Rancho Santa Fe
Fire Protection District

Rancho Santa Fe, California

Annual Financial Report

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Rancho Santa Fe Fire Protection District
Annual Financial Report
For the Year Ended June 30, 2023

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Mission Statement

To protect life, property, and environment through prevention, preparedness, education and emergency response.

Rancho Santa Fe Fire Protection District

Board of Directors as of June 30, 2023

Name	Position	Elected/Appointed	Current Term
James H. Ashcraft	President	Elected	12/20 - 12/24
John C. Tanner	Vice President	Elected	12/22 - 12/26
Nancy C. Hillgren	Director	Elected	12/20 - 12/24
Randall Malin	Director	Elected	12/20 - 12/24
Tucker Stine	Director	Elected	12/22 - 12/26

Rancho Santa Fe Fire Protection District
David McQuead, Fire Chief
18027 Calle Ambiente
Rancho Santa Fe, CA 92067 (858)756-5971
www.rsf-fire.org

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Rancho Santa Fe Fire Protection District
Rancho Santa Fe, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rancho Santa Fe Fire Protection District (the "District") as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Implementation of GASB Statement No. 96

As described in Notes 1, 5, and 16 to the basic financial statements, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Pun Group, LLP

San Diego, California
January 24, 2024

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ACCOUNTANTS & ADVISORS

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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*

Independent Auditors' Report

To the Board of Directors
of the Rancho Santa Fe Fire Protection District
Rancho Santa Fe, 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 financial statements of the governmental activities and each major fund of the Rancho Santa Fe Fire Protection District (the "District") as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

San Diego, California
January 24, 2024

As management of the Rancho Santa Fe Fire Protection District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2023. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position decreased 11.47%, or $(5,011,317) from the prior year's net position of $43,642,147 to $38,630,830.

- The District's total revenues increased by 2.97% or $600,630, to $20,804,352 in fiscal year 2023.

- The District's total expenses increased by 173.84% or $16,388,245, to $25,815,669 in fiscal year 2023.

- Negotiations for the three (3) year MOU for Safety included additional contributions from all Classic-Tiered safety employees; the additional amount to be contributed as an additional discretionary payment (ADP) to the Safety Classic Plan in the following increments for that calendar year: 2021 additional 1%, 2022 additional 2%, and 2023 additional 3%.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-Wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating.

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $38,630,830 as of June 30, 2023.

A portion of the District's net position 57.9% or $22,378,309 reflects its investment in capital assets (net of accumulated depreciation and amortization). The District uses these capital assets to operate the District; consequently, these assets are not available for future spending. At the end of fiscal year 2023 the District shows a positive balance in its unrestricted net position of $14,884,501 that may be utilized in future years.

Government-Wide Financial Analysis (Continued)

	June 30, 2023	June 30, 2022	$ Change	% Change
Assets:				
Current assets	$ 23,883,895	$ 23,223,352	$ 660,543	2.84%
Capital assets, net	23,861,396	24,456,916	(595,520)	-2.43%
Total assets	47,745,291	47,680,268	65,023	0.14%
Deferred outflows of resources	11,317,241	5,018,860	6,298,381	125.49%
Liabilities:				
Current liabilities	990,096	1,481,455	(491,359)	-33.17%
Noncurrent liabilities	15,522,943	2,853,994	12,668,949	443.90%
Total liabilities	16,513,039	4,335,449	12,177,590	280.88%
Deferred inflows of resources	3,918,663	4,721,532	(802,869)	-17.00%
Net position:				
Investment in capital assets	22,378,309	22,820,337	(442,028)	-1.94%
Restricted for capital projects	1,368,020	1,198,616	169,404	14.13%
Unrestricted	14,884,501	19,623,194	(4,738,693)	-24.15%
Total net position	$ 38,630,830	$ 43,642,147	$ (5,011,317)	-11.48%

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position decreased by $(5,011,317) for the fiscal year ended June 30, 2023.

Government-Wide Financial Analysis (Continued)

	June 30, 2023	June 30, 2022	$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	$ 614,356	$ 522,209	$ 92,147	17.65%
Operating grants and contributions	800,356	2,829,302	(2,028,946)	-71.71%
Capital grants and contributions	-	231,596	(231,596)	-100.00%
General revenues:				
Property taxes	15,875,889	14,446,632	1,429,257	9.89%
Voter approved taxes	1,757,230	1,694,189	63,041	3.72%
Developer payments in-lieu of property taxes	165,891	109,432	56,459	51.59%
Reorganization revenue – Elfin Forest/Harmony Grove	312,500	312,500	-	0.00%
Rental income	524,251	458,286	65,965	14.39%
Investment earnings (loss)	517,431	(531,011)	1,048,442	197.44%
Other	236,448	130,587	105,861	81.07%
Total revenues	20,804,352	20,203,722	600,630	2.97%
Expenses:				
Fire protection operations:				
Salaries and wages	9,794,480	10,060,997	(266,517)	-2.65%
Employee benefits	2,608,533	1,904,665	703,868	36.95%
Pension expense (credit)	9,073,322	(5,918,916)	14,992,238	253.29%
Contractual services	2,307,888	1,654,485	653,403	39.49%
Materials and supplies	761,917	579,075	182,842	31.57%
Other Expenses	254,056	152,144	101,912	66.98%
Depreciation and amortization	1,015,473	989,748	25,725	2.60%
Total expenses	25,815,669	9,422,198	16,393,471	173.99%
Change in net position	(5,011,317)	10,781,524	(15,792,841)	-171.01%
Net position:				
Beginning of year	43,642,147	32,860,623	10,781,524	32.81%
End of year	$ 38,630,830	$ 43,642,147	$ (5,011,317)	-11.48%

Combined revenues for fiscal year 2022/2023 totaled approximately $20,804,000 and increased by $600,000 or 2.97% from prior year. Charges for services consist of plan check, sprinkler and landscaping fees increased over prior year reflecting the higher demand in the current fiscal year. Grants and contributions decreased by approximately $(2,000,000). General revenues category consists of property taxes, rental income and investment earnings. Property taxes increased 9.89% from prior year due to assessed land values within the District's service area increasing. Rental income increased in the current fiscal year by $65,965 or 14.39% due to lease revenues representing the amortization of lease revenue required under GASB No. 87. Investment earnings increased from prior year due to current unrealized market value.

