

ALPINE FIRE PROTECTION DISTRICT

**ANNUAL FINANCIAL REPORT
With
Independent Auditor's Report Thereon**

JUNE 30, 2023

**ALPINE FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2023**

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**ALPINE FIRE PROTECTION DISTRICT
ORGANIZATION
JUNE 30, 2023**

The Alpine Fire Protection District was formed as a fire protection district on December 19, 1957, and operates under the Health and Safety Code Sections 13801-13999 of the State of California. The District provides fire protection services to approximately 37.10 square miles in the unincorporated eastern sector of San Diego County. The activities of the District are supervised by a board consisting of five Directors who serve four-year terms.

The Board of Directors for the fiscal year ended June 30, 2023 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Steve Taylor	President	December 2024
Baron Willis	Vice President	December 2026
Tim Mehrer	Secretary	December 2024
Chase Cromwell	Director	December 2026
Bill Paskle	Director	December 2026

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alpine Fire Protection District
Alpine, California

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Alpine Fire Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alpine Fire Protection 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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.

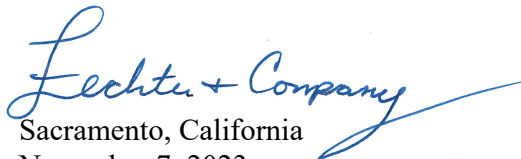
Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Assessed Valuation information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

Fechter & Company
Certified Public Accountants


Sacramento, California
November 7, 2023

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

As management of the Alpine Fire Protection District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management Discussion and Analysis and (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages, and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's ending Total Net Position balance was \$4,642,035.
- The Change in Net Position for the year was (\$1,953,295).
- The District's net change in General Fund balance was \$650,429 in the current year compared to \$793,197 in the previous year.
- The District's General Fund Final Budget for this year showed Excess Revenue under Expenditures of (\$1,032,454) compared to the actual amount of \$650,429.

OVERVIEW OF FINANCIAL STATEMENTS

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

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Basic Financial Statements

The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the District's most significant funds – not the District as a whole, is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types, showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures, and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

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

The *Supplementary Information* gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Fiscal year ended 2023 reflects a \$1,953,295 decrease in total net position to \$4,642,035. This ending net position is comprised of net invested in capital assets of \$4,243,063, a restricted balance of \$41,881, and an unrestricted balance of \$357,091.

Statement of Net Position

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

Net position may serve, over time, as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,642,035 as of June 30, 2023.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending. The District maintains a strong cash position of \$7,645,314 to support its immediate operational needs.

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

TABLE 1
Condensed Statement of Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets:		
Current assets, other assets, and deferred outflows	\$ 13,918,661	\$ 16,108,303
Capital assets, net	4,243,063	4,291,938
Total Assets and Deferred Outflows	<u>18,161,724</u>	<u>20,400,241</u>
Liabilities:		
Current liabilities, other liabilities, and deferred inflows	5,779,804	4,422,326
Long-term debt	7,739,885	9,382,585
Total Liabilities	<u>13,519,689</u>	<u>13,804,911</u>
Net Position:		
Invested in capital assets	4,243,063	4,291,938
Restricted	41,881	-
Unrestricted	357,091	2,303,392
Total Net Position	<u>\$ 4,642,035</u>	<u>\$ 6,595,330</u>

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Activities

- The District’s total revenues for the fiscal year ending June 30, 2023 were \$5,582,709, a decrease of \$20,771 over the prior fiscal year. This was due primarily to a decrease in strike team income.
- The District’s total expenditures for the fiscal year ending June 30, 2023 were \$7,536,004.
- The deficiency of revenues over expenditures was (\$1,953,296).

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2023:

TABLE 2
Condensed Statement of Activities

	June 30, 2023	June 30, 2022
Revenues:		
Property taxes	\$ 4,166,533	\$ 3,823,639
Assessments	564,750	538,364
Mitigation fees	42,111	108,624
Inter-governmental	478,142	3,927
Miscellaneous	223,605	1,246,622
Use of money and property	107,567	(117,697)
Total Revenues	5,582,708	5,603,479
Expenditures:		
Operating expenses	7,230,223	4,267,069
Depreciation	305,781	269,512
Total Expenditures	7,536,004	4,536,581
Increase (Decrease) in Net Position	\$ (1,953,296)	\$ 1,066,898

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Budgetary Highlights

The General Fund had the following Excess of Expenditures over Appropriations (instances where actual amounts exceeded budgeted amounts) in individual categories:

The District’s General Fund Final Budget for this year showed Excess Revenue over Expenditures of (\$1,110,378) compared to the actual amount of \$650,429. The difference is primarily due to planned budgetary management, shifts in the number of strike team events, and annual pension liability adjustments.

