VALLEY CENTER FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2019

Leaf & Cole, LLP
Certified Public Accountants

VALLEY CENTER FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2019

TABLE OF CONTENTS

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Valley Center Fire Protection District

We have audited the accompanying financial statements of the governmental activities and each major fund of Valley Center Fire Protection District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Valley Center Fire Protection District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Valley Center Fire Protection District as of June 30, 2019, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 7 and 32 to 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 Valley Center Fire Protection District's basic financial statements. The other supplementary information, on pages 31 and 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The organization structure and assessed valuation have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Leaf & Cole LLP

San Diego, California
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Valley Center Fire Protection District (District) provides an overview of the District's financial activities for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Highlights

- The District's net position decreased by $143,806 to $4,309,322 during the fiscal year ended June 30, 2019.
- The District's total revenues increased from $3,054,747 for the year ended June 30, 2018 to $3,184,100 for the year ended June 30, 2019.
- The District's total expenses increased from $3,200,469 for the year ended June 30, 2018 to $3,327,906 for the year ended June 30, 2019. The largest increases can be found in salaries, professional fees, maintenance, dispatch fees and utilities.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. You can think of the District's net position--the difference between assets and liabilities--as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's assets, to assess the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the District's most significant funds.

- Governmental Funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 11 and 14.

The District as a Whole

The District's combined net position decreased from $4,453,128 a year ago to $4,309,332 at June 30, 2019.

Net Position

	2019	2018	Dollar Change
Assets:			
Current assets	$ 2,938,523	$ 3,400,892	$ (462,369)
Capital assets	1,480,470	1,303,366	177,104
Total Assets	4,418,993	4,704,258	(285,265)
Liabilities:			
Current liabilities	109,671	153,151	(43,480)
Noncurrent liabilities	-	97,979	(97,979)
Total Liabilities	109,671	251,130	(141,459)
Net Position:			
Net investment in capital assets	1,480,470	1,205,387	275,083
Unrestricted	2,828,852	3,247,741	(418,889)
Total Net Position	$ 4,309,322	$ 4,453,128	$ (143,806)

As noted in the financial highlights above, net position decreased by $143,806 from fiscal year 2018 to 2019. Net investment in capital assets increased by $275,083 in fiscal year 2019. This increase is the result of investment in capital assets exceeding the District's depreciation expense in fiscal year 2019.

Revenues, Expenses and Changes in Net Position

The following is a summary of the District's revenues, expenses and changes in net position for the years ended June 30:

	2019	2018	Dollar Change
Program Revenues:			
Fees and charges for services	$ 2,175,606	$ 2,161,467	$ 14,139
Operating grants and contributions	193,438	254,623	(61,185)
Total Program Revenues	2,369,044	2,416,090	(47,046)
General Revenues:			
Property taxes	545,464	514,623	30,841
Other income	230,208	92,140	138,068
Interest income	39,384	31,894	7,490
Total General Revenues	815,056	638,657	176,399
Total Revenues	3,184,100	3,054,747	129,353
Program Expenses:			
Fire protection	2,877,899	2,739,246	138,653
General administration	263,248	269,566	(6,318)
Interest	350	3,132	(2,782)
Unallocated depreciation	186,409	188,525	(2,116)
Total Program Expenses	3,327,906	3,200,469	127,437
Change in Net Position	(143,806)	(145,722)	1,916
Net Position at Beginning of Year	4,453,128	4,598,850	(145,722)
Net Position at End of Year	$ 4,309,322	$ 4,453,128	$ (143,806)

A closer examination of the sources of changes in net position reveals that the District's operating and non-operating expenses, exclusive of depreciation, increased by $129,553 in fiscal year 2019 due primarily to increased salaries of $205,096, and decreased employee benefits and taxes of $(61,523) and discontinued projects, studies and assessments of $(59,673).

Capital Assets

Capital assets consist of the following at June 30:

	2019	2018	Dollar Change
Capital Assets Not Being Depreciated:			
Land	$ 151,600	$ 151,600	$ -
Total Capital Assets Not Being Depreciated	151,600	151,600	-
Capital Assets Being Depreciated:			
Structures and improvements	1,211,691	1,211,691	-
Engines and vehicles	2,510,620	2,420,376	90,244
Furniture and equipment	1,491,042	1,217,773	273,269
Total Capital Assets Being Depreciated	5,213,353	4,849,840	363,513
Less: Accumulated depreciation	(3,884,483)	(3,698,074)	(186,409)
Net Capital Assets Being Depreciated	1,328,870	1,151,766	177,104
Net Capital Assets	$ 1,480,470	$ 1,303,366	$ 177,104

The net additions to capital assets being depreciated for fiscal year 2019 totaled $363,513 and include safety equipment, communications equipment and vehicles.