Government-Wide Financial Analysis (Continued)

Combined expenses for fiscal year 2022/2023 totaled approximately $25,815,000 and increased by approximately $16,388,000 due to related accounting adjustments from GASB 68 and 75. Salaries and wages decreased by 2.65%. In addition, employee salaries increased 3% on January 1, 2023 and the Fire Chief and Deputy Fire chief salaries increased by 5%. Employee benefits increased by 36.95% from prior year due to workers compensation claims and medical insurance increases. Pension expense for the current fiscal year increased approximately $14,900,000 due to CalPERS year to year dramatic changes based on different variables and conditions. Contractual services and materials and supplies increased overall from prior year mainly due to the increased cost of supplies as well as Station 6 remodel. Overall, materials and supplies costs have risen due to the supply chain disruptions. Other expenses consist of grant expenses with the offset in grant revenue and station upgrades. Depreciation expense increased by 2.06%.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2023, the District's General Fund reported a fund balance of $21,185,180. An amount of $19,571,466 constitutes the District's *unassigned fund balance*, which is available for future use.

Capital Asset Administration

At the end of fiscal year 2023, the District's investment in capital assets amounted to $22,378,309 (net of accumulated depreciation and amortization). This investment in capital assets includes structures and improvements and equipment. (See Note 4 for further information).

Capital assets balances are as follows:

	June 30, 2023	June 30, 2022	$ Change	% Change
Non-depreciable/amortizable assets	$ 3,374,840	$ 3,496,478	$ (121,638)	-3.48%
Depreciable/amortizable assets	32,536,687	31,896,632	640,055	2.01%
Accumulated depreciation and amortization	(13,533,218)	(12,577,999)	(955,219)	7.59%
	$ 22,378,309	$ 22,815,111	$ (436,802)	-1.91%

Economic and Other Factors Affecting Next Year's Operations and Budget

Aside from future impacts of the pandemic, an unstable economy, and inventory and supply chain disruptions, management is unaware of any additional conditions which could have a significant impact on the District's current financial position, net position or operating results or those of the upcoming year.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact District management at: Burgen Havens, Finance Manager, Rancho Santa Fe Fire Protection District, P.O. Box 410, 18027 Calle Ambiente, Rancho Santa Fe, California, 92067 or (858) 756-5971.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Rancho Santa Fe Fire Protection District
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 22,326,064
Restricted cash and investments	888,559
Accounts receivable	15,170
Property taxes receivable	100,800
Other receivable	66,885
Accrued interest receivable	136,449
Leases receivable - due within one year	331,260
Prepaid items	18,708
Total current assets	23,883,895
Noncurrent assets:	
Capital assets – not being depreciated/amortized	3,374,840
Capital assets, net – being depreciated/amortized	19,003,469
Total capital assets	22,378,309
Leases receivable - due in more than one year	1,483,087
Total noncurrent assets	23,861,396
Total assets	47,745,291
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related deferred outflows of resources	11,317,241
Total deferred outflows of resources	11,317,241
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	298,447
Accrued salaries and related payables	462,655
Unearned revenue	6,498
Long-term liabilities – due within one year:	
Subscription liabilities	22,496
Compensated absences	150,000
Workers' compensation claims payable	50,000
Total current liabilities	990,096
Noncurrent liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences	556,447
Workers' compensation claims payable	773,693
Net pension liability	14,192,803
Total noncurrent liabilities	15,522,943
Total liabilities	16,513,039
DEFERRED INFLOWS OF RESOURCES	
Pension-related deferred inflows of resources	1,872,481
Lease-related deferred inflows of resources	1,733,682
Related to District reorganization	312,500
Total deferred inflows of resources	3,918,663
NET POSITION	
Net investment in capital assets	22,378,309
Restricted for capital projects	1,368,020
Unrestricted	14,884,501
Total net position	$ 38,630,830

See accompanying Notes to the Basic Financial Statements.

Rancho Santa Fe Fire Protection District
Statement of Activities
For the Year Ended June 30, 2023

	Governmental Activities
Expenses:	
Fire protection operations:	
Operations	$ 24,800,196
Depreciation/amortization expense	1,015,473
Total expenses	25,815,669
Program revenues:	
Charges for services	614,356
Operating grants and contributions	800,356
Total program revenues	1,414,712
Net program expense	(24,400,957)
General revenues:	
Property taxes	15,875,889
Voter approved taxes	1,757,230
Developer payments in-lieu of property taxes	165,891
Reorganization revenue – Elfin Forest/Harmony Grove	312,500
Rental income	524,251
Investment earnings	517,431
Other	236,448
Total general revenues	19,389,640
Change in net position	(5,011,317)
Net position:	
Beginning of year, as restated (Note 16)	43,642,147
End of year	$ 38,630,830

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Rancho Santa Fe Fire Protection District
Balance Sheet
Governmental Funds
June 30, 2023