	Actual	June 30, 2023 Budget	Variance
Revenues	\$ 5,582,708	\$ 5,322,109	\$ 260,599
Expenditures	4,932,279	6,432,487	1,500,208
Net Increase (Decrease)	\$ 650,429	\$ (1,110,378)	\$ 1,760,807

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s major holdings in capital assets and capital investment are land and structures. Station 17 was completed in March 2006. Equipment includes various apparatus and command vehicles. Replacement for apparatus and vehicles is based on an estimated 10-year usable life schedule. The decrease in capital assets over prior period was due to depreciation exceeding current-year additions.

Long-Term Debt

In January of 2022 the District issued a Pension Obligation Bond for the purpose of reducing the District’s long-term pension cost. In addition to issuing the bond, the District adopted a comprehensive pension cost optimization strategy along with a pension liability management policy. A portion of the Unfunded Accrued Liability (UAL) with CalPERS was refunded through the issuance of the bond to achieve savings in the District and allows for greater fiscal resiliency and better utilization of taxpayer funds.

Governmental Accounting Standards Board Statement 68

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

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Net pension liability is the plan’s total pension liability based on entry age normal actuarial cost method less the plan’s fiduciary net position. This may be a negative liability (net pension asset).

Pension expense is the net effect of changes in net pension liability, deferred inflows of resources, and deferred outflows of resources from the previous fiscal year to the current fiscal year. This may be a negative expense (pension income). Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense.

Under the new GASB standards, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements, determined in conformity with Governmental Accounting Standards Board (GASB) Statement No. 68.

FACTORS BEARING ON THE DISTRICT’S FUTURE

The economic future for the District is considered positive based on current projections. With sound financial decisions, conservative spending trends, investments focused on the preservation of principal, strong team leadership, and a continuation of sound management practices, combined with the fiduciary oversight provided by the Board of Directors, this District will continue to serve the citizens and fulfill its mission statement.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to Brian Boggeln, Fire Chief and/or Debbie Pinhero, Administrative Director at (619) 445-2635, or by mail at 1364 Tavern Road, Alpine, CA 91901.



**ALPINE FIRE
PROTECTION
DISTRICT**

“We are a public safety organization of dedicated professionals whose mission is to save lives, protect property and the environment, and serve the community.”

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

Assets

Current Assets:

Cash and investments	\$ 7,645,314
Deposits	528,229
Accounts receivable	132,134
Total current assets	8,305,677

Non-current assets

Capital assets, net	4,243,063

Total Assets	12,548,740
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Deferred Outflows of Resources	5,612,984
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Liabilities

Current liabilities:

Accounts payable	2,731
Other current liabilities	225,418
Accrued interest	62,650
Current portion of long-term debt	210,000
Accrued claims liability	129,579
Total current liabilities	630,378

Long-term liabilities:

Net pension liability	2,705,478
Compensated absences	166,407
Bond debt due beyond one year	4,868,000
Total long-term liabilities	7,739,885

Total Liabilities	8,370,263
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Deferred Inflows of Resources	5,149,426
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Net Position

Invested in capital assets	4,243,063
Restricted	41,881
Unrestricted	357,091

Total Net Position	\$ 4,642,035
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The accompanying notes are an integral part of these financial statements.

