

**DEER SPRINGS FIRE
PROTECTION DISTRICT**

**ANNUAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON**

JUNE 30, 2022

**DEER SPRINGS FIRE PROTECTION DISTRICT
ANNUAL REPORT
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Deer Springs Fire Protection District
Escondido, California

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Deer Springs Fire Protection District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Deer Springs 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 business-type activities and major funds of Deer Springs Fire Protection District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof 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 Deer Springs 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 Deer Springs 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.

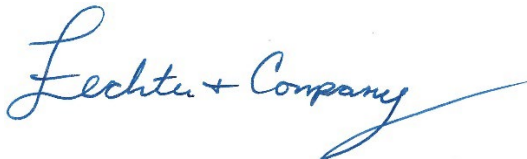
Required Supplementary Information

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.

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 Organizational Structure and Schedule of Assessed Valuations are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the 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 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DEER SPRINGS FIRE PROTECTION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

As management of the Deer Springs 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, 2022. We encourage readers to consider the information presented here in conjunction with the District’s basic financial statements and accompanying notes, which begin immediately following the analysis. This annual financial report consists of three main parts: (1) Management’s Discussion and Analysis, (2) Basic Financial Statements, and (3) Required Supplementary Information.

These financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – Management Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The District’s ending net position was \$16,446,369.
- The increase in net position for the fiscal year was \$534,134.
- The District had an excess of revenue over expenditures in the General Fund (before transfers) in the amount of \$701,233 in the current fiscal year, compared to \$1,322,022 in the previous fiscal year.
- This fiscal year, the District had \$106,753 worth of additions to capital assets, compared to \$832,903 in the previous fiscal year.
- The District’s General Fund Budget for this fiscal year showed a deficiency of revenues under expenditures (before transfers) of \$342,590, compared to the actual amount of an excess of revenues over expenditures of \$701,233.

OVERVIEW OF THE FINANCIAL HIGHLIGHTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements.

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, as opposed to the District considered as a whole, is provided in the fund financial statements. Individual funds are accounting devices the District uses to keep track of specific sources of funding and spending on programs.

**DEER SPRINGS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL HIGHLIGHTS (continued)

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 type, showing money left at fiscal year-end available for spending.

The *Notes to the Basic Financial Statements* and the *Management's Discussion and Analysis* support these financial statements.

In addition to the basic financial statements and notes, this report also presents required supplementary information – assessed property valuation and organizational structure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's overall financial position continues to be extremely strong as evidenced by the fact that 81% of its net position is in cash.

Statement of Net Position

A summary of the District's Statement of Net Position is presented in Table 1 below for the fiscal year and the prior fiscal year. The Statement of Net Position presents the District's financial position relating to its assets and liabilities. Assets in excess of liabilities, the Net Position, increased by \$534,134 over fiscal year 2021-22.

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, Assets exceeded Liabilities by \$16,446,369 as of June 30, 2022. A significant portion of the District's net position is its investment in capital assets (e.g. land, structures and improvements, engines and vehicles, and equipment). The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

**DEER SPRINGS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

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

Condensed Statement of Net Position, Table 1

	2022	2021
ASSETS		
Current assets	\$ 13,768,728	\$ 13,145,941
Capital assets, net of depreciation	2,696,641	2,831,320
TOTAL ASSETS	16,465,369	15,977,261
 LIABILITIES		
Current liabilities	6,694	51,859
Non-current liabilities	12,306	13,167
TOTAL LIABILITIES	19,000	65,026
 NET POSITION		
Invested in capital assets	2,696,641	2,831,320
Unrestricted	13,749,728	13,080,915
TOTAL NET POSITION	\$ 16,446,369	\$ 15,912,235

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2022, excluding the inter-fund transfers, decreased by \$152,262 from the prior year. Total revenues for the fiscal year ended June 30, 2022 was \$6,012,134, compared to total revenues of \$6,164,396 for the fiscal year ended June 30, 2021.
- The District's total expenses increased by \$536,515. This was largely a result of the increase in the quarterly contractual payments to CalFire.
- The excess of revenues over expenses was \$534,134 for fiscal year ended June 30, 2022, which is a decrease of \$688,777 from the prior year.
- Charges for services revenues decreased and general revenues increased in 2022 due to a change in presentation where standby and suppression assessments collected by the County are grouped with general revenues instead of charges for services.

