continued)

B. Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

C. Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement.

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset- backed

NOTE 2: CASH AND INVESTMENTS (continued)

C. Investments (continued)

securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

The fair value of investments reported by the District is based on quoted market prices while the fair value of the LAIF investments are based on information provided by LAIF. The following table categorizes fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date measurement; Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices; and Level 3 inputs are significant unobservable inputs. The District does not use Level 3 inputs to measure the fair value of its investments.

Here is a table classifying the assets by fair value hierarchy:

	Fair Market Value as of June 30, 2021			
	Total	Level 1	Level 2	Level 3
LAIF	$ 8,188	$ -	$ 8,188	$ -
Certificates of deposit and investments	-	-	-	-
Totals	$ 8,188	$ -	$ 8,188	$ -

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of the year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 3: CLASSIFICATION OF ITEMS

Certain items may have been classified differently from one year to another.

NOTE 4: CAPITAL ASSETS

A schedule of changes in general fixed assets for the year ended June 30, 2021, is shown below:

	Balance June 30, 2020	Additions	Deletions	Adjustments	Balance June 30, 2021
Capital Assets, Not Being Depreciated:					
Land	$ 1,819,743	$ -	$ -	$ -	$ 1,819,743
Construction in Progress	1,694,713	679,926	-	-	2,374,639
Total Capital Assets, Not Being Depreciated	3,514,456	679,926	-	-	4,194,382
Capital Assets, Being Depreciated:					
Structures & Improvements	16,075,191	-	-	-	16,075,191
Equipment & Vehicles	8,722,813	916,599	(343,622)	-	9,295,790
Total Capital Assets, Being Depreciated	24,798,004	916,599	(343,622)	-	25,370,981
Less Accumulated Depreciation for:					
Structures & Improvements	(3,552,921)	(462,446)	-	-	(4,015,367)
Equipment & Vehicles	(5,327,226)	(677,546)	341,245	-	(5,663,527)
Total Accumulated Depreciation	(8,880,147)	(1,139,992)	341,245	-	(9,678,894)
Total Capital Assets, Being Depreciated, Net	15,917,857	(223,393)	(2,377)	-	15,692,087
Governmental Activities Capital Assets, Net	$ 19,432,313	$ 456,533	$ (2,377)	$ -	$ 19,886,469

Total depreciation expense for the year of $1,139,992 was charged to Public Safety.

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30,2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion
Long-term debt	$ 4,375,000	$ -	$ (355,000)	$ 4,020,000	$ 370,000
Accrued interest	19,506	1,264	-	20,770	20,770
Compensated absences	1,340,339	131,787	-	1,472,126	-
Station 3 construction loan	4,403,000	-	(177,000)	4,226,000	183,000
Totals	$ 10,137,845	$ 133,051	$ (532,000)	$ 9,738,896	$ 573,770

NOTE 5: LONG-TERM LIABILITIES (continued)

The District entered into a Capital Lease agreement dated May 1, 2013 with the Public Property Financing Corporation of California to provide funds for the acquisition and construction of major capital facilities. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has also been recorded at the present value of the future minimum lease payments in the Statement of Net Position. Collateral for the lease are the lease payments made by the District to the Finance Corporation for the use of the existing facilities. The following is a schedule of lease payments:

Fiscal Year Ending June 30,	Total due
2022	$ 324,301
2023	324,065
2024	323,626
2025	323,984
2026	324,089
2027 - 2030	1,619,744
2031 - 2035	1,618,930
2036 - 2040	1,085,566
Total future payments	5,944,305
Less interest portion	(1,718,305)
Total amount due	$ 4,226,000

In addition, during the 2020 fiscal year the District undertook a construction loan with OPUS bank to finance the building of new fire station number 3. The future minimum lease obligations and the net present value of those minimum lease payments as of June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Total due
2022	$ 548,260
2023	552,816
2024	551,166
2025	553,210
2026	549,810
2027 - 2031	2,195,250
Total future payments	4,950,512
Less interest portion	(930,512)
Total amount due	$ 4,020,000

NOTE 6: JOINT POWERS AGREEMENTS

A. PASIS

The District entered into a Joint Powers Agreement (JPA) known as the “Public Agencies Self Insurance System” (PASIS), a self-insurance plan for worker’s compensation insurance. The PASIS is governed by a board consisting of a representative from each member district. The board controls the operations of the PASIS, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the PASIS. The JPA is a separate entity which is independently audited.

PASIS establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. The District is self-insured up to a total claim liability of $125,000 while anything above and beyond that is covered by the PASIS risk pool.

