SAN MIGUEL CONSOLIDATED
FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2023
(With Comparative Amounts for June 30, 2022)

NIGRO & NIGRO PC

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
For the Fiscal Year Ended June 30, 2023
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FINANCIAL SECTION

Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, California

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Miguel Consolidated Fire Protection District as of and for the fiscal year ended June 30, 2023, and the related notes to the 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, each major fund, and the aggregate remaining fund information of San Miguel Consolidated Fire Protection District, as of June 30, 2023, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditor's 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 opinion.

Change in Accounting Principle

As described in Notes 1 and 4 to the financial statements, as of July 1, 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

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

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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards 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, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated March 13, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
March 13, 2024

Management's Discussion and Analysis (MD&A) offers readers of San Miguel Consolidated Fire Protection District's (the District) financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased 31.97% or $5,932,497 from $(18,554,097) to $(24,486,594) as a result of this year's operations.
- Total revenues from all sources increased by 0.22%, or $69,340 from $31,267,635 to $31,336,975, from the prior year, primarily due to an increase in property taxes of $2,244,007.
- Total expenses for the District's operations increased by 32.53% or $9,146,820 from $28,122,652 to $37,269,472, from the prior year, primarily due to a $8,381,405 increase in operations expense.
- The District purchased new capital assets during the year in the amount of $3,195,026. Depreciation expense was $1,006,321.

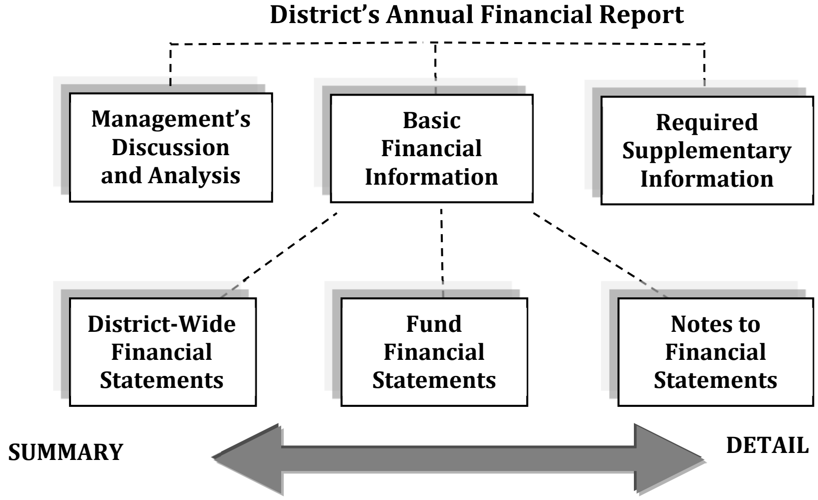
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds statements* tell how basic services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of San Miguel Consolidated Fire Protection District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as fire protection, medical transport, and administration. Local property taxes finance most of these activities.

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*.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Change
Assets:			
Current assets	$ 30,772,989	$ 27,234,282	$ 3,538,707
Non-current assets	459,365	492,174	(32,809)
Capital assets, net	15,593,615	13,404,910	2,188,705
Total assets	46,825,969	41,131,366	5,694,603
Deferred outflows of resources	34,099,927	44,811,401	(10,711,474)
Liabilities:			
Current liabilities	1,633,907	1,198,403	435,504
Non-current liabilities	76,419,125	83,370,302	(6,951,177)
Total liabilities	78,053,032	84,568,705	(6,515,673)
Deferred inflows of resources	27,486,218	20,031,604	7,454,614
Net position (Deficit):			
Net investment in capital assets	15,372,646	13,131,178	2,241,468
Restricted	385,721	595,619	(209,898)
Unrestricted (Deficit)	(40,244,961)	(32,280,894)	(7,964,067)
Total net position (deficit)	$(24,486,594)	$(18,554,097)	$ (5,932,497)

At the end of fiscal year 2023, the District shows a deficit balance in its unrestricted net position of ($40,244,961).

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	June 30, 2023	June 30, 2022	Change
Program revenues	$ 5,116,287	$ 6,352,572	$ (1,236,285)
Expenses	(37,269,472)	(28,122,652)	(9,146,820)
Net program expense	(32,153,185)	(21,770,080)	(10,383,105)
General revenues	26,220,688	24,915,063	1,305,625
Change in net position	(5,932,497)	3,144,983	(9,077,480)
Net position:			
Beginning of year	(18,554,097)	(21,699,080)	3,144,983
End of year	$(24,486,594)	$(18,554,097)	$ (5,932,497)

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District decreased its net position by $5,932,497.

Table A-3: Total Revenues

	June 30, 2023	June 30, 2022	Increase (Decrease)
Program revenues:			
Charges for services	$ 4,589,255	$ 5,928,756	$ (1,339,501)
Reimbursements	23,248	80,315	(57,067)
Mitigation fees	386,442	273,896	112,546
Operating and capital grant funding	117,342	69,605	47,737
Total program revenues	5,116,287	6,352,572	(1,236,285)
General revenues:			
Property taxes	25,300,558	23,056,551	2,244,007
Redevelopment pass-through	242,432	165,791	76,641
Rental income	192,493	193,816	(1,323)
State of California special district COVID-19 relief	-	2,129,691	(2,129,691)
Investment earnings	481,205	(630,786)	1,111,991
Sale of capital assets	4,000	-	4,000
Total general revenues	26,220,688	24,915,063	1,305,625
Total revenues	$ 31,336,975	$ 31,267,635	$ 69,340

Total revenues from all sources increased by 0.22%, or $69,340 from $31,267,635 to $31,336,975, from the prior year, primarily due to an increase in property taxes of $2,244,007.