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2023**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Safety	\$ 7,536,004	\$ 308,804	\$ -	\$ 169,338	\$ (7,057,862)
Total	<u>\$ 7,536,004</u>	<u>\$ 308,804</u>	<u>\$ -</u>	<u>\$ 169,338</u>	<u>(7,057,862)</u>
General Revenues (Expense):					
					4,166,533
					564,750
					107,567
					42,111
					<u>223,606</u>
					<u>5,104,567</u>
					(1,953,295)
					<u>6,595,330</u>
					<u>\$ 4,642,035</u>

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

**ALPINE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund
Assets	
Cash and investments	\$ 7,645,314
Deposits	528,229
Accounts receivable	132,134
Total Assets	\$ 8,305,677
Liabilities	
Accounts payable	\$ 2,731
Other current liabilities	225,418
Accrued claims liability	129,579
Total Liabilities	357,728
Fund Balances	
Non-spendable	528,229
Restricted	41,881
Assigned:	
Assigned for capital expenditures	886,817
Assigned for sick and vacation leave	67,159
Assigned for OPEB	38,000
Assigned for pension liability	921,101
Assigned for economic uncertainty	1,352,598
Assigned for PASIS risk pool	517,027
Total Assigned	3,782,701
Unassigned	3,595,138
Total Fund Balances	7,947,949
Total Liabilities and Fund Balances	\$ 8,305,677

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

**ALPINE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - governmental funds	\$	7,947,949
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In governmental funds, only current assets are reported.
In the Statement of Net Position, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost		4,243,063
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Deferred outflows of resources are not reported in the Statement of Net Position		5,612,984
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Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

Deferred inflows of resources	(5,149,426)		
Long-term debt	(5,078,000)		
Accrued interest on long-term debt	(62,650)		
Net pension liability	(2,705,478)		
Compensated absences	(166,407)		(13,161,961)

Net position of governmental activities	\$	<u>4,642,035</u>
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The accompanying notes are an integral part of these financial statements.

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2023**

Revenues

Property taxes	\$ 4,166,533
Special assessments	564,750
Inter-governmental revenues	478,142
Mitigation fees	42,111
Miscellaneous	223,605
Interest income	107,567
	5,582,708
Total revenues	5,582,708

Expenditures

Current:

Salaries and benefits	3,347,884
Communications	125,017
Maintenance	185,594
District insurance	230,324
District special expenses	106,454
Utilities	62,307
Office expense	38,569
Grant expenses	-
Professional services	53,992
Training and seminars	30,225
Workshops	12,861
Non-capitalized equipment	45,521
Clothing	42,665
Medical supplies	10,036
Fire prevention	3,618
Directors fees	5,950
Publications & memberships	2,169
Household	5,691
Debt service	366,497
Capital outlay	256,905
	4,932,279
Total expenditures	4,932,279

Net Change in Fund Balances	650,429
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Fund Balances, Beginning of Year	7,297,520
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Fund Balances, End of Year	\$ 7,947,949
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The accompanying notes are an integral part of these financial statements.

**ALPINE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2023**

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

Net Change in Fund Balances	\$	650,429
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlay and debt servicing payments as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Debt principal payments reduce the long-term debt balances.

Depreciation expense not reported in governmental funds		(305,781)
Capital outlay is capitalized in the Statement of Net Position		256,905
Debt service principal payments		200,000
Interest expense on long-term debt		6,488

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Change in net pension liability		(2,775,836)
Change in compensated absences		14,500

Change in Net Position of Governmental Activities	\$	<u>(1,953,295)</u>
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The accompanying notes are an integral part of these financial statements.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of the Alpine Fire Protection District (the District). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

The Alpine Fire Protection District is located in San Diego County and was formed in 1957 to provide fire protection and emergency services to the community of Alpine. It covers approximately 37.10 square miles with a population of 17,000. The District is located in a semi-rural community and is primarily residential with light commercial occupancies. The Federal Register lists the District as an Urban-Wildland Interface Community within the vicinity of Federal lands that is in high risk from wildfire. Most of the District is located in State Responsibility Area (SRA) lands except for the eastern third which is in the Cleveland National Forest.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Basis of Presentation

Government-Wide Financial Statements:

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses. The Government-Wide Statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the Government-Wide statements and the statements for the governmental funds. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements:

Fund Financial Statements report detailed information about the District. Each major governmental fund is presented in a separate column; all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Deferred Revenue:

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

D. Fund Accounting

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

Major Governmental Fund:

The General Fund is the single general operating fund of the District.

E. Budgets and Budgetary Accounting

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

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Continued)

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carryover from year to year.

F. Encumbrances

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

G. Deferred Compensation

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

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or performs the investment function. Therefore, the fair market value of the plan assets at June 30, 2023 are not included in the District's financial statements.