**DEER SPRINGS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2022:

Condensed Statement of Activities, Table 2

	2022	2021
REVENUE		
Program revenues:		
Charges for services	\$ 373,578	\$ 5,357,029
Operating grants and contributions	68,093	-
Mitigation fees	39,507	23,292
General revenues	5,530,956	784,075
Total revenues	6,012,134	6,164,396
 EXPENDITURES		
Fire protection - operations	5,107,608	4,755,936
Administration and depreciation	370,392	185,549
Total expenditures	5,478,000	4,941,485
 CHANGE IN NET POSITION	\$ 534,134	\$ 1,222,911

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Changes in Capital Assets, Table 3

	2022	2021	Change
Land	\$ 764,065	\$ 764,065	\$ -
Construction in-progress	60,000	-	60,000
Structures and improvements	2,538,719	2,538,719	-
Apparatus and trucks	2,884,124	2,884,124	-
Equipment	653,164	606,411	46,753
Less: accumulated depreciation	(4,203,431)	(3,961,999)	(241,432)
Capital assets, net	\$ 2,696,641	\$ 2,831,320	\$ (134,679)

**DEER SPRINGS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Non-Current Liabilities

The District has a compensated absences liability balance of \$12,306 at June 30, 2022, which is a decrease of \$861 from the prior year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The current and anticipated growth in new development in the District together with the constant increases in the annual costs of providing public fire protection services and emergency medical services requires the District to balance its level of service capabilities with its available financial resources. The District is exploring alternative means to improve response times and to decrease ISO ratings while maintaining its current service levels.

CONTACTING THE DISTRICT

This financial report is designed to provide the Board, governmental agencies, customers, creditors, and the public with a general overview of the District's accountability for the financial resources it manages. If there are questions regarding this report, or additional financial information is required, please contact the District Administrator for the Deer Springs Fire Protection District at 8709 Circle R Drive, Escondido, CA 92026 or call (760) 749-8001.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DEER SPRINGS FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Current assets:	
Cash in county treasury	\$ 13,467,071
Cash in banks	115,124
Accounts receivable	186,533
Total current assets	13,768,728
Capital assets, net	2,696,641
TOTAL ASSETS	16,465,369
LIABILITIES	
Current liabilities:	
Accounts payable	5,207
Accrued payroll liabilities	1,487
Noncurrent liabilities:	
Compensated absences	12,306
TOTAL LIABILITIES	19,000
NET POSITION	
Net invested in capital assets	2,696,641
Unrestricted	13,749,728
NET POSITION	\$ 16,446,369

**DEER SPRINGS FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2022**

Functions/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	\$5,478,000	\$ 373,578	\$ 68,093	\$ -	\$ (5,036,329)
Total Governmental Activities	<u>\$5,478,000</u>	<u>\$ 373,578</u>	<u>\$ 68,093</u>	<u>\$ -</u>	<u>(5,036,329)</u>
General Revenues:					
					5,351,329
					39,507
					98,164
					<u>81,463</u>
					<u>5,570,463</u>
					534,134
					<u>15,912,235</u>
					<u>\$ 16,446,369</u>