Table A-4: Total Expenses

	June 30, 2023	June 30, 2022	Increase (Decrease)
Expenses:			
Operations	$ 35,259,131	$ 26,877,726	$ 8,381,405
Depreciation expense	1,006,321	960,602	45,719
Amortization expense	13,362	-	13,362
Interest expense	990,658	95,124	895,534
Costs of debt issuance	-	189,200	(189,200)
Total expenses	$ 37,269,472	$ 28,122,652	$ 9,146,820

Total expenses for the District's operations increased by 32.53% or $9,146,820 from $28,122,652 to $37,269,472, from the prior year, primarily due to a $8,381,405 increase in operations expense.

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 reported a total fund balance of $30,616,916. An amount of $5,472,356 constitutes the District's *unassigned fund balance*.

OPERATIONS FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's general fund at year-end were $1,096,162 less than actual. Budgeted revenues were less than actual revenues by $3,047,672. Actual revenues less expenses were over budget by $1,951,510.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2023, the District had invested $15,593,615 in capital assets, related to the purchase of equipment for use in fire protection. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $1,006,321.

Table A-5: Capital Assets at Year End, Net of Depreciation

	June 30, 2023	June 30, 2022
Capital assets:		
Non-depreciable assets	$ 3,777,287	$ 3,526,702
Depreciable assets	29,481,193	26,600,034
Accumulated depreciation	(17,664,865)	(16,721,826)
Total capital assets, net	$ 15,593,615	$ 13,404,910

Long-Term Debt

At year-end the District had $220,969 in outstanding long-term debt – a decrease of ($52,763) from last year – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

	June 30, 2023	June 30, 2022
Long-term debt	$ 220,969	$ 273,732

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the District's current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 the Fire Chief of the San Miguel Consolidated Fire Protection District at 2850 Via Orange Way, Spring Valley, California 91978 or (619) 670-0500.

Basic Financial Statements

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statements of Net Position

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

ASSETS	2023	2022
Current assets:		
Cash and investments (Note 2)	$ 29,386,193	$ 26,220,992
Accrued interest receivable	90,781	31,755
Property taxes and assessments receivable	159,639	119,518
Other receivables	340,189	141,109
Lease receivable – current (Note 4)	52,363	53,509
Prepaid items	199,403	134,289
Deposits with Public Agencies Self Insurance System (Note 5)	544,421	533,110
Total current assets	30,772,989	27,234,282
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	258,204	491,576
Restricted – accrued interest receivable (Note 3)	757	598
Restricted – other receivables (Note 3)	126,760	103,445
Lease receivable – non-current (Note 4)	53,419	-
Right to use leased asset – being amortized, net (Note 8)	146,985	-
Capital assets – not being depreciated (Note 6)	3,777,287	3,526,702
Capital assets – being depreciated, net (Note 6)	11,816,328	9,878,208
Total non-current assets	16,179,740	14,000,529
Total assets	46,952,729	41,234,811
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net OPEB liability (Note 12)	7,468,183	9,188,440
Deferred amounts related to net pension liability (Note 13)	26,631,744	35,622,961
Total deferred outflows of resources	34,099,927	44,811,401
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	490,474	366,094
Accrued interest payable	81,511	77,056
Unearned revenue	-	16,322
Long-term liabilities – due in one year:		
Compensated absences (Note 7)	579,456	597,169
Right-to-use lease payable (Note 8)	29,497	-
Pension obligation bonds (Note 9)	232,000	89,000
Long-term debt (Note 10)	220,969	52,762
Total current liabilities	1,633,907	1,198,403
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	579,456	597,169
Right-to-use lease payable (Note 8)	118,896	-
Pension obligation bonds (Note 9)	25,608,000	25,840,000
Long-term debt (Note 10)	-	220,970
Workers' compensation claims payable (Note 11)	1,738,428	1,715,373
Net OPEB liability (Note 12)	24,305,344	28,590,874
Net pension liability (Note 13)	24,069,001	26,405,916
Total non-current liabilities	76,419,125	83,370,302
Total liabilities	78,053,032	84,568,705
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to leases (Note 4)	104,740	52,979
Deferred amounts related to net OPEB liability (Note 12)	5,036,898	1,559,808
Deferred amounts related to net pension liability (Note 13)	22,344,580	18,418,817
Total deferred inflows of resources	27,486,218	20,031,604
NET POSITION		
Net investment in capital assets (Note 14)	15,372,646	13,131,178
Restricted for capital improvements (Note 3)	385,721	595,619
Unrestricted (Deficit) (Note 15)	(40,244,961)	(32,280,894)
Total net position	$(24,486,594)	$(18,554,097)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statements of Activities

For the Fiscal Year Ended June 30, 2023

(With Comparative Amounts for the Fiscal Year Ended June 30, 2022)

	2023	2022
Expenses:		
Fire related services:		
Operations:		
Salaries and wages	$ 13,095,864	$ 12,840,006
Employee benefits	17,129,466	9,368,270
Insurance	1,028,762	949,746
Materials and services	4,005,039	3,719,704
Depreciation expense	1,006,321	960,602
Amortization expense	13,362	-
Interest expense	990,658	95,124
Cost of debt issuance (Note 9)	-	189,200
Total expenses	37,269,472	28,122,652
Program revenues:		
Charges for services:		
Parcel tax	1,999,041	1,940,939
Property assessment	815,865	777,663
CSA-115 annexation	-	100,000
Cal-OES – Personnel	303,295	1,222,778
Cal-OES – Engines	66,020	166,718
Cal-OES – Administration	96,489	273,926
Fire prevention – plan check and inspections	300,904	286,983
Advanced life support – first responder fee	852,442	839,018
Weed abatement	85,815	135,387
Other charges	69,384	185,344
Reimbursements	23,248	80,315
Mitigation fees	386,442	273,896
Operating and capital grant funding	117,342	69,605
Total program revenues	5,116,287	6,352,572
Net program expense	(32,153,185)	(21,770,080)
General revenues:		
Property taxes	25,300,558	23,056,551
Redevelopment pass-through	242,432	165,791
Rental income	192,493	193,816
State of California special district COVID-19 relief grant	-	2,129,691
Investment earnings	481,205	(630,786)
Sale of capital assets	4,000	-
Total general revenues	26,220,688	24,915,063
Change in net position	(5,932,497)	3,144,983
Net position:		
Beginning of year (Deficit) (Note 17)	(18,554,097)	(21,699,080)
End of year (Deficit)	$(24,486,594)	$(18,554,097)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Balance Sheet – Governmental Funds