H. Accumulated Vacation and Sick Leave

The District's policy on vacation and sick leave states that every full-time employee shall be eligible for vacation with pay after six months of continued service with the employer. Employees shall start to earn vacation allowance as of their first date of employment.

**ALPINE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accumulated Vacation and Sick Leave (Continued)

Safety Personnel

Safety personnel are eligible for holiday leave in place of holiday pay. In accordance with the non-management bargaining agreement, the holiday leave is treated the same as vacation leave. The maximum accumulated total which may be carried in vacation/holiday time from one fiscal budget year to the next is 72-hours.

Vacation allowance shall be earned annually based on the following schedule:

<u>Length of Service</u>	<u>Shift Personnel</u>	<u>40-Hour Employees (non-management)</u>
1 to 4 years	144 hours + 120 hours holiday = 264 hours	48 hours
5 to 9 years	168 hours + 120 hours holiday = 288 hours	56 hours
10 to 14 years	192 hours + 120 hours holiday = 312 hours	64 hours
15 to 19 years	216 hours + 120 hours holiday = 336 hours	72 hours
20 to 24 years	240 hours + 120 hours holiday = 360 hours	80 hours
25+	264 hours + 120 hours holiday = 384 hours	88 hours

Safety personnel employees accumulate sick leave from the first day of employment and shall continue to do so until they have accumulated a maximum of 2,880 hours. The accrual for sick leave shall be at the rate of 21 hours per month or ten and one-half (10 ½) shifts per year. Sick leave may be converted to vacation at the rate of three hours of sick leave for one hour of vacation so that no employee will exceed the cap of 2,880 hours.

Fire Marshal

The Fire Marshal’s maximum accumulated total which may be carried in vacation time from one fiscal budget year to the next is 40-hours, which shall be earned annually based on the following schedule:

<u>Length of Service</u>	<u>Hours</u>
0 to 1 years	40 hours
1 to 2 years	60 hours
2 to 3 years	80 hours
3 to 4 years	100 hours
4 to 6 years	140 hours
Over 6 years	160 hours

**ALPINE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accumulated Vacation and Sick Leave (Continued)

Administrative Staff

The maximum accumulated total which may be carried in vacation time from one fiscal budget year to the next is 40-hours, which shall be earned annually based on the following schedule:

<u>Length of Service</u>	<u>Hours</u>
0 to 1 years	40 hours
1 to 2 years	60 hours
2 to 3 years	80 hours
3 to 4 years	100 hours
4 to 6 years	140 hours
6+ years	160 hours

Fire Chief

The Fire Chief’s maximum accumulated total which may be carried in vacation time from one fiscal budget year to the next is 72-hours. The Fire Chief shall earn 200 hours of vacation annually.

Other Accumulated Leave Policies

There is no limit to the accrued sick leave for non-safety personnel. Unused sick leave shall be carried forward from one fiscal year to the next. Safety and Full-time Non-Safety Employees shall be compensated in cash for unused sick leave at the rate of one quarter of their regular rate of pay for any unused accumulation of sick leave when they are permanently separated from service by resignation, death, retirement, service retirement, or discharge so long as the employee has previously completed five (5) years of full-time service to the District.

Part-time employees shall earn 24 hours of sick leave annually. Sick leave will be earned on July 1st of each year and there is no carry over from year to year. Sick leave may be used beginning on the 90th day of employment. There is no cash out value for hours earned during employment or at termination. This section conforms to California AB1522 and affects employees who work in California for 30 or more days within a year.

The balance of compensated absences at fiscal year-end is reported as a long-term liability.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities, and Equity

1. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category. Please refer to Note 7 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category. Please refer to Note 7 for a detailed listing of the deferred inflows of resources.