Noncurrent Liabilities

The following is a summary of the District's noncurrent liabilities at June 30:

	2019	2018	Dollar Change
Capital lease payable	$ -	$ 97,979	$ (97,979)

The District reduced its capital lease obligation by $97,979 during the year ended June 30, 2019. No new debt has been issued. Details of the capital lease obligation can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The District is guided by a five year strategic plan and a standards of cover report indicating the need for a third fire facility. The District is seeking to acquire property for such a facility and staff it using mitigation funds, increases in tax allocation, benefit fees and CFD fees from new growth and the proceeds from a proposed tax measure that will appear on the November 2020 ballot. The new growth will generate approximately 700 residences, a Vons grocery outlet, two gas facilities, an AutoZone and a Rite Aid Pharmacy. The estimated revenue generated from the new growth is $800,000. The tax measure, if passed in November 2020 by 66.6% of the voters is estimated to provide an additional $780,000 to the general fund's operating budget in the first year based upon the number of parcels assessed. The District's Board of Directors and management consider many factors when setting the fiscal year budget. In a comparison of the 2019 and 2020 budgets, operating revenues and expenses remain relatively similar with a revenue growth index of 3%. Any proceeds from the proposed tax measure and revenue allocation at total growth buildout would not be realized until the 2021 fiscal year.

Contacting the District's Financial Management

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 Fire Chief for the Valley Center Fire Protection District at 28234 Lilac Road, Valley Center, California 92082 or call (760) 751-7600.

VALLEY CENTER FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 2,767,627
Accounts receivable	170,896
Capital Assets:	
Land and other non-depreciable capital assets	151,600
Depreciable capital assets, net of accumulated depreciation	1,328,870
TOTAL ASSETS	4,418,993
LIABILITIES:	
Accounts payable	28,620
Accrued liabilities	81,051
TOTAL LIABILITIES	109,671
NET POSITION:	
Net investment in capital assets	1,480,470
Unrestricted	2,828,852
TOTAL NET POSITION	$ 4,309,322

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

VALLEY CENTER FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs:	Expenses	Fees and Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Fire protection	$ 2,877,899	$ 2,216,015	$ 193,438	$ (468,446)
General administration	263,248	163,089	-	(100,159)
Interest	350	-	-	(350)
Unallocated depreciation	186,409	-	-	(186,409)
Total Governmental Activities	$ 3,327,906	$ 2,379,104	$ 193,438	(755,364)
General Revenues:				
Property taxes				545,464
Interest income				39,384
Other income				26,710
Total General Revenues				611,558
Change in Net Position				(143,806)
Net Position at Beginning of Year				4,453,128
NET POSITION AT END OF YEAR				$ 4,309,322

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

VALLEY CENTER FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS

	General Fund	Mitigation Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 2,051,616	$ 716,011	$ 2,767,627
Accounts receivable	137,082	33,814	170,896
Total Assets	$ 2,188,698	$ 749,825	$ 2,938,523

LIABILITIES AND FUND BALANCES

	General Fund	Mitigation Fund	Total Governmental Funds
Liabilities:			
Accounts payable	$ 28,620	$ -	$ 28,620
Accrued liabilities	81,051	-	81,051
Total Liabilities	109,671	-	109,671
Fund Balances:			
Assigned:			
Fire Mitigation	-	749,825	749,825
CFD 08-01	86,508	-	86,508
Explorer	3,040	-	3,040
Foundation	1,150	-	1,150
Unassigned	1,988,329	-	1,988,329
Total Fund Balances	2,079,027	749,825	2,828,852
TOTAL LIABILITIES AND FUND BALANCES	$ 2,188,698	$ 749,825	$ 2,938,523

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

VALLEY CENTER FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - Governmental funds		$ 2,828,852
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Nondepreciable capital assets	$ 151,600	
Depreciable capital assets, net of accumulated depreciation	1,328,870	
Total Capital Assets, Net		1,480,470
Total Net Position - Governmental Activities		$ 4,309,322