June 30, 2023

ASSETS	General Fund	Fire Mitigation Fund	Total Governmental Funds
Assets:			
Cash and investments	$ 29,386,193	$ 258,204	$ 29,644,397
Accrued interest receivable	90,781	757	91,538
Property taxes receivable	159,639	-	159,639
Other receivables	340,189	126,760	466,949
Lease receivable	105,782	-	105,782
Prepaid items	199,403	-	199,403
Deposits with PASIS	544,421	-	544,421
Total assets	$ 30,826,408	$ 385,721	$ 31,212,129
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	$ 490,474	$ -	$ 490,474
Total liabilities	490,474	-	490,474
Deferred inflows of resources			
Deferred amount related to leases	104,740	-	104,740
Total deferred inflows	104,740	-	104,740
Fund Balances: (Note 17)			
Non-spendable	199,403	-	199,403
Restricted	-	385,721	385,721
Assigned	24,559,435	-	24,559,435
Unassigned	5,472,356	-	5,472,356
Total fund balance	30,231,194	385,721	30,616,915
Total liabilities and fund balance	$ 30,826,408	$ 385,721	$ 31,212,129

Fund Balances – Governmental Funds	$ 30,616,915
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and right to use leased 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.	15,740,600
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.	34,099,927
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:	
Accrued interest payable	(81,511)
Compensated absences	(1,158,912)
Right-to-use lease payable	(148,393)
Long-term debt	(220,969)
Workers' compensation claims payable	(1,738,428)
Pension obligation bonds	(25,840,000)
Net OPEB liability	(24,305,344)
Net pension liability	(24,069,001)
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.	(27,381,478)
Total adjustments	(55,103,509)
Net Position of Governmental Activities	$ (24,486,594)

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023

	Major Funds		
	General Fund	Fire Mitigation Fund	Total Governmental Funds
REVENUES:			
Property taxes	$ 25,300,558	$ -	$ 25,300,558
Redevelopment pass-through	242,432	-	242,432
Parcel tax	1,999,041	-	1,999,041
Property assessment	815,865	-	815,865
Cal-OES – Personnel	303,295	-	303,295
Cal-OES – Engines	66,020	-	66,020
Cal-OES – Administration	96,489	-	96,489
Fire prevention – plan check and inspections	300,904	-	300,904
Advanced life support – first responder fee	852,442	-	852,442
Weed abatement	85,815	-	85,815
Other charges	69,384	-	69,384
Reimbursements	23,248	-	23,248
Mitigation fees	-	386,442	386,442
Operating and capital grant funding	117,342	-	117,342
Rental income	192,493	-	192,493
Investment earnings	467,644	13,561	481,205
Total revenues	30,932,972	400,003	31,332,975
EXPENDITURES:			
Fire related services:			
Salaries and wages	13,131,290	-	13,131,290
Employee benefits	5,637,584	-	5,637,584
Insurance	1,005,707	-	1,005,707
Materials and services	4,005,039	-	4,005,039
Capital outlay	3,195,026	-	3,195,026
Debt service:			
Principal	153,717	-	153,717
Interest	986,203	-	986,203
Total expenditures	28,114,566	-	28,114,566
REVENUES OVER(UNDER) EXPENDITURES	2,818,406	400,003	3,218,409
OTHER FINANCING SOURCES(USES):			
Sale of capital assets	4,000	-	4,000
Transfers in (Note 16)	609,901	-	609,901
Transfers (out) (Note 16)		(609,901)	(609,901)
Total other financing sources(uses)	613,901	(609,901)	4,000
NET CHANGES IN FUND BALANCE	3,432,307	(209,898)	3,222,409
FUND BALANCE:			
Beginning of year	26,798,887	595,619	27,394,506
End of year	$ 30,231,194	$ 385,721	$ 30,616,915

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

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

For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balances – Governmental Funds	$ 3,222,409
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in compensated absences	35,426
Change in accrued interest payable	(4,455)
Change in right-to-use lease payable	11,954
Change in workers' compensation claims payable	(23,055)
Change in net OPEB liability	(911,817)
Change in net pension liability	(10,580,065)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	3,195,026
Depreciation expense	(1,006,321)
Amortization expense	(13,362)
Principal repayment of long-term debt obligations are reported as expenditures in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	141,763
Total adjustments	(9,154,906)
Change in Net Position of Governmental Activities	$ (5,932,497)

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The San Miguel Consolidated Fire Protection District (District) was formed on July 1, 1988, under the provisions of the California Health and Safety Code, Section 14022, to provide fire protection, prevention, emergency medical services, code enforcement, and weed abatement. The District operates eight fire stations over a 54-mile service area that serves the taxpayers and residents in the communities of Bostonia, Casa de Oro, Crest, Grossmont/Mt. Helix, La Presa, Rancho San Diego, Spring Valley and the unincorporated areas of El Cajon and La Mesa of San Diego County. The District's governmental powers are exercised through a seven-member board of directors.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, other nonexchange transactions, and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

Fire Mitigation Fund: This fund is used to account for fees collected from builders in the service area that are restricted for the purchase of new capital assets when those assets are needed due to population and infrastructure growth in the service area.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Investments

The District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

2. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investment, short-term leases, de minimis leases, and leases that transfer ownership of the underlying asset. As lessor, the leased right-to-use asset underlying the lease is not recognized. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Structures and Improvements	10-50 years
Equipment	7-20 years
Vehicles and Apparatuses	5-20 years

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

5. Compensated Absences

Accumulated unpaid employee vacation benefits and sick leave are recognized as liabilities of the District. No employee may accumulate more annual leave hours than they would earn in a two-year period based on their own earnings rate. Employees earn with a maximum carryover of 1,040 hours.