2. Capital Assets

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

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities, and Equity (Continued)

2. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life (In Years)
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks	20
Machinery and Tools	Shop & maintenance equipment tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and other furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Musical Instruments	Pianos, strings, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities, and Equity (Continued)

3. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred Revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

4. Long-Term Obligations

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

5. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources. The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

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

K. Fund Balance Reserves and Assignments

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

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balance Reserves and Assignments (Continued)

- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

L. Net Position

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

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

M. Use of Estimates

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

N. Recent and Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board released Statement No. 87 (GASB 87) on leases. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset for a period of time in an exchange transaction.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Recent and Upcoming Accounting Pronouncements (Continued)

Effective as of the fiscal year-ended June 30, 2022, a right-to-use asset as defined under GASB 87 will be capitalized and amortized over the lesser of its estimated useful life or the term of the contract including any applicable options to extend that are reasonably certain to be executed. Paragraph 94 of Statement 87 indicates that leases should be measured as of the beginning of the period of implementation, whereby the related asset and liability measured as the net present value of the future outflows of resources will be recognized on the Statement of Net Position.

In May 2020, the Governmental Accounting Standards Board released Statement No. 96 (GASB 96) to address Subscription-Based Information Technology Arrangements (SBITAs). Similarly to GASB 87, this Statement establishes standards of accounting and financial reporting for SBITA that results in recognizing an intangible right-to-use subscription asset and a corresponding subscription liability. The government agency should recognize amortization of the subscription asset as an outflow of resources over the subscription term. GASB 96 became effective for fiscal years beginning after June 15, 2022. The District was not impacted by this accounting pronouncement.

NOTE 2 – CASH AND INVESTMENTS

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

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

Investment in State Treasurer's Investment Pool (LAIF)	\$	84,726
Deposits held in financial institutions		247,691
Certificates of deposit and investments		4,109,956
Cash with County		3,202,941
	<u>\$</u>	<u>7,645,314</u>

A. Custodial Credit Risk

At June 30, 2023, the carrying amount of the deposits held at banks, was \$2,240,556. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Authorized Investments

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

The Government Code allows investments in the following instruments:

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

C. Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools.”* GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement. The State Treasurer’s Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

The following is a table classifying the assets by fair value hierarchy:

	Fair Market Value as of June 30, 2023			
	Total	Level 1	Level 2	Level 3
LAIF	\$ 84,726	\$ -	\$ 84,726	\$ -
Investments	4,109,956	4,109,956	-	-
Total	\$ 4,194,682	\$ 4,109,956	\$ 84,726	\$ -

D. Interest Rate Risk

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

E. Credit Risk

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

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – CAPITAL ASSETS

A schedule of changes in general fixed assets for the year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 644,613	\$ -	\$ -	\$ 644,613
Construction-in-Progress	-	15,493	-	15,493
Total Capital Assets, Not Depreciated	<u>644,613</u>	<u>15,493</u>	<u>-</u>	<u>660,106</u>
Capital Assets, Being Depreciated:				
Structures & improvements	4,562,439	-	-	4,562,439
Equipment & vehicles	2,995,993	241,413	(537,670)	2,699,736
Total Capital Assets, Being Depreciated	<u>7,558,432</u>	<u>241,413</u>	<u>(537,670)</u>	<u>7,262,175</u>
Less Accumulated Depreciation	<u>(3,911,107)</u>	<u>(305,781)</u>	<u>537,670</u>	<u>(3,679,218)</u>
Total Capital Assets, Depreciated, Net	<u>3,647,325</u>	<u>(64,368)</u>	<u>-</u>	<u>3,582,957</u>
Capital Assets, Net	<u>\$ 4,291,938</u>	<u>\$ (48,875)</u>	<u>\$ -</u>	<u>\$ 4,243,063</u>

Total depreciation expense for the year was \$305,781, which was charged to the Public Safety activity.

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term liability balances for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 180,907	\$ -	\$ (14,500)	\$ 166,407	\$ -
Net pension liability	4,123,678	-	(1,418,200)	2,705,478	-
Pension obligation bond	5,278,000	-	(200,000)	5,078,000	210,000
Total	<u>\$ 9,582,585</u>	<u>\$ -</u>	<u>\$ (1,632,700)</u>	<u>\$ 7,949,885</u>	<u>\$ 210,000</u>