Because actual claim costs depend on complex factors such as inflation, changes in legal liability, damage awards, etc., the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

PASIS establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses.

The District has reserved a total of $657,418 on its financial statements as a claims liability. This is likely sufficient to account for potential incurred but not reported cases (IBNR).

NOTE 6: JOINT POWERS AGREEMENTS (continued)

A. PASIS (continued)

Condensed financial information from PASIS audited financial statements at June 30, 2021, is as follows:

	District's Share	Total PASIS
Assets	$ 219,767	$ 3,535,121
Liabilities and Fund Balance		
Liabilities	$ -	$ -
Fund Balance (Deficit)	219,767	3,535,121
Total Liabilities and Fund Balance	$ 219,767	$ 3,535,121

	Total PASIS
Revenues	$ (4,249)
Capital Contributions (Distributions)	(127,695)
Net Income (Loss)	$ (131,944)

B. HCFA

The District entered into a Joint Powers Agreement (JPA) known as the "Heartland Communications Facility Authority" (HCFA), the purpose of which is to acquire, construct, equip, and maintain and operate a communications facility. The HCFA is governed by a commission consisting of a representative from each public agency. The commission controls the operations of the CFA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the commission. Each public agency pays a premium based on the ratio of mobile radios and uniformed personnel of all members of the JPA. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA are not included in this report.

C. HFTA

The District entered into a Joint Powers Agreement (JPA) known as the "Heartland Fire Training Authority" (HFTA), the purpose of which is to acquire, staff, maintain, operate, and lease public buildings and related facilities for the purpose of training

NOTE 6: JOINT POWERS AGREEMENTS (continued)

D. HFTA (continued)

firefighting personnel; and to acquire staff, operate and maintain a consolidated regional fire and emergency response training facility, and to provide a vehicle for the accomplishment thereof. The JPA was created by agreement dated December 1, 1973, which expired October 1, 1999. A new JPA was created on October 1, 1999, and was due to expire on October 31, 2012, but may continue for an additional fifteen years.

E. FAIRA

The District entered into a Joint Powers Agreement (JPA) known as the "Fire Agencies Insurance Risk Authority" (FAIRA), a self-insurance plan for general liability insurance. FAIRA is governed by an 11-member Board elected by a vote of the members. One seat is reserved for the highest premium members and one seat is reserved for an elected member from the State of Nevada. The Board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited. Condensed financial information from FAIRA audited financial statements at June 30, 2020, is as follows:

	Total FAIRA
Assets	$ 3,310,018
Liabilities and Fund Equity	
Liabilities	$ 729,275
Net Position	2,580,743
Total Liabilities and Net Position	$ 3,310,018

	Total FAIRA
Operating Revenues	$ 3,464,444
Expenditures	(3,778,702)
Operating Income (Loss)	(314,258)
Non-operating Revenue Investments (Net)	117,471
Net Income (Loss)	$ (196,787)

NOTE 7: OTHER POST-RETIREMENT BENEFITS

Plan Description

The District provides other post-employment health care benefits (OPEB) to certain employees who are eligible to retire with CalPERS and have completed a minimum of 5 years of employment with the District.

For the year ended June 30, 2021, 74 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2021, the District recognized OPEB expense in an amount totaling $385,692.

Funding Policy

The required contribution is based on projected pre-funding financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the measurement period ended June 30, 2020, the District contributed the pay-as-you-go in the amount of $605,330 and contributed an additional $312,910to the OPEB trust.

Employees Covered by Benefit Terms

At the OPEB liability measurement date of June 30, 2020, the following employees were covered by the benefit terms:

- Retired employees –74
- Active employees – 50

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

NOTE 7: OTHER POST-RETIREMENT BENEFITS (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%	2.75%
Salary increases	2.75%	2.75%
Medical cost trend	4% increases	4% increases
Discount rate	7%	7%

	2020	2021
Total OPEB liability - beginning	$ 5,745,558	$ 5,157,716
Service cost	27,493	26,456
Interest	635,418	638,901
Employer contributions	(920,955)	(920,596)
Experience differences	(63,584)	38,262
Administrative expenses	(239)	2,116
Investment earnings	(265,975)	(145,350)
Net change in total OPEB liability	(587,842)	(360,211)
Total OPEB liability - ending	$ 5,157,716	$ 4,797,505

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

	1% Decrease 5.00%	Discount Rate 6.00%	1% Increase 7.00%
Net OPEB liability	$ 5,847,012	$ 4,797,499	$ 3,920,206

NOTE 7: OTHER POST-RETIREMENT BENEFITS (continued)

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following is the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ 3,806,440	$ 4,797,499	$ 5,967,579

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021 the District recognized OPEB expense of $385,692. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions.