6. Pensions

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

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at market value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted". When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances:
The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Non-spendable: Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property Taxes

The San Diego County Assessor's Office assesses all real and personal property within the County each year. The San Diego County Tax Collector's Office bills and collects the District's share of property taxes and voter-approved taxes. The San Diego County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIIIA of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by San Diego County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and November 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Diego County. The Teeter Plan authorizes the County Auditor-Controller to allocate 100% of the secured property tax billed but not yet received or paid to the District. San Diego County remits tax proceeds to the District in installments during the fiscal year.

G. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2023, the District has implemented a new pronouncement as follows:

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2022. See Note 4 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023, were categorized on the statement of net position as follows:

Description	Balance
Cash and investments	$ 29,386,193
Restricted – cash and investments	258,204
Total cash and investments	$ 29,644,397

Cash and investments at June 30, 2023, consisted of the following:

Description	Balance
Cash on hand	$ 100
Demand deposits held with financial institutions	1,894,577
San Diego County Pooled Investment Fund (SDCPIF)	27,749,720
Total cash and investments	$ 29,644,397

Demand Deposits with Financial Institutions

At June 30, 2023, the carrying amount of the District's demand deposits was $1,894,577 and the financial institution's balance was $2,394,213. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposit made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

San Diego County Treasury Investment Pool (SDCTIP)

The District is a voluntary participant in the San Diego County Treasury Investment Pool (SDCTIP)pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the San Diego County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or depositing the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the Treasurer-Tax Collector – San Diego Administration Center – 1600 Pacific Hwy, Room 162 – San Diego, CA 92101 or the Treasurer and Tax Collector's office website at www.sdttc.com. As of June 30, 2023, the District had $27,749,720 in the SDCTIP.

NOTE 3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets and restricted net position as of June 30, 2023, were categorized as follows:

Description	Balance
Restricted – cash and investments	$ 258,204
Restricted – accrued interest receivable	757
Restricted – other receivables	126,760
Total restricted net position	$ 385,721

Restricted assets and restricted net position as of June 30, 2023, were received from mitigation fees for capital expenditures.

NOTE 4– LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable are as follows:

Description	July 1, 2022	Additions	Deletions	June 30, 2023
Fleet service and maintenance facility	$ 53,509	$ 103,600	$ (51,327)	$ 105,782

The District is reporting a total lease receivable of $105,782 and a total related deferred inflows of resources of $104,740 for the year ending June 30, 2023. Also, the District is reporting total lease revenue of $51,327 and interest revenue of $2,673 related to lease payments received.

The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. In some cases, the leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility.

The Included Leases are summarized as follows:

Fleet Service and Maintenance Facility
The District, on July 1, 2022, renewed a 36 month lease as lessor for the use of the fleet maintenance facility and use of equipment. An initial lease receivable was recorded in the amount of $157,109. As of June 30, 2023, the value of the lease receivable was $105,782. The lessee is required to make monthly fixed payments of $4,500. The lease has an interest rate of 2%. The value of the deferred inflow of resources was $104,740 as of June 30, 2023. The District recognized lease revenue of $51,327 and interest revenue of $2,673 during the fiscal year. The District has a termination period of 90 days as of the lease commitment.

NOTE 4– LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (Continued)

Minimum future lease receipts are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total
2024	$ 52,363	$ 1,637	$ 54,000
2025	53,419	581	54,000
Total	105,782	$ 2,218	$ 108,000
Current	(52,363)		
Long-term	$ 53,419		

Changes in the District's deferred inflows of resources related to leases are as follows:

Description	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Fleet service and maintenance facility	$ 52,979	$ 104,130	$ (52,369)	$ 104,740

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2023, will be amortized in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Inflows of Resources
2024	$ 52,370
2025	52,370
Total	104,740

NOTE 5 – DEPOSITS WITH PUBLIC AGENCIES SELF INSURANCE SYSTEM (PASIS)

The District is one of seven Members 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 for its Members.

PASIS's purpose is to provide for the collection of workers' compensation claims data, purchase claims examiner services, general counsel services and excess insurance coverage. Members are responsible for paying their own claims and related expenses for workers' compensation related injuries. PASIS requires active Members to maintain a minimum base funding of 125% of a Members' self-insured retention plus a 15% increase for Members with annual payroll in excess of $1.8 million. The deductible for self-insured retention selected by the District is $300,000. PASIS carries excess insurance through a joint powers authority to cover amounts over the self-insured retention.