On January 18, 2022, the Board adopted Resolution No. 21/22-11 which approved the issuance of the 2022 Pension Obligation Bond structure, an unsecured obligation, for the purpose of reducing the District's long-term pension costs. The 2022 Bonds were issued in the amount of \$5,278,000. The proceeds financed an immediate contribution to CalPERS for the unfunded liability. The District also contributed an additional \$500,000 in cash to the unfunded liability account as part of the terms upon closing. The 2022 Bonds carry an interest rate of 3.29% and will be paid in semi-annual installments starting August 2022 through February 2042.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The schedule of future installments for the unsecured bond obligation is as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 210,000	\$ 163,612	\$ 373,612
2025	215,000	156,621	371,621
2026	230,000	149,300	379,300
2027	235,000	141,651	376,651
2028	240,000	133,837	373,837
2029-2033	1,335,000	564,400	1,899,400
2034-2038	1,524,000	325,479	1,849,479
2039-2042	1,089,000	84,651	1,173,651
Total	<u>\$ 5,078,000</u>	<u>\$ 1,719,551</u>	<u>\$ 6,797,551</u>

NOTE 5 – JOINT POWERS AGREEMENTS

A. PASIS

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

Nine San Diego County fire districts have entered into the JPA to administer a program of risk management and workers’ compensation self-insurance. PASIS’ purpose is to provide for payment of workers’ compensation claims. Excess insurance is purchased to cover losses which exceed specific amounts.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – JOINT POWERS AGREEMENTS (CONTINUED)

A. PASIS (Continued)

PASIS establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those liabilities for the past year:

Unpaid claims and claim adjustment expenses at beginning of year	\$	129,579
Provision for insured events of current year		100,912
Changes in provision for insured events of prior years		200
Total incurred claims expense		<u>101,112</u>
Claim paid attributable to insured events of the current year		<u>(101,112)</u>
Total outstanding claims liability	\$	<u><u>129,579</u></u>

Condensed financial information from PASIS audited financial statements as of June 30, 2023 is as follows:

Condensed Balance Sheets:

	<u>District's Share</u>	<u>Total PASIS</u>
Assets	<u>\$ 516,269</u>	<u>\$ 3,524,018</u>
Liabilities	-	-
Net position - restricted	<u>516,269</u>	<u>3,524,018</u>
Total liabilities and net position	<u>\$ 516,269</u>	<u>\$ 3,524,018</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>District's Share</u>	<u>Total PASIS</u>
Revenues	\$ 10,726	\$ 73,113
Expenditures - net loss on investments	-	-
Changes in net position	10,726	73,113
Net position, beginning of year	<u>505,543</u>	<u>3,450,905</u>
Net position, end of year	<u>\$ 516,269</u>	<u>\$ 3,524,018</u>

The District's share of the PASIS assets is the market value.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – JOINT POWERS AGREEMENTS (CONTINUED)

B. FAIRA

The District entered into a Joint Powers Agreement (JPA) known as the “Fire Agencies Insurance Risk Authority” (FAIRA), a self-insurance plan for general liability insurance. FAIRA is governed by a 13-member Board, elected by a vote of the members. One seat is reserved for the highest premium member and one seat is reserved for an elected member from the State of Nevada. The board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited.

Condensed financial information from the most recent FAIRA audited financial statements at June 30, 2022, is as follows:

	Total FAIRA
Assets	\$ 3,911,487
Liabilities and Fund Balance	
Liabilities	1,910,065
Fund Balance - unrestricted	2,001,422
Total Liabilities and Fund Balance	\$ 3,911,487

	Total FAIRA
Operating revenues	\$ 7,648,846
Expenditures	(7,908,938)
Operating loss	(260,092)
Non-operating revenue investment (net)	(90,164)
Net loss	(350,256)
Net position, beginning of year	2,351,678
Net position, end of year	\$ 2,001,422

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – JOINT POWERS AGREEMENTS (CONTINUED)

C. HCFA

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Communications Facility Authority” (HCFA), the purpose of which is to acquire, construct, equip, and maintain and operate a communications facility. The HCFA is governed by a commission consisting of a representative from each public agency. The commission controls the operations of the HCFA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the commission. Each public agency pays a premium of which 25% is based on average daily staffing and 75% based on calendar year incident count. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA are not included in this report.

D. FDAC-EBA

The District entered into a Joint Powers Agreement (JPA) known as the “Fire Districts Association of California Employment Benefits Authority” (FDAC-EBA), the purpose of which is to provide health insurance. The JPA is a separate entity which is separately audited. The financial transactions of the JPA are not included in this report because the District had no voting interest and no administrative authority.