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Assets:			
Cash and investments	$ 20,967,429	$ 1,358,635	$ 22,326,064
Restricted cash and investments	888,559	-	888,559
Accounts receivable	15,170	-	15,170
Property taxes receivable	100,800	-	100,800
Other receivables	66,885	-	66,885
Leases receivable	1,814,347	-	1,814,347
Prepaid items	18,708	-	18,708
Accrued interest receivable	127,064	9,385	136,449
Total assets	$ 23,998,962	$ 1,368,020	$ 25,366,982
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	$ 298,447	$ -	$ 298,447
Accrued salaries and related payables	462,655	-	462,655
Unearned revenue	6,498	-	6,498
Total liabilities	767,600	-	767,600
Deferred inflows of resources:			
Related to District reorganization	312,500	-	312,500
Lease-related deferred inflows of resources	1,733,682	-	1,733,682
Total deferred inflows of resources	2,046,182	-	2,046,182
Fund balance:			
Nonspendable	907,267	-	907,267
Restricted	-	1,368,020	1,368,020
Assigned	706,447	-	706,447
Unassigned	19,571,466	-	19,571,466
Total fund balance	21,185,180	1,368,020	22,553,200
Total liabilities, deferred inflows of resources, and fund balance	$ 23,998,962	$ 1,368,020	$ 25,366,982

See accompanying Notes to the Basic Financial Statements.

Rancho Santa Fe Fire Protection District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities
June 30, 2023

Fund Balance – Governmental Funds	$ 22,553,200
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	22,378,309
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	11,317,241
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Subscription liabilities	(22,496)
Compensated absences	(706,447)
Workers' compensation claims payable	(823,693)
Net pension liability	(14,192,803)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(1,872,481)
Total adjustments	16,077,630
Net Position of Governmental Activities	$ 38,630,830

See accompanying Notes to the Basic Financial Statements.

Rancho Santa Fe Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Total
Revenues:			
Property taxes	$ 15,875,889	$ -	$ 15,875,889
Voter approved taxes	1,757,230	-	1,757,230
Developer payments in-lieu of property taxes	165,891	-	165,891
Reorganization revenue – Elfin Forest/Harmony Grove	312,500	-	312,500
Charges for services	614,357	-	614,357
Operating grants and contributions	800,356	-	800,356
Rental income	524,251	-	524,251
Investment earnings	481,380	36,051	517,431
Other	19,450	195,098	214,548
Total revenues	20,551,304	231,149	20,782,453
Expenditures:			
Current:			
Salaries and wages	9,794,480	-	9,794,480
Employee benefits	2,263,923	-	2,263,923
Pension expense	3,372,984	-	3,372,984
Contractual services	2,307,888	-	2,307,888
Materials and supplies	761,917	-	761,917
Other expenditures	252,947	-	252,947
Capital outlay	467,534	61,745	529,279
Debt service:			
Principal	21,670	-	21,670
Interest	1,110	-	1,110
Total expenditures	19,244,453	61,745	19,306,198
Revenues over (under) expenditures	1,306,851	169,404	1,476,255
Other financing sources/(uses):			
Proceeds from sale of capital assets	21,900	-	21,900
Total other financing sources (uses)	21,900	-	21,900
Net change in fund balances	1,328,751	169,404	1,498,155
Fund Balances:			
Beginning of year	19,856,429	1,198,616	21,055,045
End of year	$ 21,185,180	$ 1,368,020	$ 22,553,200

See accompanying Notes to the Basic Financial Statements.

Rancho Santa Fe Fire Protection District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

Net Change in Fund Balances – Governmental Funds	$ 1,498,155
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	529,279
Depreciation expense	(1,015,473)
Payment on principal was an expenditure in the governmental funds, but was applied towards the subscription liability on the governmental activities	21,670
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:	
Net change in compensated absences	(141,092)
Net change in workers' compensation claims payable	(203,518)
Net change in net pension liability and related deferred resources	(5,700,338)
Total adjustments	(6,509,472)
Change in net position of governmental activities	$ (5,011,317)

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Rancho Santa Fe Fire Protection District (the "District") was formed on October 14, 1946 under an order adopted by the County of San Diego's (the "County") Board of Supervisors. The District spans approximately 49-square miles and protects over 35,000 citizens. The District is governed by a five-person elected Board of Directors. The Board is responsible for establishing policies, guidelines and providing direction for Fire District staff.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of accounting principles generally accepted in the United States of America (U.S. GAAP). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Statement of Net Position and Balance Sheet – Governmental Funds report separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of U.S. GAAP.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major funds:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Special Revenue Fund – is used for fees collected that are restricted for the purchase of capital assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Investments (Continued)

U.S. GAAP, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statement of Net Position and Balance Sheet – Governmental Funds, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
>
> Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.
>
> Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Through its agents, the District holds investments in institutional investment funds, which are measured at fair value using the net asset value (NAV) per share or its equivalent. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Property Taxes

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Secured property taxes are levied on July 1 and become delinquent on December 10 and April 10, for the first and second installments, respectively. Unsecured personal property taxes are collected in one installment and become delinquent August 31.

Property taxes are allocated on the County's annual tax bills to property owners who receive fire protection service by the District. The County of San Diego Tax Collector's Office collects the property taxes payments from the property owners and transfers the collections to the District's operating fund held with the County Treasurer's Office. The District has adopted the Teeter Plan as defined under the California Revenue and Taxation Code. Under the Teeter Plan, the District receives from the County 99.6% of the annual assessed secured and unsecured property taxes, with the County responsible for the collection of any delinquent property taxes.

Therefore, the County receives the benefits of collecting all penalty and interest charges on the delinquent property taxes; hence, no accrual for uncollected property taxes is recorded at year-end.