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

VALLEY CENTER FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Mitigation Fund	Total Governmental Funds
Revenues:			
Benefit fees	$ 1,551,528	$ -	$ 1,551,528
Property taxes	545,464	-	545,464
CFD fees	364,857	-	364,857
Cost recovery income	203,498	-	203,498
Mercy medical ALS fees	130,000	-	130,000
Paramedic funding	96,132	-	96,132
Mitigation fees	-	91,210	91,210
Fire prevention fees	57,454	-	57,454
Mercy Medical dispatch fees	39,402	-	39,402
Interest income	25,433	13,951	39,384
Other income	26,710	-	26,710
Grants	16,542	-	16,542
First responder fees	14,425	-	14,425
Donations	7,494	-	7,494
Total Revenues	3,078,939	105,161	3,184,100

(Continued)

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

VALLEY CENTER FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Mitigation Fund	Total Governmental Funds
Expenditures:			
Current:			
Salaries	$ 2,035,743	$ -	$ 2,035,743
Employee benefits and taxes	344,864	-	344,864
Dispatch fees	149,412	-	149,412
Mercy Medical charges	96,132	-	96,132
Maintenance	94,484	-	94,484
Professional fees	74,967	-	74,967
Utilities	70,031	-	70,031
Other expenses	48,428	-	48,428
Fuel	42,706	-	42,706
Discontinued projects, studies and assessments	42,428	-	42,428
Training	24,431	-	24,431
Radios and pagers	16,777	-	16,777
Insurance	15,324	-	15,324
Household	15,144	-	15,144
Medical supplies	14,798	-	14,798
Office expenses	13,410	-	13,410
Membership	12,908	-	12,908
Printing	12,157	-	12,157
Uniform	12,035	-	12,035
Awards	1,416	-	1,416
Safety	1,407	-	1,407
Bad debts	1,120	-	1,120
Bank charges	1,025	-	1,025
Capital outlay	153,293	210,220	363,513
Debt Service:			
Principal	48,990	48,989	97,979
Interest	175	175	350
Total Expenditures	3,343,605	259,384	3,602,989
Deficiency of Revenues Over Expenditures	(264,666)	(154,223)	(418,889)
Other Financing Sources (Uses):			
Transfers	24,721	(24,721)	-
Total Other Financing Sourses (Uses)	24,721	(24,721)	-
Net Change in Fund Balances	(239,945)	(178,944)	(418,889)
Fund Balances at Beginning of Year	2,318,972	928,769	3,247,741
FUND BALANCES AT END OF YEAR	$ 2,079,027	$ 749,825	$ 2,828,852

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

VALLEY CENTER 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, 2019

Total net change in fund balances - Governmental funds	$	(418,889)
Amounts reported for governmental activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		363,513
Depreciation of capital assets used in governmental activities is not reported in the funds.		(186,409)
Issuance of long-term debt, including capital leases, provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources in governmental funds. Neither transaction has any affect on net position. This amount is the net affect of those differences in the treatment of long-term liabilities and related items.		97,979
Changes in Net Position - Governmental Activities	$	(143,806)

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

Note 1 - Organization and Significant Accounting Policies:

The Valley Center Fire Protection District (the "District") is a governmental corporation formed by a majority vote of the people in 1982 with the primary purpose of providing exceptional all-risk fire, emergency medical, and community risk reduction services critical to public safety, health, and the preservation of life and property.

The District has two fire stations which are part of the District's 84.5 square mile service area serving a population of over 23,000 people in the San Diego County.

The District also contracts with the County of San Diego for funding of a paramedic ambulance transport service provided by Mercy Ambulance Transportation, Inc. This is an exclusive operating area which covers most of Northeast unincorporated County area.

The District's offices are located in Valley Center, California.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100, "Defining the Financial Reporting Entity." The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation

Government-Wide Statements

The District's financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general fund and mitigation fund are classified as governmental activities. The District has no business-type activities.

In the statement of net position, the governmental activities are reported on the accrual basis of accounting and the economic resource measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts; net investment in capital assets, restricted and unrestricted. The statement of net position includes all funds of the reporting entity.

The statement of activities presents a comparison between direct expenses and program revenues for each program of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on major funds. GASB Cod. Sec. 2200, "Comprehensive Annual Financial Report", sets forth minimum criteria for the determination of major funds.

The funds of the District are described below:

Governmental Funds

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports the general fund and mitigation fund as major governmental funds. The District has no non-major governmental funds.