E. HFTA

The District was accepted as a full member of the “Heartland Fire Training Authority” Joint Powers Agreement (JPA) on July 1, 2013, the purpose of which is to provide training and training facilities. The JPA is a separate entity and is separately audited.

NOTE 6 – LEASES

The District has one equipment lease agreement, originally commencing in 2019 with a term of five years. Rent expense for the fiscal year ended June 30, 2023 was \$7,033. The future minimum rental payments required under the operating lease commitments at June 30, 2023 are as follows:

Year Ended June 30,	Amount
2024	\$ 1,272
2025 and thereafter	-
Total	<u>\$ 1,272</u>

The existing agreement is expected to be replaced prior to fiscal year ending 2024, and therefore the effects of compliance with the Governmental Accounting Standards Board Statement No. 87 (GASB 87), as discussed in Note 1, are immaterial. The corresponding right-to-use asset for this equipment is not capitalized on the government-wide financial statements. The future replacement equipment will be evaluated upon signing a new contract.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 – LEASES (CONTINUED)

The District is also a named lessor, or landlord, in a contract with a medical transport company. The contract for use of District premises commenced July 2020 for three years, with an option to extend for three additional one-year terms. However, because both parties retain the right to terminate the lease with a 60-day written notice without permission from the other party, this lease agreement falls outside the scope of GASB 87.

NOTE 7 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63 (defined in Note 1), the District recognized deferred outflows of resources in the government-wide statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District reports Deferred Outflows of Resources on the government-wide financial statements related to pension plans under the California Public Employees’ Retirement System (CalPERS). The District’s remittances to CalPERS during the fiscal year ended June 30, 2023 totaled \$634,210. This amount contributed to the total balance of deferred outflows of resources at fiscal year-end of \$5,612,984, which will be recognized in a subsequent reporting period with the next valuation. The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions, and differences between the employer’s contributions and their proportionate share of contributions. The sum total of these amounts at year-end were (\$170,654) and they will be amortized over a 3.8 year period.

The District recognized deferred inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer’s contributions and the District’s proportionate share of pension contributions. This amount totals \$5,149,426 and will be amortized over a 3.8-year period.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ (158,655)
2025	(158,998)
2026	(114,865)
2027	261,864
2028	-
	\$ (170,654)

**ALPINE FIRE PROTECTION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 8 – PENSION

Plan Description

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

Funding Policy

Tier 1 and Tier 2 participants are required to contribute 100% of the employee contribution. The District deposited the contributions required of District employees on their behalf into the employees’ account. The District is required to contribute at an actuarially determined rate; the fiscal year 2023 rates of annual covered payroll are as follows:

Tier	Safety	Non-Safety
Tier 1	27.11%	0.00%
Tier 2	22.83%	10.38%
PEPRA	13.54%	7.75%

The contribution requirements of plan members and the District are established and may be amended by CalPERS. One major change in the contribution rates is the unfunded liability component, which has now been separately stated in the reports from PERS. Consequently, even though the contribution rates appear dramatically less than the prior year, the contributions themselves have increased.

At June 30, 2023, the District reported a liability of \$2,705,478 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – PENSION (CONTINUED)

Funding Policy (Continued)

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$3,410,047 in its government-wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 6.90%, net of investment expense
- Inflation Rate – 2.30%
- Salary increases – Varies by Entry Age and Service – up to 3.00%
- COLA Increases – up to 2.30%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

The long-term expected rate of return on pension plan investments (6.90%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – PENSION (CONTINUED)

Actuarial Assumptions (Continued)

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
<u>Employer's Net Pension Liability (Asset):</u>			
Miscellaneous Plan	\$ 296,590	\$ 79,335	\$ (99,410)
Safety Plan	6,188,572	2,626,143	(285,337)
Total	<u>\$ 6,485,162</u>	<u>\$ 2,705,478</u>	<u>\$ (384,747)</u>