Leases Receivable

The District is a lessor for leases of land for the use of cell phone towers and other building space. The District recognizes leases receivable and deferred inflows of resources in the financial statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Leases Receivable (Continued)

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a straight-line method.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The interest rate used to measure the lease receivables is the estimated incremental borrowing rate of the District in place at recording.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at $10,000. Donated assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund or Special Revenue Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Structures and improvements	20 to 40 years
Equipment and vehicles	3 to 12 years

Subscription-Based Information Technology Arrangements (SBITAs)

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of $10,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District's, usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- ***Preliminary Project Stage*:** Outlays are expensed as incurred.
- ***Initial Implementation Stage:*** Outlays are capitalized as an addition to the subscription asset.
- ***Operation and Additional Implementation Stage*:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2022.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITA.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.
- The District monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Compensated Absences

The District's policy is to permit full time employees to accumulate earned vacation leave. Vacation leave earned may accumulate beyond the end of the calendar year. The leave allowances per employee group are as follows:

Miscellaneous		Safety	
Years of Service	Hours Annually	Years of Service	Hours Annually
0 - 4 years	80	0 - 4 years	144
5 - 9 years	120	5 - 9 years	168
10 - 14 years	160	10 - 14 years	192
15 - 19 years	200	15 - 19 years	240
20+ years	240	20+ years	288

Management		
	40 Hour Employee	56 Hour Employee
Years of Service	Hours Annually	Hours Annually
0 - 4 years	80	144
5 - 9 years	120	168
10 - 14 years	160	192
15 - 19 years	200	240
20+ years	240	288

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 pension of the District's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and associated debt used to acquire those assets.

Restricted – This component of net position consists of constraints placed on assets reduced by liabilities and deferred inflows of resources use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted – 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 enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – 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, or by a body or an official designated for that purpose.

Unassigned – the residual classification for the District's general fund that includes 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.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fund Balance (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Implementation of New GASB Pronouncements

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. Application of this statement did have an effect on the District's financial reporting for the fiscal year ending June 30, 2023. See Note 16.

Note 2 – Cash and Investments

At June 30, 2023, cash and investments consisted of the following:

Description	Balance
Demand deposits with financial institutions	$ 1,376,861
Investments	21,837,762
Total cash and investments	$ 23,214,623

At June 30, 2023 cash and investments were classified as follows:

Cash and investments	$ 22,326,064
Restricted cash and investments	888,559
Total cash and investments	$ 23,214,623

Note 2 – Cash and Investments (Continued)

Demand Deposits

At June 30, 2023 the carrying amount of the District's demand deposits was $1,376,861 and the financial institution balance was $1,293,957. The $82,904 net difference as of June 30, 2023 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Investments

Investments as of June 30, 2023 consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value	Maturity 12 Months or Less
Investments by Fair Value Level:				
California CLASS	Uncategorized	N/A	$ 2,831,812	$ 2,831,812
San Diego County Pooled Investment Fund	Level 2	AAAf/S1	14,181,096	14,181,096
Total investments by fair value level			17,012,908	17,012,908
Investments Measured at NAV:				
CalTRUST Medium Term Fund	Uncategorized	A+f	4,824,854	4,824,854
Total investments			$ 21,837,762	$ 21,837,762

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by U.S GAAP. The District has presented its measurement inputs as noted in the table above.

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions. Investments are to be made in the following areas:

- External Investment Pools:
  - California Local Agency Investment Fund (LAIF)
  - California Cooperative Liquid Assets Securities System (California CLASS)
  - Investment Trust of California (CalTrust)
  - San Diego County Pooled Investment Fund (SDCPIF)
- Non-negotiable certificates-of-deposit
- Governmental agency securities

Note 2 – Cash and Investments (Continued)

Investment Trust of California – CalTrust

The Investment Trust of California, doing business as CalTrust, is a California joint powers agency which provides California public agencies with investment management services for surplus funds to consolidate investment activities of its participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTrust. CalTrust currently offers three accounts or series as a means for Public Agencies to invest their funds. The District participates in the CalTrust Medium-Term Fund Series. The District had $4,824,854 invested in CalTrust at June 30, 2023.

Investment in "California CLASS"

The California Cooperative Liquid Assets Securities System ("California CLASS") is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

California CLASS strives to minimize risk by managing its portfolios in a manner that prioritizes principal preservation and only invests in securities that are permitted pursuant to the laws of the state of California and the California CLASS Investment Policies.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian. The District had $2,831,812 invested in California CLASS at June 30, 2023.

San Diego County Pooled Investment Fund (SDCPIF)

The SDCPIF is a local government investment pool managed by the County Treasurer's Office on behalf of Investment Pool participants. Depositors in the Investment Pool include both mandatory participants, those agencies required by law to deposit their funds with the County Treasurer's Office, and voluntary participants, agencies that place their funds in the Investment Pool as an investment option. Voluntary participants, including cities, fire districts, and various special districts accounted for approximately 6.72% of the Investment Pool as of June 30, 2023.

Pursuant to Section 27130-27137 of the California Government Code, the County Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public having expertise in, or an academic background in public finance.

To mitigate credit risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include sweep accounts, collateralized certificates of deposit and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by the California Government Code Section 53601, having fair market value of 102% or greater than the amount of the repurchase agreement. The Investment Pool does not hold any investments in structured notes.

Note 2 – Cash and Investments (Continued)

San Diego County Pooled Investment Fund (SDCPIF) (Continued)

The District's investments with the County Treasurer's Office include a portion of the pool funds invested in asset-backed securities. As of June 30, 2023, the District had $14,181,096 invested with the SDCPIF, which had invested 5.21% of the pool investment funds in asset-backed securities.

SDCPIF has indicated to the District that as of June 30, 2023 the value of its portfolio approximated $15.571 billion and the portfolio holds some derivative products. The SDCPIF fair value factor of -0.027275200 was used to calculate the fair value of the investments in SDCPIF as of June 30, 2023.