Measurement Focus and Basis of Accounting

Method of Accounting

Method of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Modified Accrual

The governmental funds' financial statements are presented on the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenue available if collected within 60 days after year-end. The District considers interest, certain taxes, grant revenues, mitigation fees and cost recoveries to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Revenue Recognition

The District recognizes revenue from fees, and service charges as they earned. Benefit fees, CFD fees, and property taxes are recognized as revenue based upon amounts reported to the District by the County of San Diego.

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.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

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

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.

Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivables. Management believes that all accounts receivable were fully collectible, therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2019.

Taxes and Assessments

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar for the fiscal year ended June 30, 2019, was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment – November 1
	Second Installment – February 1
Delinquent Date:	First Installment – December 10
	Second Installment – April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding $5,000 and an estimated useful life of more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items and capital assets, received in service concession agreements are reported as acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred, upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss in charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Structures and improvements	10 - 50 years
Engines and vehicles	5 - 20 years
Furniture and equipment	7 - 20 years

Depreciation aggregated $186,409 for the year ended June 30, 2019.

Interest

The District incurs interest charges on long-term liabilities. No interest was capitalized as a cost of capital assets for the year ended June 30, 2019.

Risk Management

The District entered into a joint powers agreement designated as Fire Agencies Insurance Risk Authority, a self-insurance plan for general liability insurance (see Note 8).

At June 30, 2019, the District participated in the self-insurance programs as follows:

Liability Limits
- $1,000,000 general liability including malpractice, each occurrence or wrongful act
- $1,000,000 personal and advertising injury
- $1,000,000 fire damage legal liability
- $10,000 medical expense (each accident)
- $10,000,000 general aggregate
- $10,000,000 products/completed operations annual aggregate
- $1,000,000 management liability
- $1,000,000 cyber liability
- $1,000,000 auto liability
- $500,000 garagekeepers legal liability
- $10,000,000 umbrella liability

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Risk Management (Continued)

Property Limits

- Buildings – not to exceed scheduled value on file
- Contents – not to exceed scheduled value on file
- Crime - $1,000,000 employee dishonesty coverage

The District pays annual premiums for this coverage. They are subject to retrospective adjustments based on claims experienced. The nature and amounts of the adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense was $15,324 for the year ended June 30, 2019. There were no instances in the past three years where a settlement exceeded the District's coverage.

Pensions and Other Post-Employment Benefits

The District does not provide a pension program or other post-employment benefits (OPEB). The District administers a voluntary 457(b) (Deferred Compensation) program for its employees to contribute. There is no match and none of the assets of the 457(b) plan are the property of the District.

Compensated Absences

The District does not allow carryover of vacation or sick leave benefits. Unused vacation or sick leave at fiscal year-end is part of the final payroll of the District's fiscal year-end.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively.

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. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds

The fund balances of the governmental funds are classified as follows at June 30, 2019:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - All other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as necessary. When either committed, assigned, or unassigned resources are available for use, it is the District's policy to use committed resources first, followed by assigned and then unassigned amounts.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the investment.

Note 1 - Organization and Significant Accounting Policies:

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The District's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the San Diego County Treasurer's Pooled Money Fund are considered Level 2 assets and are reported at historical cost which approximates the fair value of the underlying assets as provided by San Diego County.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 31, 2019, the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents:

Cash and investments held by the District were comprised of the following at June 30, 2019:

	Maturity in Less Than One Year
Cash in County Treasury	$ 2,357,583
Deposits with financial institutions	410,044
Total	$ 2,767,627

Cash in County Treasury

The District maintains its cash in the San Diego County Treasury as part of the common investment pool ($2,357,583 at June 30, 2019). The county pools these funds with those of other Districts in the County and invests the cash. Cash may be added or withdrawn from the investment pool without limitation. Interest earned is deposited quarterly into the participating funds. Any investment losses are shared by all funds in the pool. The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $2.356 million. The underlying asset rating based on Fitch ranges from AA- to AAA.

Note 2 - Cash and Cash Equivalents: (Continued)

Cash in County Treasury (Continued)

The Country Treasurer's pool consist of the following as of June 30, 2019:

Federal Agency Securities	27.79%
Commercial Paper	22.15%
Certificate of Deposit	18.27%
Supranationals	9.98%
Assets Backed Securities	7.20%
Medium-Term Notes	5.82%
Treasury Coupon Securities	4.78%
Money Market Accounts	3.89%
Bank Deposit	0.12%
	100.00%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by holding only cash and cash equivalents.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2019.

Disclosures Relating to 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. Presented below is the actual rating as of the year end for each investment type.