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

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 7, 2023, the date the financial statements were available to be issued. Management has determined that no adjustments or additional disclosures are necessary in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**ALPINE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2023**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 3,759,114	\$ 3,927,774	\$ 4,166,533	\$ 238,759
Special assessments	564,000	564,000	564,750	750
Use of money and property	55,600	55,600	107,567	51,967
Inter-governmental revenues	313,230	438,730	478,142	39,412
Mitigation fees	25,000	44,305	42,111	(2,194)
Miscellaneous	165,000	291,700	223,605	(68,095)
Total revenues	<u>4,881,944</u>	<u>5,322,109</u>	<u>5,582,708</u>	<u>260,599</u>
Expenditures				
Current:				
Salaries and benefits	3,403,521	3,554,521	3,347,884	206,637
Communications	123,064	123,064	125,017	(1,953)
Maintenance	198,156	209,961	185,594	24,367
District insurance	275,261	275,261	230,324	44,937
Special District expenses	131,075	135,724	106,454	29,270
Utilities	64,814	64,814	62,307	2,507
Office expense	39,438	39,438	38,569	869
Grant expenses	262,230	291,700	-	291,700
Professional services	57,400	57,400	53,992	3,408
Training and seminars	47,541	47,541	30,225	17,316
Workshops	35,580	35,580	12,861	22,719
Non-capitalized equipment	47,629	47,629	45,521	2,108
Clothing	75,323	75,323	42,665	32,658
Medical supplies	11,393	11,393	10,036	1,357
Fire prevention	12,459	12,459	3,618	8,841
Directors fees	8,580	8,580	5,950	2,630
Publications & memberships	3,601	3,601	2,169	1,432
Capital outlay	1,066,000	1,066,000	256,905	809,095
Household & Emergency Fund	11,000	6,000	5,691	309
Contingency fund	147,220	-	-	-
Debt service	366,498	366,498	366,497	1
Total expenditures	<u>6,387,783</u>	<u>6,432,487</u>	<u>4,932,279</u>	<u>1,500,208</u>
Excess of revenues over (under) expenditures	<u>\$ (1,505,839)</u>	<u>\$ (1,110,378)</u>	<u>\$ 650,429</u>	

See notes to the required supplementary information.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

**ALPINE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
JUNE 30, 2023**

Alpine Fire Protection District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal Years*:

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.60370%	0.06043%	0.06042%	0.05971%	0.06087%
District's proportionate share of the net pension liability	\$3,582,220	\$5,229,167	\$5,992,344	\$5,754,211	\$6,237,726
District's covered employee payroll	1,666,332	1,666,332	1,597,119	1,619,560	1,811,229
District's proportionate share of the net pension liability as a % of its covered-employee payroll	214.98%	313.81%	375.20%	355.29%	344.39%
Plan Fiduciary net position as a percentage of the total pension liability	80.55%	76.12%	71.49%	73.56%	74.08%
	2020	2021	2022		
District's proportion of the net pension liability	0.06195%	0.07625%	0.07625%		
District's proportionate share of the net pension liability	\$6,740,300	\$4,123,679	\$2,705,478		
District's covered employee payroll	1,747,276	1,467,482	1,467,482		
District's proportionate share of the net pension liability as a % of its covered-employee payroll	385.76%	281.00%	184.36%		
Plan Fiduciary net position as a percentage of the total pension liability	73.63%	73.63%	73.63%		

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

CalPERS – Schedule of District Contributions:

Last 10 Fiscal Years*:

	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 423,203	\$ 479,568	\$ 479,568	\$ 811,787	\$ 582,758
Total actual contribution	423,203	479,568	479,568	811,787	582,758
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,666,332	\$1,666,332	\$1,597,119	\$1,619,560	\$1,811,229
Contributions as a % of covered employee payroll	25.39%	28.78%	30.03%	50.12%	32.17%
	2020	2021	2022		
Actuarially determined contribution	\$ 675,230	\$ 870,961	\$ 345,008		
Total actual contribution	675,230	870,961	345,008		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
District's covered-employee payroll	\$1,747,276	\$1,467,482	\$1,467,482		
Contributions as a % of covered employee payroll	38.64%	59.35%	23.51%		

OTHER SUPPLEMENTARY INFORMATION

**ALPINE FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2023**

Assessed valuation for properties within the Alpine Fire Protection District boundaries as provided by the County of San Diego:

Secured property	\$2,899,929,557
Unsecured property	<u>34,920,519</u>
Total Assessed Valuation	<u><u>\$2,934,850,076</u></u>