Disclosures Related to Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Disclosures related to 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. As of June 30, 2023, the District's investment in LAIF, California CLASS, CalTrust, and SDCPIF is noted in the table above.

Disclosures related to 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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Disclosures related to Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF, California CLASS, CalTrust, and SDCPIF.

Note 3 – Leases Receivable

Leases receivable consist of agreements with cellular network companies for the right to use land at various locations owned by the District as well as space rental agreements with other local agencies. The terms of the arrangements range from 5 to 10 years. The interest rates used are based on the District's incremental borrowing rate at the date of lease inception.

A summary of changes in leases receivable for the fiscal year ended June 30, 2023 is as follows:

Beginning Balance	Remeasurement	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
$ 1,881,476	$ 250,070	$ -	$ (317,199)	$ 1,814,347	$ 331,260	$ 1,483,087

Leases receivable are due in the upcoming years as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 331,260	$ 41,590	$ 372,850
2025	342,903	33,172	376,075
2026	322,025	24,626	346,651
2027	219,473	17,845	237,318
2028	190,655	12,792	203,447
2029-2032	408,031	13,551	421,582
Total	$ 1,814,347	$ 143,576	$ 1,957,923

Lease revenue (amortization of lease-related deferred inflows of resources) will be recognized in the upcoming years as follows:

Year Ending June 30	Total
2024	$ 336,429
2025	336,429
2026	308,173
2027	207,488
2028	178,479
2029-2032	366,684
Total	$ 1,733,682

Note 4 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

Description	Balance July 1, 2022	GASB 96 Implementation	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable/amortizable assets:					
Land	$ 3,374,840	$ -	$ -	$ -	$ 3,374,840
Construction in process	121,638	-	515,395	(637,033)	-
Total non-depreciable/amortizable assets	3,496,478	-	515,395	(637,033)	3,374,840
Depreciable/amortizable assets:					
Structures and improvements	24,963,321	-	-	567,653	25,530,974
Equipment	686,030	-	13,884	69,380	769,294
Vehicles	6,247,281	-	-	(76,718)	6,170,563
Subscription assets	-	65,856	-	-	65,856
Total depreciable/amortizable assets	31,896,632	65,856	13,884	560,315	32,536,687
Accumulated depreciation/amortization:					
Structures and improvements	(8,570,521)	-	(669,454)	-	(9,239,975)
Equipment	(501,966)	-	(29,643)	-	(531,609)
Vehicles	(3,505,512)	-	(294,424)	76,718	(3,723,218)
Subscription assets	-	(16,464)	(21,952)	-	(38,416)
Total accumulated depreciation/amortization	(12,577,999)	(16,464)	(1,015,473)	76,718	(13,533,218)
Total depreciable/amortizable assets, net	19,318,633	49,392	(1,001,589)	637,033	19,003,469
Total capital assets, net	$ 22,815,111	$ 49,392	$ (486,194)	$ -	$ 22,378,309

Note 5 – Long-Term Debt

At June 30, 2023, the District's long-term debt consisted of the following:

Description	Balance July 1, 2022	GASB 96 Implementation	Additions	Deletions	Balance June 30, 2023	Due within one year
Private placements:						
Subscription liabilities	$ -	$ 44,166	$ -	$ (21,670)	$ 22,496	$ 22,496
Total private placements	-	44,166	-	(21,670)	22,496	22,496
Total long-term debt	$ -	$ 44,166	$ -	$ (21,670)	$ 22,496	$ 22,496

Subscription-Based Information Technology Arrangements (SBITA) Liability

The District entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the Authority's incremental borrowing rate of 3.5%. The remainder of the $22,496 liability is expected to be paid off in the next fiscal year.

Note 6 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Earned	Taken	Balance June 30, 2023	Current	Non-current
$ 565,355	$ 696,863	$ (555,771)	$ 706,447	$ 150,000	$ 556,447

Note 7 – Deferred Inflow of Resources Related to District Reorganization

In 2017 the District received a $2.5 million payment from the County to cover future tax shortfalls due to the reorganization of District boundaries to include the Elfin Forest and Harmony Grove Fire Stations. This reorganization payment is being amortized over eight years at $312,500 per year. The amount of the unrecognized reorganization payment remaining at June 30, 2023 is $312,500.

Note 8 – Fund Balances

Fund balances classifications as of June 30, 2023 are as follows:

Description	General Fund	Special Revenue Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 18,708	$ -	$ 18,708
Public Agency Self Insurance System	684,078	-	684,078
Medical equipment and supplies	204,481	-	204,481
Total nonspendable	907,267	-	907,267
Restricted:			
Capital projects	-	1,368,020	1,368,020
Assigned:			
Compensated absences	706,447	-	706,447
Unassigned	19,571,466	-	19,571,466
Total fund balances	$ 21,185,180	$ 1,368,020	$ 22,553,200

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

A summary of changes of net pension liability is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Net pension liabilities:				
CalPERS Miscellaneous	$ 46,389	$ 1,015,966	$ -	$ 1,062,355
CalPERS Safety	1,777,909	11,352,539	-	13,130,448
Total net pension liabilities	$ 1,824,298	$ 12,368,505	$ -	$ 14,192,803