Cash in County Treasury	Not Rated
Deposits with Financial Institutions	Not Applicable

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

Note 2 - Cash and Cash Equivalents: (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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 custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local govern-mental 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 also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2019, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2019, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Investment Accounting Policy

The District is required by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments 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.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "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.

Note 3 - Accounts Receivable:

Accounts receivable consist of the following at June 30, 2019:

	General Fund	Mitigation Fund	Total
Cost recovery	$ 50,801	$ -	$ 50,801
Mitigation fees	-	33,814	33,814
Grants	30,530	-	30,530
Dispatch fees	26,437	-	26,437
Paramedic funding	16,022	-	16,022
Benefit fees	4,770	-	4,770
Property taxes	2,875	-	2,875
Inspection fees	2,555	-	2,555
CDF fees	2,551	-	2,551
Other receivables	541	-	541
	$ 137,082	$ 33,814	$ 170,896

Note 4 - Capital Assets:

Capital assets consist of the following at June 30, 2019:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 151,600	$ -	$ -	$ 151,600
Total Capital Assets Not Being Depreciated	151,600	-	-	151,600
Capital Assets Being Depreciated:				
Structures and improvements	1,211,691	-	-	1,211,691
Engines and vehicles	2,420,376	90,244	-	2,510,620
Furniture and equipment	1,217,773	273,269	-	1,491,042
Total Capital Assets Being Depreciated	4,849,840	363,513	-	5,213,353
Less Accumulated Depreciation For:				
Structures and improvements	(1,108,012)	(13,716)	-	(1,121,728)
Engines and vehicles	(1,533,681)	(109,706)	-	(1,643,387)
Furniture and equipment	(1,056,381)	(62,987)	-	(1,119,368)
Total Accumulated Depreciation	(3,698,074)	(186,409)	-	(3,884,483)
Net Capital Assets Being Depreciated	1,151,766	177,104	-	1,328,870
Net Capital Assets	$ 1,303,366	$ 177,104	$ -	$ 1,480,470

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30, 2019:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019	Payable Within 1 Year	Payable After 1 Year
Capital lease payable	$ 97,979	$ -	$ (97,979)	$ -	$ -	$ -

On August 20, 2013, the District acquired a fire truck using the proceeds of a lease with option to purchase between First Municipal Leasing Corporation as lessee and the District as lessor. The capital lease payable calls for annual payments of $100,774 commencing August 20, 2014 and maturing August 20, 2018. For financial reporting purposes, minimum lease payments related to the fire truck have been capitalized and included in capital assets in the statement of net position. The fire truck under capital lease has a cost of $460,000, net of accumulated depreciation of $150,778 at June 30, 2019.

Note 6 - Operating Leases:

The District has entered into a noncancelable operating lease for a copier with a lease term in excess of one year. The agreement contain no purchase option. Rent expense under this lease totaling $2,874 is included in office expenses. Future minimum lease payments, under this agreement, are as follows:

Year Ended June 30	Minimum Lease Payments
2020	$ 5,748
2021	5,748
2022	5,748
2023	5,748
2024	2,874
Total	$ 25,866

In addition, the District also leases two modular building units on a month-to-month basis. Rent expense under this lease totaling $9,090 is included in maintenance.

Note 7 - Deferred Compensation Plan:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 8 - Joint Ventures (Joint Powers Agreements):

The District entered into a joint powers agreement (JPA) known as and designated "Fire Agencies Insurance Risk Authority" (FAIRA) a self-insurance plan for general liability insurance. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in FAIRA. FAIRA is governed by an 11 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 operation 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. The financial transactions of the JPA are not included in this report because the District has a minority voting interest and no administrative authority.

Note 9 - New Governmental Accounting Standards:

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 "Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 "Certain Debt Extinguishment Issues". The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. This pronouncement did not have a material effect pronouncement on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 9 - New Governmental Accounting Standards: (Continued)

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

VALLEY CENTER FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Benefit fees	$ 1,577,447	$ 1,577,447	$ 1,551,528	$ (25,919)
Property taxes	549,246	549,246	545,464	(3,782)
CFD fees	354,348	354,348	364,857	10,509
Cost recovery income	59,650	59,650	203,498	143,848
Mercy Medical ALS fees	130,000	130,000	130,000	-
Paramedic funding	96,132	96,132	96,132	-
Fire prevention fees	63,000	63,000	57,454	(5,546)
Mercy Medical dispatch fees	42,000	42,000	39,402	(2,598)
Other income	-	-	26,710	26,710
Interest income	23,581	23,581	25,433	1,852
Grants	38,114	38,114	16,542	(21,572)
First responder fees	16,000	16,000	14,425	(1,575)
Donations	2,000	2,000	7,494	5,494
Total Revenues	2,951,518	2,951,518	3,078,939	127,421