As of June 30, 2023, the District had $544,421 on deposit with PASIS. Further information in regard to PASIS is as follows:

A.	**Entity**	Public Agency Self-Insurance System (PASIS)
B.	**Purpose**	To pool member resources and realize the advantages of a self-insurance reserve for workers' compensation
C.	**Participants**	As of June 30, 2023 – Seven member agencies
D.	**Governing board**	Seven representatives employed/appointed by members
E.	**District payments for FY 2023:**	
	Contribution	$0
F.	**Condensed financial information**	June 30, 2023
	Audit signed	August 31, 2023

	June 30, 2023	District Share
Statement of net position:		
Total assets	$ 3,524,018	$ 544,421
Total liabilities	-	-
Net position	$ 3,524,018	$ 544,421
Statement of revenues, expenses and changes in net position:		
Total revenues	$ 73,113	$ 11,311
Total expenses	-	-
Change in net position	73,113	11,311
Beginning – net position	3,450,905	533,110
Ending – net position	$ 3,524,018	$ 544,421
G. District's share of year-end financial position	100.00%	15.45%

NOTE 6 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

Description	Balance July 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable capital assets:				
Land	$ 2,077,764	$ -	$ -	$ 2,077,764
Construction-in-progress	1,448,938	272,734	(22,149)	1,699,523
Total non-depreciable capital assets	3,526,702	272,734	(22,149)	3,777,287
Depreciable capital assets:				
Structures and improvements	14,315,365	1,846,742	-	16,162,107
Vehicles and apparatuses	10,200,636	72,884	(44,882)	10,228,638
Equipment	2,084,033	1,024,815	(18,400)	3,090,448
Total depreciable capital assets	26,600,034	2,944,441	(63,282)	29,481,193
Accumulated depreciation:				
Structures and improvements	(8,813,582)	(460,524)	-	(9,274,106)
Vehicles and apparatuses	(6,501,627)	(368,038)	44,882	(6,824,783)
Equipment	(1,406,617)	(177,759)	18,400	(1,565,976)
Total accumulated depreciation	(16,721,826)	(1,006,321)	63,282	(17,664,865)
Total depreciable capital assets, net	9,878,208	1,938,120	-	11,816,328
Total capital assets, net	$ 13,404,910	$ 2,210,854	$ (22,149)	$ 15,593,615

Depreciation expense for the year ended June 30, 2023 was $1,006,321 and is not allocated to the various governmental functions or funds.

NOTE 7 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
$ 1,194,338	$ 943,787	$ (979,213)	$ 1,158,912	$ 579,456	$ 579,456

NOTE 8 – RIGHT-TO USE LEASED ASSET AND RIGHT-TO-USE LEASE PAYABLE

Changes in right-to-use leased asset for fiscal year ending June 30, 2023 was as follows:

Description	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right-to-use leased asset:				
Building space	$ -	$ 160,347	$ -	$ 160,347
Accumulated amortization:				
Building space	-	(13,362)	-	(13,362)
Total right-to-use leased asset, net	$ -	$ 146,985	$ -	$ 146,985

Changes in right-to-use leased payable for fiscal year ending June 30, 2023 was as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
$ -	$ 160,347	$ (11,954)	$ 148,393	$ 29,497	$ 118,896

Annual debt service requirements for the right-to-use lease payable are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 29,497	$ 2,701	$ 32,198
2025	31,067	2,097	33,164
2026	32,698	1,460	34,158
2027	34,392	791	35,183
2028	20,739	138	20,877
Total	148,393	$7,187	$155,580
Current	(29,497)		
Long-term	$118,896		

The District is reporting a total right-to-use leased asset, net of $146,985 and a right-to-use lease payable of $148,393 for the year ending June 30, 2023. Also, the District is reporting total amortization expense of $13,362, principal payments of $11,954 and interest expense of $1,296 related to the above noted lease. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease payments to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease.

The District's lease is summarized as follows:

Building Space

On February 1, 2023, the District entered into a 60-month lease for building space and a meeting room to serve as a fire station for the District. An initial right-to-use lease liability was recorded in the amount of $160,347. The District makes monthly fixed lease payments of $2,650 per month with a 3.0% annual increase. The lease has an implied interest rate of 2.0%. The District is amortizing the right-to-use leased asset of $160,347 at $2,672 per month.

NOTE 9 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2023, was as follows:

Balance July 1, 2022	Additions	Payments	Balance June 30, 2023	Current Portion	Long-term Portion
$ 25,929,000	$ -	$ (89,000)	$ 25,840,000	$ 232,000	$ 25,608,000

On June 23, 2022, the District issued 2022 Taxable Pension Obligation Bonds in the amount of $25,737,995. Cost of debt issuance was $189,200. The 2022 bonds were placed with First Foundation Public Finance. The bonds were issued to (a) finance a portion of the District's unfunded accrued liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the District's employees and to pay a portion of current normal costs, and (b) pay the costs incurred in connection with the issuance of the bonds. The bonds bear an interest rate of 3.99% and are payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022 until maturity or earlier redemption. The bonds mature in fiscal year 2042. Total principal and interest remaining on the bonds as of June 30, 2023 is $38,152,063. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 232,000	$ 1,028,722	$ 1,260,722
2025	422,000	1,017,590	1,439,590
2026	618,000	998,817	1,616,817
2027	834,000	972,024	1,806,024
2028	1,115,000	935,974	2,050,974
2029-2033	6,223,000	3,972,285	10,195,285
2034-2038	7,974,000	2,601,998	10,575,998
2039-2042	8,422,000	784,653	9,206,653
Total	25,840,000	$ 12,312,063	$ 38,152,063
Current	(232,000)		
Long-term	$ 25,608,000		

Bond Provisions

The obligations of the District under the bonds, including the obligation to make all payments of interest and principal when due, are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the bonds nor the obligations of the District to make payments on the bonds constitute an indebtedness of the District, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. For the purpose of paying the principal of and interest on the bonds, the District's council has covenanted under the trust agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds to ensure that sufficient sums are available to pay the annual principal of and interest on the bonds as the same become due.

NOTE 10 – LONG-TERM DEBT

Changes in long-term debt were as follows:

Long-Term Debt	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023	Current Portion
Capital lease payable – solar project	$ 273,732	$ -	$ (52,763)	$ 220,969	$ 220,969

Capital Lease – Solar Equipment

The District constructed a solar project for $479,313 and on October 27, 2016 financed the solar project under a capital lease agreement. At June 30, 2023, the future minimum lease payments under the capital lease are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 220,970	$ 9,129	$ 230,099

NOTE 11 – WORKERS' COMPENSATION CLAIMS PAYABLE

The District is self-insured for workers' compensation and has effectively managed this risk of loss 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. Excess insurance is purchased above the self-insured retention through PASIS. As of June 30, 2023, the liability for workers' compensation claims payable was estimated at $1,738,428.