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A summary of changes of pension related deferred outflows of resources is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Deferred outflows of resources:				
Pension contribution made after measurement date:				
CalPERS Miscellaneous	$ 254,235	$ 266,034	$ (254,235)	$ 266,034
CalPERS Safety	3,027,309	3,211,381	(3,027,309)	3,211,381
Total pension contribution made after measurement date	3,281,544	3,477,415	(3,281,544)	3,477,415
Difference between actual and proportionate share of employer contributions:				
CalPERS Miscellaneous	13,892	-	(13,892)	-
Total difference between actual and proportionate share of employer contributions	13,892	-	(13,892)	-
Projected earnings on pension plan investments in excess of actual earnings:				
CalPERS Miscellaneous	-	194,595	-	194,595
CalPERS Safety	-	2,073,481	-	2,073,481
Total projected earnings on pension plan investments in excess of actual earnings	-	2,268,076	-	2,268,076
Adjustment due to difference in proportions				
CalPERS Miscellaneous	689	239,391	-	240,080
CalPERS Safety	1,413,778	1,920,328	-	3,334,106
Total adjustment due to difference in proportions	1,414,467	2,159,719	-	3,574,186
Change in assumptions				
CalPERS Miscellaneous	-	108,860	-	108,860
CalPERS Safety	-	1,323,947	-	1,323,947
Total change in assumption	-	1,432,807	-	1,432,807
Differences between expected and actual experience:				
CalPERS Miscellaneous	5,202	16,133	-	21,335
CalPERS Safety	303,755	239,667	-	543,422
Total differences between expected and actual experience	308,957	255,800	-	564,757
Total deferred outflows of resources	$ 5,018,860	$ 9,593,817	$ (3,295,436)	$ 11,317,241

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

A summary of changes of pension related deferred inflows of resources is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Deferred inflows of resources:				
Adjustment due to difference in proportions				
CalPERS Miscellaneous	$ 6	$ -	$ (6)	$ -
CalPERS Safety	11,881	-	(11,881)	-
Total adjustment due to difference in proportions	11,887	-	(11,887)	-
Employer contributions in excess of proportionate share of contributions				
CalPERS Miscellaneous	-	22,291	-	22,291
CalPERS Safety	1,131,687	561,628	-	1,693,315
Total employer contributions in excess of proportionate share of contributions	1,131,687	583,919	-	1,715,606
Difference between expected and actual experience				
CalPERS Miscellaneous	-	14,289	-	14,289
CalPERS Safety	-	142,586	-	142,586
Total difference between expected and actual experience	-	156,875	-	156,875
Projected earnings on pension plan investments in excess of actual earnings:				
CalPERS Miscellaneous	40,495	-	(40,495)	-
CalPERS Safety	1,058,198	-	(1,058,198)	-
Total projected earnings on pension plan investments in excess of actual earnings	1,098,693	-	(1,098,693)	-
Total deferred inflows of resources	$ 2,242,267	$ 740,794	$ (1,110,580)	$ 1,872,481

General Information about the Pension Plans

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

The Plan's provisions and benefits in effect as of June 30, 2023 are summarized as follows:

Miscellaneous Plan

	Miscellaneous Plan		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to April 30, 2012	On or after May 1, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%
Required member contribution rates	8.00%	8.00%	6.75%
Required employer contribution rates	14.03%	11.59%	7.47%

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

<u>*Safety Plan*</u>

	Safety Plan		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to April 30, 2012	On or after May 1, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	1.0% to 2.7%
Required member contribution rates	9.000%	9.000%	12.000%
Required employer contribution rates	23.750%	20.640%	12.780%

<u>*Members Covered by Benefit Terms*</u>

At the June 30, 2021 valuation date (measurement date of June 30, 2022), the following employees were covered by the benefit terms for each plan:

	Miscellaneous Plan			
Plan Members	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Total
Active members	-	3	10	13
Transferred and terminated members	17	1	5	23
Retired members and beneficiaries	11	-	-	11
Total plan members	28	4	15	47

	Safety Plan			
Plan Members	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Total
Active members	25	11	20	56
Transferred and terminated members	17	-	13	30
Retired members and beneficiaries	69	-	-	69
Total plan members	111	11	33	155

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

<u>Contributions</u>

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2022 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2023, the contributions made to the Plan were as follows:

	Miscellaneous Plan			
Plan Members	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Total
Contributions – employer	$ 170,000	$ 53,774	$ 42,260	$ 266,034
Contributions – members	-	8,223	7,152	15,375
Total contributions	$ 170,000	$ 61,997	$ 49,412	$ 281,409

	Safety Plan			
Plan Members	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Total
Contributions – employer	$ 2,619,230	$ 269,046	$ 323,105	$ 3,211,381
Contributions – members	149,380	18,516	59,933	227,829
Total contributions	$ 2,768,610	$ 287,562	$ 383,038	$ 3,439,210

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

<u>Actuarial Methods and Assumptions Used to Determine the Total Pension Liability</u>

For the measurement period ended June 30, 2022 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in Assumptions

GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In the current year, the discount rate changed from 7.15 percent to 6.90 percent. All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 1997 to 2017, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

The long-term expected rate of return on pension plan investments 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.*

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

Investment Type	Strategic Allocation	Real Return
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation rate-of-return of 2.30% is used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management study.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Sensitivity of the District's 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 of the Plan as of the measurement date, calculated using the discount rate of 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 5.90%	Current Discount 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	$ 2,039,558	$ 1,062,355	$ 258,359
CalPERS – Safety Plan	$ 24,172,891	$ 13,130,448	$ 4,105,745
Total	$ 26,212,449	$ 14,192,803	$ 4,364,104

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 6,718,086	$ 6,671,697	$ 46,389
Balance as of June 30, 2022 (Measurement Date)	$ 7,168,556	$ 6,106,201	$ 1,062,355
Change in Plan Net Pension Liability	$ 450,470	$ (565,496)	$ 1,015,966

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 73,430,911	$ 71,653,002	$ 1,777,909
Balance as of June 30, 2022 (Measurement Date)	$ 79,960,667	$ 66,830,219	$ 13,130,448
Change in Plan Net Pension Liability	$ 6,529,756	$ (4,822,783)	$ 11,352,539