FUND FINANCIAL STATEMENTS

**DEER SPRINGS FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects Fund	Mitigation Fund	Total
ASSETS				
Current assets:				
Cash in county treasury	\$ 3,570,662	\$ 9,849,327	\$ 47,082	\$ 13,467,071
Cash in banks	115,124	-	-	115,124
Accounts receivable	171,575	14,861	97	186,533
Due from other funds	1,079,078	-	-	1,079,078
TOTAL ASSETS	<u>4,936,439</u>	<u>9,864,188</u>	<u>47,179</u>	<u>14,847,806</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 6,694	\$ -	\$ -	\$ 6,694
Due to other funds	-	-	1,079,078	1,079,078
Total liabilities	<u>6,694</u>	<u>-</u>	<u>1,079,078</u>	<u>1,085,772</u>
FUND BALANCES				
Unassigned	4,929,745	9,864,188	(1,031,899)	13,762,034
Total fund balances	<u>4,929,745</u>	<u>9,864,188</u>	<u>(1,031,899)</u>	<u>13,762,034</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,936,439</u>	<u>\$ 9,864,188</u>	<u>\$ 47,179</u>	<u>\$ 14,847,806</u>

**DEER SPRINGS FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances - governmental funds \$ 13,762,034

In governmental funds, only current assets are reported.
In the statement of net position, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net 2,696,641

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

Accrued compensated absences (12,306)

Net position of governmental activities \$ 16,446,369

DEER SPRINGS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2022

	General Fund	Capital Projects Fund	Mitigation Fund	Total
REVENUES				
Property taxes	\$ 548,394	\$ -	\$ -	\$ 548,394
Standby fees	2,000,105	-	-	2,000,105
Fire suppression assessment	2,802,830	-	-	2,802,830
Mitigation fees	-	-	39,507	39,507
Interest income	59,966	37,799	399	98,164
Fire protection services	262,500	-	-	262,500
First response fees	111,078	-	-	111,078
Other revenue	149,556	-	-	149,556
Total revenues	<u>5,934,429</u>	<u>37,799</u>	<u>39,906</u>	<u>6,012,134</u>
EXPENDITURES				
Current:				
Salaries and benefits	129,821	-	-	129,821
Dues and subscriptions	5,453	-	-	5,453
Fuel, oil, and other travel expenses	40,658	-	-	40,658
Grant expenditures	11,831	-	-	11,831
County services and fees	12,968	-	-	12,968
Insurance	58,636	-	-	58,636
CDF contract	4,707,110	-	-	4,707,110
Maintenance and supplies - station	74,603	-	-	74,603
Maintenance - vehicles & equipment	94,652	4,233	-	98,885
Printing and office expense	6,236	-	-	6,236
Professional services	26,638	-	-	26,638
Utilities	63,275	-	-	63,275
Miscellaneous	1,315	-	-	1,315
Capital outlay	-	106,753	-	106,753
Total expenditures	<u>5,233,196</u>	<u>110,986</u>	<u>-</u>	<u>5,344,182</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>701,233</u>	<u>(73,187)</u>	<u>39,906</u>	<u>667,952</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	5,340,000	-	5,340,000
Transfer out	(5,340,000)	-	-	(5,340,000)
Total other financing sources (uses)	<u>(5,340,000)</u>	<u>5,340,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(4,638,767)</u>	<u>5,266,813</u>	<u>39,906</u>	<u>667,952</u>
FUND BALANCES, BEGINNING OF YEAR	<u>9,568,512</u>	<u>4,597,375</u>	<u>(1,071,805)</u>	<u>13,094,082</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,929,745</u>	<u>\$ 9,864,188</u>	<u>\$(1,031,899)</u>	<u>\$13,762,034</u>

**DEER SPRINGS FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2022**

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	\$	667,952
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances		106,753
Depreciation expense not reported in governmental funds		(241,432)

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 compensated absences		<u>861</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>534,134</u></u>
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NOTES TO FINANCIAL STATEMENTS

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Deer Springs Fire Protection District (“the District”) conform to accounting policies generally accepted in the United States of America as applicable to governments and to general practice within California Special Districts. The District accounts for its financial transactions in accordance with the policies and procedures of the State Controller’s Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts.

Reporting Entity

The District’s financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District’s reporting entity, as set forth in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34*, include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization’s board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- It would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no business-type activities.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Basis of Accounting (continued)

Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and 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.