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

Description	Balance
Estimated claims balance – July 1, 2022	$ 1,715,373
Claim payments	(212,103)
Revised claims estimate	235,158
Change in claims balance	23,055
Estimated claims balance – June 30, 2023	$ 1,738,428

NOTE 12 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS

Summary
The following balances on the statement of net position will be addressed in this footnote as follows:

Description		Amount
OPEB related deferred outflows of resources	$	7,468,183
Net other post-employment benefits liability	$	24,305,344
OPEB related deferred inflows of resources	$	5,036,898

A. General Information about the OPEB Plan

Plan Description and Benefits Provided
The District provides healthcare and life insurance benefits for retirees and their dependents through a cost-sharing multi-employer defined benefit plan. Active employees are offered a choice of medical plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer.

The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. Effective in 2012, the District's financial obligation is to pay up to a maximum amount which varies based on the retiree's elected coverage category (single, two-party, and family). The maximum is based on the 2011 Kaiser Southern California HMO Basic (non-Medicare) rate plus 50% of any future premium increases. The maximum is subject to a minimum amount which is the CalPERS minimum required employer contribution for the retiree. Employees hired after November 1, 2011 will only receive a District contribution equal to the CalPERS minimum required employer contribution. The CalPERS minimum required employer contribution is $143 per month in 2023 and is scheduled to increase each year based on medical inflation. Prior to 2012, the District's financial obligation was to pay for the retiree and eligible dependent coverage up to a monthly maximum which is equal to the Kaiser Basic (non-Medicare) Family premium.

An employee is eligible for the District contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the District. Vesting requires at least 5 years of CalPERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

Funding Policy
The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, recently contributions have been made to an OPEB Trust.

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2023, the measurement period, the District's contributions totaled $1,126,172.

NOTE 12 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms
At June 30, 2022, the following employees were covered by the benefit terms:

Plan Members	Covered Participants
Active members	85
Inactives entitled to but not yet receiving benefits	90
Inactives currently receiving benefits	-
Total plan members	175

B. Total OPEB Liability
The District's total OPEB liability of $24,305,344 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	2.16%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	4%

Discount Rate
The discount rate used to measure the total OPEB liability was 3.54 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

NOTE 12 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 28,590,874
Changes for the year:	
Service cost	646,171
Interest	619,388
Changes in assumptions	(4,421,748)
Changes in experience	-
Benefit payments	(1,129,341)
Net changes	(4,285,530)
Balance at June 30, 2022	$ 24,305,344

Sensitivity of the total OPEB liability to changes in the discount rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
$ 27,438,782	$ 24,305,344	$ 21,512,115

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Current Trend	1% Increase
$ 21,029,080	$ 24,305,344	$ 28,368,379

NOTE 12 – NET OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of $2,028,143. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement	$ 1,126,172	$ -
Changes in assumptions	1,995,226	(4,255,145)
Changes in experience	4,346,785	(781,753)
Total Deferred Outflows/(Inflows) of Resources	$ 7,468,183	$ (5,036,898)

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 762,584
2025	762,581
2026	68,382
2027	68,382
2028	17,691
Thereafter	(374,507)
Total	$ 1,305,113

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN

Summary
The following balances on the statement of net position will be addressed in this footnote as follows:

Description	Amount
Pension related deferred outflows of resources	$ 26,631,744
Net pension liability	$ 24,069,001
Pension related deferred inflows of resources	$ 22,344,580

A. General Information about the Pension Plans

The Plans Description Schedule
The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.0% to 2.7%	1.0% to 2.5%
Required member contribution rates	8.000%	7.750%
Required employer contribution rates	15.410%	7.770%

	Safety Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 2.7%
Required member contribution rates	8.990%	13.750%
Required employer contribution rates	23.620%	13.980%

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plans (continued)

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 Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2022, the following members were covered by the benefit terms:

	Miscellaneous and Safety Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	36	51	87
Transferred and terminated members	89	41	130
Retired members and beneficiaries	178	-	178
Total plan members	303	92	395

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

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plans (continued)

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

Contributions for the year ended June 30, 2023, were as follows:

	Miscellaneous and Safety Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – Miscellaneous Plans	$ 271,651	$ 42,511	$ 314,162
Contributions – Safety Plans	2,090,534	639,888	2,730,422
Total contributions	$ 2,362,185	$ 682,399	$ 3,044,584

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

Proportionate Share of Net Pension Liability and Pension Expense
The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2022:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Total Plans:			
Balance as of June 30, 2021 (Measurement Date)	$ 149,416,039	$ 123,010,123	$ 26,405,916
Balance as of June 30, 2022 (Measurement Date)	$ 157,329,108	$ 133,260,107	$ 24,069,001
Change in Plan Net Pension Liability	$ 7,913,069	$ 10,249,984	$ (2,336,915)

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

The District's proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		
CalPERS – Safety and Miscellaneous	**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	0.18106%	0.48825%	-0.30719%

For the year ended June 30, 2023, the District recognized pension expense of $13,624,652. 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	$ 3,044,584	$ -
Difference between actual and proportionate share of employer contributions	16,123,212	(1,188,450)
Adjustment due to differences in proportions	222,270	(20,886,506)
Differences between expected and actual experience	928,232	(269,627)
Differences between projected and actual earnings on pension plan investments	3,881,334	-
Changes in assumptions	2,432,112	-
Total Deferred Outflows/(Inflows) of Resources	$ 26,631,744	$ (22,344,583)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

An amount of $3,044,584 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30		Deferred Outflows/ (Inflows) of Resources
2024	$	(301,759)
2025		(450,599)
2026		(373,674)
2027		2,368,609
Total	$	1,242,577

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the 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 in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

Investment Type[1]	New Strategic Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.30% used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

NOTE 13 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate
The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events
There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 5.90%**	**Current Discount Rate 6.90%**	**Discount Rate + 1% 7.90%**
CalPERS – Total Plans	$ 45,777,696	$ 24,069,001	$ 6,319,410

Pension Plan Fiduciary Net Position
Detailed information about the pension 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.