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2021). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
CalPERS – Miscellaneous Plan	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.033420%	0.033650%	-0.000230%
Percentage of Plan (PERF C) Net Pension Liability	0.122873%	0.033732%	0.089141%

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

<u>Proportionate Share of Net Pension Liability and Pension Expense (Continued)</u>

CalPERS – Safety Plan	Percentage Share of Risk Pool Fiscal Year Ending June 30, 2023	 Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.284800%	0.280160%	0.004640%
Percentage of Plan (PERF C) Net Pension Liability	0.122873%	0.033732%	0.089141%

For the year ended June 30, 2023, the District recognized pension expense in the amount of $9,177,750 for the CalPERS Miscellaneous and Safety Plans combined.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years straight-line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

<u>Deferred Outflows of Resources and Deferred Inflows of Resources</u>

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 3,477,415	$ -
Difference between actual and proportionate share of employer contributions	-	(1,715,606)
Adjustment due to differences in proportions	3,574,186	-
Differences between expected and actual experience	564,757	(156,875)
Differences between projected and actual earnings on pension plan investments	2,268,076	-
Changes in assumptions	1,432,807	-
Total Deferred Outflows/(Inflows) of Resources	$ 11,317,241	$ (1,872,481)

The District will recognize $3,477,415 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 1,948,774
2025	1,694,649
2026	940,050
2027	1,383,872
2028	-
Thereafter	-
	$ 5,967,345

Note 10 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2023 was $10,766,373 with Voya Financial and $2,726,355 with Nationwide.

The District has implemented GASB Statement No. 97, *Certain Component Unit Criteria and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown in the accompanying financial statements.

Note 11 – Other Postemployment Benefits (Health Retirement Savings Account)

For the benefit of its employees, the District established, with the consent of a Trustee, a trust that is known as RSFFPD VEBA Health Savings Trust (Trust). The effective date of the Trust was January 1, 2006. The purposes of the Trust are (1) to provide a source of funds to pay benefits and administrative expenses under the District's Medical Retirement Savings Plan (Plan), and (2) to permit Trust assets to be invested and such earnings thereon to be not taxable under the Internal Revenue Code (Code).

Note 11 – Other Postemployment Benefits (Health Retirement Savings Account) (Continued)

All assets of the Plan are held in the Trust by the Trustee. The Trust is intended to qualify as a tax-exempt trust under the Section 501(c)(9) of the Code. The District contributes to the Trust via direct contributions, unused medical premiums, and the mandatory sale of sick leave. The assets held in the trust are for the exclusive benefit of the participants. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust by Voya Financial at June 30, 2023 was $6,009,092. The District made contributions of $774,532 to the Trust for the year ended June 30, 2023.

Note 12 – Joint Ventures

The District is a member of the North County Dispatch Joint Powers Authority (Authority). The Authority was formed on June 11, 1984, and other member agencies include the North County Fire Protection District, and the cities of Vista, San Marcos, Solana Beach, Oceanside, Encinitas, and Carlsbad. The purpose of the Authority is to provide dispatching and emergency communication services for fire protection, security, and medical services. The District made payments for dispatch services in the amount of $232,277 in 2023. In the event of dissolution of the Authority, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement.

The activities of the Authority are supervised by a board of directors consisting of eight directors who are appointed by each member's governing body. The District's share of the Authority's assets, liabilities, net position and changes therein are not available. Separate financial statements of the Authority are available at 16936 El Fuego Drive (P.O. Box 1206), Rancho Santa Fe, CA 92067.

Note 13 – Risk Management

The District is exposed to various risks of loss and has effectively managed risk through a combination of insurance, with deductibles, self-insurance, and employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. In addition, there were no settlements or claims in the past three years that exceeded insurance coverage.

The District is self-insured for workers' compensation benefits. The District is one of nine participants in the Public Agency Self-Insurance System (PASIS). PASIS is a joint-powers authority which was established in 1977 for the purpose of operating and maintaining a cooperative program of self-insurance and risk management for workers' compensation. There is no pooling of workers' compensation liability between the participants, and each participant self-insures their liability up to $300,000 per occurrence. As of June 30, 2023, the District had $684,078 on deposit with PASIS.

All members are responsible for paying their own claims and related expenses. PASIS may advance funds to members who have incurred large losses; however, these advances must be repaid.

Excess insurance is purchased above the self-insured retention. As of June 30, 2023, the liability for workers' compensation claims payable was estimated at $823,693.

Note 13 – Risk Management (Continued)

Changes in workers' compensation claims payable for the year ended June 30, 2023, were as follows:

Description	Amount
Estimated claims – beginning of year	$ 620,175
Revised claims estimate	1,269,196
Claim payments	(1,065,678)
Estimated claims – end of year	$ 823,693

The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2023:

- General liability: $1,000,000 per occurrence and $3,000,000 aggregate. The District purchased additional excess coverage layers: $10 million per occurrence and $20 million aggregate for general and auto liability, which increases the limits on the insurance coverage noted above.

- Auto liability: $1,000,000 liability limits and deductibles applied to specific vehicles with a $1,000 deductible on Comprehensive and Collision, and other vehicles have a $1,000 deductible on Comprehensive and on Collision.