Fund Functional Statements

The fund functional statements provide information about the District's funds, with separate columns presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

- The General Fund is the general operating fund of the District. It accounts for all financial resources of the District not accounted for and reported in another fund.
- The Capital Projects Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay projects.
- The Fire Mitigation Fund is used for fees collected that can only be used to purchase capital assets due to new development.

Non-major governmental funds:

- The District did not have any non-major governmental funds.

Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using 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 for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Basis of Accounting (continued)

Measurement Focus, Basis of Accounting (continued)

Government 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. The District does not consider revenues collected after 60 days of its fiscal-year end to be available in the current period to fund its expenditures. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both 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 judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs expenditures or expenses for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

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 as of June 30.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district administrator during the fiscal year to give consideration to unanticipated income and expenditures.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

Formal budgetary integration was used as a management control device during the fiscal 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 code. All appropriations lapse at fiscal year-end.

Deferred Inflows and Outflows 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 Financial 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.

In addition to liabilities, the Statement of Financial 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 does not presently report any deferred inflows or outflows of resources.

Assets, Liabilities, and Equity

Cash

Cash balances held in banks are insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The District does not maintain balances in excess of FDIC.

The District maintains the majority of its cash in the San Diego County (the County) Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the fiscal year ended June 30, 2022. More information can be obtained by contacting the San Diego County Auditor-Controller’s office.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Equity (continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life (years)</u>
Land	N/A
Structures and Improvements	20-30
Equipment and Vehicles	5-30

Compensated Absences

Accumulated, unpaid employee vacation benefits are recognized as liabilities of the District.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

Unearned Revenue

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

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation of governmental fund activity on the government-wide Statement of Activities and Statement of Net Position. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. 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.

The District receives property taxes under the Teeter Plan, whereby the County determines the amount due and pays the District ratably throughout the year with the County bearing the risk of delinquent property taxes and retaining any interest and penalties thereon.

Fund Balance Reserves and Designations

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

- *Net Investment in Capital Assets* groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of any related debt in this category.
- *Restricted Net Position* represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* represents the remaining net position of the District that does not meet the definition of the above two categories.

The District has adopted GASB Statement No. 54 (“GASB No. 54”), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reserves and Designations (continued)

GASB No. 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- *Nonspendable*, such as fund balance associated with revolving funds, inventories, prepaids, long-term loans and notes receivable, and property held for resale.
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Directors.
- *Assigned* fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classifications.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. When the District incurs an expenditure or expense for which committed, assigned, or unassigned amounts may be used, it is the District's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

**DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, Certain Financial Statement Note Disclosures, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

Violation	Action Taken
None Reported	Not Applicable

NOTE 2: CASH

The District maintains its cash in the County Treasury as part of the common investment pool of \$13,467,071 as of June 30, 2022.

The County Treasurer’s investments consist of negotiable CDs, commercial paper, federal agencies, U.S. Treasury notes, money market funds, supranational, FDIC CDs, asset-backed securities, and repurchase agreements. The credit ratings for these investments included A1+/A1 by Moody’s Investor Service, and AAA/AA- by Standard and Poor’s.

Separate cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Additionally, any governmental funds in excess of FDIC are collateralized by the custodial financial institution in accordance with California law.

Cash balances as of June 30, 2022 are classified in the accompanying financial statements as follows:

	Credit Quality Rating		
Cash in County Treasury	Not Rated	\$	13,467,071
Cash in banks	Not Rated		115,124
Total Cash		\$	13,582,195

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: CASH (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institute, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits 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% of the total amount deposited by the public agencies.

California law allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment Accounting Policy

The District is required by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

"Short-term" refers to investments which have a remaining term of one year or less at time of purchase. "Nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the investment Company Act of 1940.

**DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3: INTERFUND BALANCES AND ACTIVITIES

Due To and From Other Funds

Balances due to and due from other funds at June 30, 2022, consisted of the following:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Mitigation Fund	\$ 1,079,078	Capital projects cost

The due to and due from other funds represents the amounts transferred between various funds for the payments of expense. The balances that are reflected in the financial statements represent both current and prior year's accumulated transfers. As of June 30, 2022, the Board of Directors has indicated that repayment of transfers will be made at some future date.

In addition to the planned annual payment of the interfund payable from the Mitigation Fund to the General Fund, there were other board-approved transfers to and from other funds at June 30, 2022:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
Capital Projects Fund	General Fund	\$ 5,340,000	Capital projects cost

Deficit Fund Balance or Fund Net Position of Individual Funds

The following are funds having deficit fund balances or fund net position at fiscal year-end, if any, along with remarks, which address such deficits:

<u>Fund Balance</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Mitigation Fund	\$ 1,031,900	The District utilized mitigation funds first and took a loan from the General Fund to pay for capital expenditures. The Mitigation Fund will pay back the General Fund as developer and mitigation fees come into the District.

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022, were as follows:

Description	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 764,065	\$ -	\$ -	\$ -	\$ 764,065
Construction in-progress	-	60,000	-	-	60,000
Total capital assets, not depreciated	<u>764,065</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>824,065</u>
Capital assets, being depreciated:					
Structures and improvements	2,538,719	-	-	-	2,538,719
Apparatus and trucks	2,884,124	-	-	-	2,884,124
Equipment	606,411	46,753	-	-	653,164
Total capital assets, being depreciated	<u>6,029,254</u>	<u>46,753</u>	<u>-</u>	<u>-</u>	<u>6,076,007</u>
Accumulated depreciation	<u>(3,961,999)</u>	<u>(241,432)</u>	<u>-</u>	<u>-</u>	<u>(4,203,431)</u>
Total capital assets depreciated, net	<u>2,067,255</u>	<u>(194,679)</u>	<u>-</u>	<u>-</u>	<u>1,872,576</u>
Capital assets, net of depreciation	<u>\$ 2,831,320</u>	<u>\$ (134,679)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,696,641</u>

Total depreciation expense for the year was \$241,432 which was charged to the public safety function.

NOTE 5: LONG-TERM DEBT

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2022, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated absences	<u>\$ 13,167</u>	<u>\$ -</u>	<u>\$ (861)</u>	<u>\$ 12,306</u>	<u>\$ -</u>

DEER SPRINGS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6: POST EMPLOYEE BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District does not provide post-retirement health care benefits to current employees; however, two employees have maintained health insurance through the District in spite of there being no written plan. One employee is required to reimburse the District for amounts over a certain threshold, while the other employee is covered 100%. The District has no written agreement or legal obligation to pay OPEB costs of these employees and thus believes it does not have a requirement to report under GASB Statement 75.