D. Payable to the Pension Plans

At June 30, 2023, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2023, the net investment in capital assets was calculated as follows:

Description	Balance
Capital assets – not being depreciated	$ 3,777,287
Capital assets – being depreciated, net	11,816,328
Long-term debt – current portion	(220,969)
Total net investment in capital assets	$ 15,372,646

NOTE 15 – UNRESTRICTED NET POSITION (DEFICIT)

As of June 30, 2023, the District had an unrestricted net position deficit of ($40,118,201). Due to the nature of the deficit from the implementation of GASB No. 68 – Net Pension Liability – in fiscal year 2015 and GASB No. 75 – Net OPEB Obligation – in fiscal year 2018, the District will continue to make its actuarial determined contributions and healthcare administrative costs to CalPERS and annually review its outstanding net pension liability and net OPEB obligation funding requirements for future periods to reduce the deficit position.

NOTE 16 – INTERFUND TRANSFERS

At June 30, 2023 interfund transfers of the District's governmental funds were made as follows

Transfer To	Transfer From	Balance	Purpose
General Fund	Fire Mitigation	$ 609,901	Capital outlay funding

NOTE 17 – FUND BALANCES

At June 30, 2023, fund balances of the District's governmental funds were classified as follows:

Description	General Fund	Fire Mitigation Fund	Total
Non-spendable:			
Prepaid items	$ 199,403	$ -	$ 199,403
Restricted:			
Mitigation fees	-	385,721	385,721
Assigned:			
Deposits with Public Agencies Self Insurance System	544,421	-	544,421
Compensated absences	1,158,912	-	1,158,912
Workers' compensation claims payable	1,194,007	-	1,194,007
Long-term debt repayment	452,969	-	452,969
Capital asset replacement	7,796,808	-	7,796,808
Six-month operating reserve	13,412,318	-	13,412,318
Total assigned	24,559,435	-	24,559,435
Unassigned	5,472,356	-	5,472,356
Total fund balances	$ 30,231,194	$ 385,721	$ 30,616,915

NOTE 18 – RISK MANAGEMENT

Fire Agencies Insurance Risk Authority (FAIRA)

The District entered into a JPA, known as the Fire Agencies Insurance Risk Authority (FAIRA), a self-insurance plan for general liability insurance. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited. Condensed financial and other information available for the FAIRA as of June 30, 2022 is as follows:

A. **Entity**	Fire Agencies Insurance Risk Authority (FAIRA)	
B. **Purpose**	To pool member resources and realize the advantages of self-insurance for general liability insurance	
C. **Participants**	As of June 30, 2022 – Approx. 100 member agencies	
D. **Governing board**	13 representatives employed/appointed by members	
E. **District payments for FY 2023:**		
Insurance premium	$268,572	
F. **Condensed financial information**	June 30, 2022	
Audit signed	April 18, 2023	
Statement of net position:		**June 30, 2022**
Total assets		$ 3,911,487
Total liabilities		898,218
Net position		$ 3,013,269
Statement of revenues, expenses and changes in net position:		
Total revenues		$ 7,558,682
Total expenses		(7,908,938)
Change in net position		(350,256)
Beginning – net position		2,351,678
Ending – net position		$ 2,001,422

The complete financial statements can be obtained by contacting FAIRA at 1255 Battery St, Suite 450, San Francisco, CA 94111.

NOTE 19 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation 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.

The District has implemented GASB Statement No. 32, *Accounting 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 on the statement of net position.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

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

NOTE 21 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 13, 2024, the date which the financial statements were available to be issued.

Required Supplementary Information

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2023

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	$ 22,243,254	$ 23,749,500	$ 25,300,558	$ 1,551,058
Redevelopment pass-through	-	-	242,432	242,432
Parcel tax	-	-	1,999,041	1,999,041
Property assessment	2,814,800	2,814,800	815,865	(1,998,935)
Cal-OES – Personnel	-	-	303,295	303,295
Cal-OES – Engines	-	-	66,020	66,020
Cal-OES – Administration	-	-	96,489	96,489
Fire prevention – plan check and inspections	165,000	165,000	300,904	135,904
Advanced life support – first responder fee	840,000	840,000	852,442	12,442
Weed abatement	94,650	93,000	85,815	(7,185)
Other charges	40,000	40,000	69,384	29,384
Reimbursements	-	-	23,248	23,248
Operating and capital grant funding	-	-	117,342	117,342
Rental income – site and cellular	173,000	173,000	192,493	19,493
Investment earnings	10,000	10,000	467,644	457,644
Total revenues	26,380,704	27,885,300	30,932,972	3,047,672
EXPENDITURES:				
Fire related services:				
Salaries and wages	11,646,525	11,931,241	13,131,290	(1,200,049)
Employee benefits	5,687,300	5,623,275	5,637,584	(14,309)
Insurance			1,005,707	(1,005,707)
Materials and services	4,859,390	4,888,790	4,005,039	883,751
Capital outlay	2,642,000	3,435,000	3,195,026	239,974
Debt service:				
Principal	116,296	153,954	153,717	237
Interest	1,064,954	986,143	986,203	(60)
Total expenditures	26,016,465	27,018,403	28,114,566	(1,096,163)
REVENUES OVER(UNDER) EXPENDITURES	364,239	866,897	2,818,406	1,951,509
OTHER FINANCING SOURCES(USES):				
Sale of capital assets	-	-	4,000	(4,000)
Transfers in	-	-	609,901	609,901
Total other financing sources(uses)	-	-	613,901	605,901
NET CHANGES IN FUND BALANCE	$ 364,239	$ 866,897	3,432,307	$ 2,557,410
FUND BALANCE:				
Beginning of year			26,798,887	
End of year			$ 30,231,194	