Note 14 – Contingencies

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

Note 15 – Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations were as follows for the year ended June 30, 2023:

Fund	Expenditures	Appropriations	Excess
General Fund	$ 19,244,453	$ 16,374,100	$ 2,870,353
Special Revenue Fund	61,745	-	61,745

Note 16 – Prior Period Adjustments

Implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA)

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* during the fiscal year. The following prior period adjustments were recorded as part of the implementation:

Net position at July 1, 2022 as previously reported	$ 43,636,921
Restatements to implement GASB Statement No. 96:	
Record subscription assets	49,392
Record subscription liabilities	(44,166)
Total restatement	5,226
Net position at July 1, 2022, as restated	$ 43,642,147

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REQUIRED SUPPLEMENTARY INFORMATION

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Rancho Santa Fe Fire Protection District
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

	Adopted Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 15,130,700	$ 15,130,700	$ 15,875,889	$ 745,189
Voter approved taxes	-	-	1,757,230	1,757,230
Developer payments in-lieu of property taxes	56,500	56,500	165,891	109,391
Reorganization revenue – Elfin Forest/Harmony Grove	-	-	312,500	312,500
Charges for services	489,700	489,700	614,357	124,657
Operating grants and contributions	-	-	800,356	800,356
Rental income	469,500	469,500	524,251	54,751
Investment earnings	-	-	481,380	481,380
Other	2,500	2,500	19,450	16,950
Total revenues	16,148,900	16,148,900	20,551,304	4,402,404
Expenditures:				
Fire protection operations:				
Salaries and wages	9,583,400	9,583,400	9,794,480	(211,080)
Employee benefits	2,124,800	2,124,800	2,263,923	(139,123)
Pension expense	2,011,000	2,011,000	3,372,984	(1,361,984)
Contractual services	1,933,700	1,933,700	2,307,888	(374,188)
Materials and supplies	708,200	708,200	761,917	(53,717)
Other expenditures	13,000	13,000	252,947	(239,947)
Capital outlay	-	-	467,534	(467,534)
Debt service:				
Principal	-	-	21,670	(21,670)
Interest	-	-	1,110	(1,110)
Total expenditures	16,374,100	16,374,100	19,244,453	(2,870,353)
Excess of revenues over expenditures	(225,200)	(225,200)	1,306,851	1,532,051
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	21,900	(21,900)
Total other financing sources (uses)	-	-	21,900	(21,900)
Change in find balance	$ (225,200)	$ (225,200)	1,328,751	$ 1,510,151
Fund balance:				
Beginning of year			19,856,429	
End of year			$ 21,185,180	

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Rancho Santa Fe Fire Protection District
Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2023

	Adopted Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Interest earnings	$ -	$ -	$ 36,051	$ 36,051
Other	-	-	195,098	195,098
Total revenues	-	-	231,149	231,149
Expenditures:				
Fire protection operations:				
Capital outlay	-	-	61,745	(61,745)
Total expenditures	-	-	61,745	(61,745)
Change in fund balance	$ -	$ -	169,404	$ 292,894
Fund balance:				
Beginning of year			1,198,616	
End of year			$ 1,368,020	

Rancho Santa Fe Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2023

Last Ten Fiscal Years[1]

California Public Employees' Retirement System (CalPERS)

Measurement Date:	**June 30, 2022[1]**	**June 30, 2021[1]**	**June 30, 2020[1]**	**June 30, 2019[1]**	**June 30, 2018[1]**
District's Proportion of the Net Pension Liability	0.122870%	0.033732%	0.114860%	0.106580%	0.107110%
District's Proportionate Share of the Net Pension Liability	$ 14,192,803	$ 1,824,298	$ 12,496,976	$ 10,921,460	$ 10,321,502
District's Covered-Employee Payroll	$ 7,433,214	$ 7,494,913	$ 7,300,832	$ 7,340,616	$ 6,967,247
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	190.94%	24.34%	171.17%	148.78%	148.14%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.68%	88.29%	75.10%	75.26%	75.26%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Rancho Santa Fe Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years[1]

California Public Employees' Retirement System (CalPERS)

Measurement Date:	**June 30, 2017[1]**	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.112792%	0.125562%	0.129422%	0.152943%
District's Proportionate Share of the Net Pension Liability	$ 11,185,827	$ 10,865,029	$ 8,883,393	$ 9,516,816
District's Covered-Employee Payroll	$ 6,270,128	$ 5,925,389	$ 5,473,782	$ 5,039,982
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	178.40%	183.36%	162.29%	188.83%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.31%	74.06%	83.47%	81.57%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Rancho Santa Fe Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Actuarially Determined Contribution[2]	$ 2,394,107	$ 2,235,653	$ 2,142,743	$ 1,918,645	$ 1,694,429
Contribution in Relation to the Actuarially Determined Contribution[2]	(3,477,415)	(3,281,544)	(3,142,743)	(2,375,670)	(2,656,080)
Contribution Deficiency (Excess)	$ (1,083,308)	$ (1,045,891)	$ (1,000,000)	$ (457,025)	$ (961,651)
District's Covered-Employee Payroll[3]	$ 7,831,204	$ 7,433,214	$ 7,494,913	$ 7,300,832	$ 7,340,616
Contributions as a Percentage of Covered-Employee Payroll	44.40%	44.15%	41.93%	32.54%	36.18%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of the Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Rancho Santa Fe Fire Protection District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	**2017-18**	**2016-17**	**2015-16**	**2014-15**	**2013-14**
Actuarially Determined Contribution[2]	$ 1,172,632	$ 1,398,414	$ 1,293,222	$ 1,388,366	$ 1,240,671
Contribution in Relation to the Actuarially Determined Contribution[2]	(2,110,926)	(3,025,702)	(2,793,222)	(3,889,970)	(1,240,671)
Contribution Deficiency (Excess)	$ (938,294)	$ (1,627,288)	$ (1,500,000)	$ (2,501,604)	$ -
District's Covered-Employee Payroll[3]	$ 6,967,247	$ 6,270,128	$ 5,925,389	$ 5,473,782	$ 5,039,982
Contributions as a Percentage of Covered-Employee Payroll	30.30%	48.26%	47.14%	71.07%	24.62%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

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