(Continued)

VALLEY CENTER FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:				
Current:				
Salaries	$ 1,886,876	$ 1,886,876	$ 2,035,743	$ (148,867)
Employee benefits and taxes	265,000	265,000	344,864	(79,864)
Dispatch fees	170,550	170,550	149,412	21,138
Mercy Medical charges	96,132	96,132	96,132	-
Maintenance	121,850	121,850	94,484	27,366
Professional fees	36,960	36,960	74,967	(38,007)
Utilities	73,420	73,420	70,031	3,389
Other expenses	73,827	73,827	48,428	25,399
Fuel	31,162	31,162	42,706	(11,544)
Discontinued projects, studies and assessments	-	-	42,428	(42,428)
Training	43,850	43,850	24,431	19,419
Radios and pagers	10,660	10,660	16,777	(6,117)
Insurance	13,160	13,160	15,324	(2,164)
Household	12,000	12,000	15,144	(3,144)
Medical supplies	16,500	16,500	14,798	1,702
Office expenses	17,200	17,200	13,410	3,790
Membership	13,125	13,125	12,908	217
Printing	10,000	10,000	12,157	(2,157)
Uniform	16,000	16,000	12,035	3,965
Awards	1,500	1,500	1,416	84
Safety	1,600	1,600	1,407	193
Bad debts	-	-	1,120	(1,120)
Bank charges	9,000	9,000	1,025	7,975
Capital outlay	586,489	586,489	153,293	433,196
Debt Service:				
Principal	48,990	48,990	48,990	-
Interest	175	175	175	-
Total Expenditures	3,556,026	3,556,026	3,343,605	212,421
Deficiency of Revenues Over Expenditures	(604,508)	(604,508)	(264,666)	339,842
Other Financing Sources:				
Transfers	-	-	24,721	24,721
Total Other Financing Sources	-	-	24,721	24,721
Net Change in Fund Balance	$ (604,508)	$ (604,508)	(239,945)	$ 364,563
Fund Balance at Beginning of Year			2,318,972	
FUND BALANCE AT END OF YEAR			$ 2,079,027	

VALLEY CENTER FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MITIGATION FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Mitigation fees	$ 439,866	$ 439,866	$ 91,210	$ (348,656)
Interest income	11,000	11,000	13,951	2,951
Total Revenues	450,866	450,866	105,161	(345,705)
Expenditures:				
Capital outlay	439,866	439,866	210,220	229,646
Debt Service:				
Principal	48,989	48,989	48,989	-
Interest	175	175	175	-
Total Expenditures	489,030	489,030	259,384	229,646
Excess (Deficiency) of Revenues Over Expenditures	(38,164)	(38,164)	(154,223)	(116,059)
Other Financing Sources:				
Transfers in	-	-	(24,721)	(24,721)
Total Other Financing Uses	-	-	(24,721)	(24,721)
Net Change in Fund Balance	$ (38,164)	$ (38,164)	(178,944)	$ (140,780)
Fund Balance at Beginning of Year			928,769	
FUND BALANCE AT END OF YEAR			$ 749,825	

VALLEY CENTER FIRE PROTECTION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
ORGANIZATION STRUCTURE
JUNE 30, 2019

The Valley Center Fire Protection District (District), was formed as a fire protection district in 1982, and operates under the Health and Safety Code Sections 13801-13999 of the State of California and provides fire protection services to approximately 87 square miles in Valley Center, California. The activities of the District are supervised by a board consisting of five (5) Directors who are elected to a four (4) year term. Directors who are appointed serve a two (2) year term.

Board of Directors for the fiscal year ended June 30, 2019, was comprised of the following members:

Name	Office	Years of Term	Term Expiration
Phil Bell	President	4	2022
Steve Hutchison	Vice President	4	2022
Jim Wold	Director	4	2020
Jeremy Abrams	Secretary	4	2022
Mike O'Connor	Treasurer	4	2020

Administration

Name	Position
Josef Napier	Fire Chief

VALLEY CENTER FIRE PROTECTION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
ASSESSED VALUATION
JUNE 30, 2019

Assessed Valuation:		
Secured property	$	2,591,375,108
Unsecured property		18,256,255
Total Assessed Valuation	$	2,609,631,363