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.360930%	$ 22,458,700	$ 511,999	4386.47%	81.51%
June 30, 2015	0.346784%	23,802,978	485,488	4902.90%	80.38%
June 30, 2016	0.368036%	31,846,516	654,446	4866.18%	74.33%
June 30, 2017	0.367505%	36,446,423	550,796	6617.05%	72.70%
June 30, 2018	0.379212%	36,493,379	5,857,727	623.00%	72.76%
June 30, 2019	0.379897%	38,928,246	6,963,579	559.03%	72.47%
June 30, 2020	0.385477%	41,941,576	7,711,605	543.88%	70.91%
June 30, 2021	0.488249%	26,186,387	8,268,748	316.69%	82.45%
June 30, 2022	0.488249%	24,069,001	8,703,209	276.55%	84.70%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 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. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
The discount rate was reduced from 7.15% to 6.90%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Pension Contributions – Total Plan
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 79,114	$ (79,114)	$ -	$ 485,488	16.30%
June 30, 2016	1,077,552	(1,077,552)	-	654,446	164.65%
June 30, 2017	1,594,554	(1,594,554)	-	550,796	289.50%
June 30, 2018	2,918,082	(2,918,082)	-	5,857,727	49.82%
June 30, 2019	3,465,705	(3,465,705)	-	6,963,579	49.77%
June 30, 2020	4,152,962	(4,152,962)	-	7,711,605	53.85%
June 30, 2021	4,517,429	(4,517,429)	-	8,268,748	54.63%
June 30, 2022	5,052,032	(30,790,027)	(25,737,995)	8,703,209	58.05%
June 30, 2023	3,044,584	(3,044,584)	-	9,063,133	33.59%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (3%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only nine years are shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB liability:						
Service cost	$ 646,171	$ 528,256	$ 512,870	$ 298,357	$ 288,268	$ 278,788
Interest	619,388	657,558	797,563	639,984	629,060	627,434
Changes in assumptions	(4,421,748)	3,800,664	2,992,840	(778,086)	(257,142)	-
Differences between expected and actual experience	-	(302,572)	(1,172,629)	4,943,295	-	-
Benefit payments	(1,129,341)	(987,312)	(884,549)	(884,548)	(889,022)	(846,688)
Net change in total OPEB liability	(4,285,530)	3,696,594	2,246,095	4,219,002	(228,836)	59,534
Total OPEB liability - beginning	28,590,874	24,894,280	22,648,185	18,429,183	18,658,019	18,598,485
Total OPEB liability - ending	24,305,344	28,590,874	24,894,280	22,648,185	18,429,183	18,658,019
Plan fiduciary net position:						
Contributions - employer	1,129,341	987,312	884,549	884,548	889,022	846,688
Benefit payments	(1,129,341)	(987,312)	(884,549)	(884,548)	(889,022)	(846,688)
Net change in plan fiduciary net position	-	-	-	-	-	-
District's net OPEB liability	$ 24,305,344	$ 28,590,874	$ 24,894,280	$ 22,648,185	$ 18,429,183	$ 18,658,019
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes of benefits terms
Measurement Date June 30, 2018 – There were no changes of benefits terms
Measurement Date June 30, 2019 – There were no changes of benefits terms
Measurement Date June 30, 2020 – There were no changes of benefits terms
Measurement Date June 30, 2021 – There were no changes of benefits terms
Measurement Date June 30, 2022 – There were no changes of benefits terms

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions
Measurement Date June 30, 2018 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2019 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2020 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2022– There were no changes in assumptions except change in discount rate

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

Schedule of OPEB Contributions

For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Actuarially determined contribution* (Pay-as-you-go funding with No Plan Assets)	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	(1,126,172)	(1,139,187)	(987,312)	(941,271)	(889,022)	(846,688)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:						
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	3.54%	2.16%	2.66%	3.51%	3.50%	3.40%
Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%
Payroll increases	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Mortality	(2)	(2)	(2)	(2)	(2)	(2)
Morbidity	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(3)	(3)	(3)	(3)	(3)	(3)
Percent Married - Spouse Support	70%	70%	70%	70%	70%	70%
Healthcare trend rates	(4)	(4)	(4)	(4)	(4)	(4)

(1) Closed period, level percent of pay

(2) SOA Pub-2010 using Scale MP-2019 or MP-2017

(3) CalPERS Public Agency Miscellaneous 2.7% @55 and 2% @62
CalPERS Public Agency Safety 3.0% @55 and 2.7% @57

(4) Pre-65 - 8.00% trending down 0.25% annually to 5.00% in 2031 and later
Post-65 - 5.50% trending down 0.25% annually to 5.00% in 2021 and later

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

Other Independent Auditors' Report

INDEPENDENT AUDITORS' 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*

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, 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, each major fund, and the aggregate remaining fund information of San Miguel Consolidated Fire Protection District as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise San Miguel Consolidated Fire Protection District's basic financial statements, and have issued our report thereon dated March 13, 2024.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered San Miguel Consolidated Fire Protection District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Miguel Consolidated Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Miguel Consolidated Fire Protection 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 may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether San Miguel Consolidated Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Nigro & Nigro, PC

Murrieta, California
March 13, 2024