As of the end of the fiscal year, the District had deferred outflows of $1,057,169 related to OPEB. These are the 2021 fiscal year OPEB contributions that are being capitalized because the OPEB balances were measured as of June 30, 2020, addition to deferred outflows of resources for investment earnings. In addition, the District reported $49,998 of deferred inflows related to OPEB. These will be amortized as follows:

Year Ending June 30,	Deferred Outflows	Deferred Inflows
2022	$ 40,724	$ (14,762)
2023	40,724	(14,760)
2024	40,720	(10,777)
2025	38,963	(9,699)
2026	5,832	-
Totals	$ 166,963	$ (40,299)

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide statements related to its defined-benefit pension obligations. These items are a consumption of net position by the District that is applicable to a future reporting period.

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued)

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions that are the PERS premiums for the 2019 fiscal year which will be recognized in a subsequent reporting period. The total for this is $3,092,319. These were the employer contributions for the 2021 fiscal year.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions and differences between the employer's contributions and their proportionate share of contributions. The total of these amounts at year-end were $7,090,950 and they will be amortized over a 3.8-year period.

The District also recognized deferral inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer's contributions and the District's proportionate share of contributions. This amount totaled $4,706,004and will be amortized over a 3.8-year period. Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2022	$	380,699
2023		944,915
2024		709,689
2025		349,643
Totals	$	2,384,946

NOTE 9: SUBSEQUENT EVENTS AND CONTINGENCIES

Date of management's review is through November 30, 2021.

In January 2020, the virus SARS-CoC-2 was transmitted to the United States from overseas sources, this virus, responsible for the Coronavirus disease COVID-19 has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California as yet has not been determined and therefore any impact on the District is not yet known.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive
Revenues:	Original	Final	Actual	(Negative)
40 - Property Taxes	12,825,373	12,825,373	12,840,429	15,056
41 - Fees and Services	101,000	101,000	98,342	(2,658)
42 - Revenue from other Agencies/Grants	4,860,680	5,239,340	6,327,304	1,087,964
43 - Miscellaneous Revenue	0	0	14,305	14,305
44 - Use of Money and Property	110,000	110,000	126,692	16,692
Revenues Total:	17,897,053	18,275,713	19,407,072	1,131,359
Expenditures:				
60 - Salaries & Benefits	13,557,229	14,152,873	14,152,061	812
70 - Services & Supplies	3,008,305	2,891,321	2,592,247	299,074
80 - Debt Service	973,717	873,717	874,777	(1,060)
Expenses Sub-Total:	17,539,251	17,917,911	17,619,085	298,826
85 - Capital Outlay	1,652,492	1,652,492	1,596,525	55,967
Expenses Total:	19,191,743	19,570,403	19,215,610	354,793
General Fund Totals	(1,294,690)	(1,294,690)	191,462	1,486,152
Transfers Out to Reserves:				
Transfers out to Equipment/Facility Reserves	(1,429,433)	(1,429,433)	(1,740,333)	(310,900)
Transfers out to Budget Stability Reserve			(207,107)	(207,107)
Transfers out to Self-insure retention Reserve			0	0
Transfers out to CSA-69 Reserve			(157,130)	(157,130)
Transfers out to Committed Ecomonic Stability			0	0
Total Transfers Out to Reserves	(1,429,433)	(1,429,433)	(2,104,570)	(675,137)
Transfers In from Reserves:				
Transfers in from Equipment/Facility Reserves	1,667,440	1,667,440	1,923,542	256,102
Transfer in from Accrued Leave Reserve	0	0	47,929	47,929
Transfers in from Budget Stability Reserve	374,569	374,569	100,000	(274,569)
Transfers in from CSA-69 Reserve	0	0	0	0
Trasfer in from HCFA Liability Reserve for RCS	33,000	33,000	33,100	100
Total Transfers In from Reserves	2,075,009	2,075,009	2,104,571	29,562
Surplus from Non-Operating Activities				0
Net Operating Revenue (over/Under)	(649,114)	(649,114)	191,463	840,577

LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - continued
For the Year Ended June 30, 2021

Other Financing Sources			
Proceeds of Long Term Debt	-	-	-
Net changes in fund balances			191,463
Fund balances - July 1, 2020			10,585,907
Reverse Prior Year Liability for PASIS Reserves**			
Fund balances - June 30, 2021			$ 10,777,370