NOTE 7: SIMPLE IRA PLAN

The District offers its employees a savings incentive match plan for employees of small employers (Simple IRA). The plan is available to all eligible employees and permits them to defer a portion of their salary until future years. In addition, the District provides a matching contribution of up to 3% for each eligible employee. The District does not meet the criteria for fiduciary fund reporting since it does not maintain control with significant administrative involvement (e.g. custody) or perform the investment function of the plan. The District contribution for the year ending June 30, 2022 was \$2,372.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2022 the date the financial statements were available to be issued. No events nor any ongoing impacts from Covid-19 occurring subsequent to June 30, 2022 were determined to have a material impact on the financial statements that would require adjustment or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**DEER SPRINGS FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 503,000	\$ 503,000	\$ 548,394	\$ 45,394
Standby fees	1,806,420	1,806,420	2,000,105	193,685
Fire suppression assessment	2,942,148	2,942,148	2,802,830	(139,318)
Interest income	30,000	30,000	59,966	29,966
Fire protection services	262,500	262,500	262,500	-
First response fees	44,500	44,500	111,078	66,578
Other revenue	102,000	102,000	149,556	47,556
Total revenues	<u>5,690,568</u>	<u>5,690,568</u>	<u>5,934,429</u>	<u>243,861</u>
EXPENDITURES				
Current:				
Salaries and benefits	206,550	206,550	129,821	76,729
Dues and subscriptions	-	-	5,453	(5,453)
Fuel, oil, and other travel expenses	-	-	40,658	(40,658)
Grant expenditures	27,200	27,200	11,831	15,369
County services and fees	13,500	13,500	12,968	532
Insurance	60,000	60,000	58,636	1,364
CDF contract	5,335,708	5,335,708	4,707,110	628,598
Maintenance and supplies - station	93,800	93,800	74,603	19,197
Maintenance - vehicles & equipment	167,600	167,600	94,652	72,948
Printing and office expense	5,000	5,000	6,236	(1,236)
Professional services	66,200	66,200	26,638	39,562
Utilities	57,000	57,000	63,275	(6,275)
Miscellaneous	600	600	1,315	(715)
Total expenditures	<u>6,033,158</u>	<u>6,033,158</u>	<u>5,233,196</u>	<u>799,962</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	(340,000)	(340,000)	(5,340,000)	(5,000,000)
Total other financing sources (uses)	<u>(340,000)</u>	<u>(340,000)</u>	<u>(5,340,000)</u>	<u>(5,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (682,590)</u>	<u>\$ (682,590)</u>	<u>(4,638,767)</u>	<u>\$ (5,556,101)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>9,568,512</u>	
FUND BALANCE, END OF YEAR			<u><u>\$4,929,745</u></u>	

**DEER SPRINGS FIRE PROTECTION DISTRICT
CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Interest income	\$ 40,000	\$ 40,000	\$ 37,799	\$ (2,201)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>37,799</u>	<u>(2,201)</u>
EXPENDITURES				
Capital outlay	<u>180,000</u>	<u>180,000</u>	<u>106,753</u>	<u>73,247</u>
Total expenditures	<u>180,000</u>	<u>180,000</u>	<u>106,753</u>	<u>73,247</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(140,000)</u>	<u>(140,000)</u>	<u>(68,954)</u>	<u>(75,448)</u>
Other financing sources (uses)				
Transfer in	340,000	340,000	5,340,000	5,000,000
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>340,000</u>	<u>340,000</u>	<u>5,340,000</u>	<u>5,000,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 200,000</u>	<u>\$ 200,000</u>	5,271,046	<u>\$ 4,924,552</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,597,375</u>	
FUND BALANCE, END OF YEAR			<u><u>\$9,868,421</u></u>	

**DEER SPRINGS FIRE PROTECTION DISTRICT
MITIGATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Mitigation fees	\$ 15,000	\$ 15,000	\$ 39,507	\$ 24,507
Interest income	100	100	399	299
Total revenues	<u>15,100</u>	<u>15,100</u>	<u>39,906</u>	<u>24,806</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 39,906</u>	<u>\$ 24,806</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (34,900)</u>	<u>\$ (34,900)</u>	39,906	<u>\$ 74,806</u>
FUND BALANCE, BEGINNING OF YEAR			<u>(1,071,805)</u>	
FUND BALANCE, END OF YEAR			<u><u>\$(1,031,899)</u></u>	

OTHER SUPPLEMENTARY INFORMATION

**DEER SPRINGS FIRE PROTECTION DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2022**

The Board of Directors for the fiscal year ended June 30, 2022 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bret Sealey	President	November 2024
Jean Slaughter	Vice President	November 2022
Mark Jackson	Secretary/Treasurer	November 2024
Brian Holley	Director	November 2022
James Gordon	Director	November 2022

**DEER SPRINGS FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2022**

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

Secured Property	\$ 2,879,974,758
Unsecured Property	<u>19,029,233</u>
Total Governmental Activities	<u><u>\$ 2,899,003,991</u></u>