Non-Spendable	$ 21,809
Committed Reserves:	
Economic / Budget Stability Reserve	$ 3,688,752
Assigned Reserves:	
Budget Stability Reserve	911,725
Accrued Leave Reserve	1,472,126
Capital Facilities Replacement Reserve	1,410,390
Capital Equipment Replacement Reserve	1,818,523
Self-Insured Retension Reserve	-
HCFA Liability Reserve	620,700
CSA-69 Reserve	333,211
Total Assigned Reserves	6,566,675
Total Un-assigned Reserves	500,134

** Self-Insured Retension Reserve is included in the Liabilities.

Note 1: Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED
JUNE 30, 2021

	2018	2019	2020	2021
Total OPEB liability - beginning	$ 6,872,092	$ 6,277,962	$ 5,745,558	$ 5,157,716
Service cost	26,041	26,757	27,493	26,456
Interest	621,500	628,947	635,418	638,901
Employer contributions	(981,328)	(950,695)	(920,955)	(920,596)
Experience differences	-	-	(63,584)	38,262
Administrative expenses	2,194	4,492	(239)	2,116
Investment earnings	(262,537)	(241,905)	(265,975)	(145,350)
Net change in total OPEB liability	(594,130)	(532,404)	(587,842)	(360,211)
Total OPEB liability - ending	$ 6,277,962	$ 5,745,558	$ 5,157,716	$ 4,797,505
Covered-employee payroll	$ 4,452,881	$ 4,327,466	$ 4,483,818	$ 4,741,867
Total OPEB liability as a percentage of covered payroll	140.99%	132.77%	115.03%	101.17%
Plan Fiduciary net position as a percentage of the total OPEB liability	32.11%	38.67%	45.12%	49.47%
Measurement date	6/30/2017	6/30/2018	6/30/2019	6/30/2020

LAKESIDE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
FOR THE YEAR ENDED
JUNE 30, 2021

Lakeside Fire Protection District – Schedule of the District's proportionate share of the Net Pension Liability:

Last 10 Fiscal Years*:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
District's proportion of the net pension liability	0.44819%	0.44728%	0.45921%	0.45788%	0.47159%	0.47689%	0.29299%
District's proportionate share of the net pension liability	$ 15,152,736	$ 16,018,147	$ 23,521,384	$ 27,036,305	$ 27,308,779	$ 29,391,065	$ 31,879,004
District's covered-employee payroll	4,541,234	4,229,834	4,739,622	4,452,881	4,327,466	4,483,818	4,741,867
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333.67%	378.69%	496.27%	607.16%	631.06%	655.49%	672.29%
Plan Fiduciary net position as a percentage of the total pension liability	81.46%	79.89%	72.44%	71.24%	71.31%	70.24%	69.02%

* Amounts presented above were determined as of 6/30.
Additional years will be presented as they become available.

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years*:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Actuarially determined contribution	$ 1,181,138	$ 1,107,544	$ 1,507,829	$ 1,793,129	$ 2,302,864	$ 2,716,459	$ 3,092,319
Total action contribution	(1,181,138)	(1,107,544)	(1,507,829)	(1,793,129)	(2,302,864)	(2,716,459)	(3,092,319)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 4,541,234	$ 4,229,834	$ 4,739,622	$ 4,452,881	$ 4,327,466	$ 4,483,818	$ 4,483,818
Contributions as a percentage of covered-employee payroll	26.01%	26.18%	31.81%	40.27%	53.22%	60.58%	68.97%

SUPPLEMENTARY INFORMATION

LAKESIDE FIRE PROTECTION DISTRICT
ORGANIZATION
JUNE 30, 2021

The Lakeside Fire Protection District was formed on March 22, 1963, under the provisions of the California State Health and Safety Code, Section 14022, to provide fire protection, prevention, emergency medical services, code enforcement, and weed abatement. The District is currently operating four fire stations located at:

Station 1 - 8035 Winter Gardens Blvd, El Cajon, CA
Station 2 - 12216 Lakeside Avenue, Lakeside, California
Station 3 - 14008 Highway 8 Business, El Cajon, California
Station 26 - 15245 Oak Creek Road, El Cajon, California

The District's administrative office is located at 12216 Lakeside Avenue, Lakeside, California

The Board of Directors for the fiscal year ended June 30, 2021, was composed of the following members:

Name	Office	Term Expires
Mark T. Baker	Director	November, 2024
James Bingham	Director	November, 2024
Peter Liebig	Director	November, 2022
Bob Robeson	Director	November, 2022
Timothy Robles	Director	November, 2022

Fire Chief

Donald H. Butz

LAKESIDE FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2021

Assessed Valuation

Secured Property	$ 6,692,987,156
Unsecured Property	179,675,325
Total Assessed Valuation	$ 6,872,662,481

LAKESIDE FIRE PROTECTION DISTRICT
ALL FUNDS AND RESERVES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUALS
For the Year Ended June 30, 2021

	General Fund	Non-Operating Fund	Economic Stability Fund *Committed*	Budget Stability *Assigned*
Reserves Available:				
Begining Fund Balance 7/1/2020	**217,118**	**-**	**3,688,752**	**1,011,725**
Resources In:				
Revenues				
40 - Property Tax	12,840,429			
41 - Fees and Services	98,343			
42 - Revenue from other Agencies/Grant	605,762	1,805,761		
43 - Miscellaneous	14,305			
44 - Use of Money and Property	135,822			
Total Revenue	**13,694,661**	**1,805,761**	**-**	**-**
Other Sources				
Transfers In from other Funds	306,997			
Notes/Bond/Loan/Lease Proceeds				
Total Other Sources	**306,997**	**-**	**-**	**-**
Total Resources In	**14,001,658**	**1,805,761**	**-**	**-**
Resource Uses:				
Expenditures				
60 - Salaries & Benefits	10,429,343	1,241,460		
70 - Services & Supplies	1,812,126	127,530		
80 - Debt Service	547,760			
85 - Capital Outlay	-			
Total Expenditures	**12,789,229**	**1,368,990**	**-**	**-**
Other Uses				
Transfers Out to Capital Funds	1,202,700			100,000
Transfers Out to Other Funds		163,483		
Total Other Uses	**1,202,700**	**163,483**	**-**	**100,000**
Total Resource Uses	**13,991,929**	**1,532,473**	**-**	**100,000**
Increase/Decrease of Fund Balance	**9,729**	**273,288**	**-**	**(100,000)**
Ending Fund Balance	**226,847**	**273,288**	**3,688,752**	**911,725**
Reserve Policy Requirement	*-*	*-*	*3,281,713*	*328,171*
Difference (Above/(Below) Policy			*407,039*	*583,554*
Fund Balance:				
Non-Spendable Reserves				
Unassigned	226,847	273,288	**TOTAL**	
Total Operating Over/(Under)	226,847	273,288	**500,135**	

LAKESIDE FIRE PROTECTION DISTRICT
ALL FUNDS AND RESERVES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ACTUALS
For the Year Ended June 30, 2021

Accrued Leave Fund *Assigned*	Capital Fund *Assigned*	Self-Self Insured (PASIS) Fund*	HCFA JPA Liability Fund *Assigned*	CSA-69 Fund *Assigned*	Non-Spendable Fund	Total Governmental Fund
1,340,340	**3,401,970**	**85,668**	**653,800**	**176,081**	**10,453**	**10,585,907**
						12,840,429
						98,343
	310,900			3,595,751		6,318,174
						14,305
						135,822
-	**310,900**	**-**	**-**	**3,595,751**	**-**	**19,407,073**
179,715	1,439,585			-	11,356	1,937,653
				-		-
179,715	**1,439,585**	**-**	**-**	**-**	**11,356**	**1,937,653**
179,715	**1,750,485**	**-**	**-**	**3,595,751**	**11,356**	**21,344,726**
47,929				2,433,329		14,152,061
				652,591		2,592,247
	327,017					874,777
	1,596,525					1,596,525
47,929	**1,923,542**	**-**	**-**	**3,085,920**		**19,215,610**
		85,668	33,100	226,733		1,648,201
				125,968		289,451
-	**-**	**85,668**	**33,100**	**352,701**	**-**	**1,937,652**
47,929	**1,923,542**	**85,668**	**33,100**	**3,438,621**	**-**	**21,153,262**
131,786	**(173,057)**	**(85,668)**	**(33,100)**	**157,130**	**11,356**	**191,464**
1,472,126	**3,228,913**	**-**	**620,700**	**333,211**	**21,809**	**10,777,371**
1,472,126	*2,043,660*	*657,418*	*620,700*	*-*	*-*	*8,403,788*
-	*1,185,253*	*(657,418)*	*-*	*333,211*	*-*	*2,373,583*

***657418 of the PASIS liability is posted to the balance sheet account #100-2200**