San Mateo Consolidated Fire Department

Foster City, California

Annual Financial Report

For the Year Ended June 30, 2023

Prepared by
City of San Mateo Finance Department

San Mateo Consolidated Fire Department
Annual Financial Report
For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Consolidated Fire Department ("SMC Fire"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SMC Fire's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the SMC Fire, as of June 30, 2023, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SMC Fire, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Implementation of New GASB Pronouncements

As discussed in Note 1 to the basic financial statements, SMC Fire implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, SMC Fire made a prior period adjustment to restate its balances as of and for the year ended June 30, 2022 as discussed in Note 11. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 SMC Fire'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 SMC Fire's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of SMC Fire's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios, Schedules of Contributions – Pension, and Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 5 through 17 and 69 through 76 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 SMC Fire's basic financial statements. The Combining Internal Service Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Internal Service Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024, on our consideration of SMC Fire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SMC Fire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMC Fire's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
March 8, 2024

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Management of the San Mateo Consolidated Fire Department (SMC Fire) offers readers of the financial statements this narrative overview and analysis of the financial activities of SMC Fire for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes. The focus of the information herein is on the primary government.

FINANCIAL HIGHLIGHTS

- SMC Fire commenced operations on January 13, 2019. As such, the fiscal year ended June 30, 2023, marked SMC Fire's fourth full fiscal year.

- At the close of the fiscal year, SMC Fire had $21.4 million in total assets, which was an increase of $.1 million compared to the prior fiscal year, largely due to the increase of capital assets.

- Net position decreased from $22.4 million to $20.8 million primarily due to an increase of $1.6 million in liabilities, largely attributed to changes in pension and OPEB related accounting adjustments. The primary drivers were the unfavorable difference between the expected and actual experience, and changes in actuarial assumptions.

- SMC Fire accounted for $51.6 million in expenses, an increase of $7.2 million or 16.2 percent. The largest categorical increase was in personnel costs, which increased by 16.2 percent, from $37.1 million in the prior fiscal year to $44.4 million in fiscal year 2022-23, primarily due to an accounting adjustment related to pension to reflect changes from deferred inflows/outflows and net pension liability.

- SMC Fire's Program Revenues totaled $49.9 million, an increase of $1.8 million or 3.7%, driven by a $1.6 million increase in contributions from member agencies.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SMC Fire's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of SMC Fire's finances, in a manner similar to private-sector businesses.

The Statement of Net Position presents information on all of SMC Fire's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether SMC Fire's financial position is improving or deteriorating.

The Statement of Activities reports how SMC Fire'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 (e.g., loan receivables, and earned but unused compensated leaves).

The governmental activities reflect SMC Fire's core services, including fire, rescue, and emergency services to all three communities. These services are principally financed by contributions from the member agencies – the cities of Belmont, Foster City, and San Mateo.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SMC Fire uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SMC Fire can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance SMC Fire's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship (or differences) between them.

The governmental funds comprise two individual funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances of the General Fund and Fire Prevention Fund, each of which is considered to be a major fund.

SMC Fire adopts an annual budget for the General Fund and the Fire Prevention Fund. Budgetary comparison schedules are included in the Required Supplementary Information section, beginning on page 73, and have been provided to demonstrate compliance with these budgets in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

SMC Fire only maintains one type of **proprietary fund** to account for internal services. SMC Fire uses internal service funds to account for its vehicle and equipment replacement, benefits, dental, workers’ compensation, and comprehensive liability. The internal service funds provide services that predominantly benefit governmental rather than business-type functions. They have been included within governmental activities to reflect the consolidation for internal services fund activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements combine internal service funds for presentation purposes. Individual fund data for all internal service funds is provided in the form of combining statements in the Required Supplementary Information section of this report.

Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the SMC Fire’s budgetary comparison schedules for all major governmental funds. The combining statements supplementary information referred to earlier in connection with internal services funds are also presented in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial performance. At the close of the fiscal year, SMC Fire's ending total net position was $21 million, which reflected the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources. Of the total net position, $10.6 million represented SMC Fire's net investment in capital assets, primarily fire vehicles and equipment, less any related debt used, if any, to acquire those assets that are still outstanding. SMC Fire uses these capital assets to provide services to the communities of the three member agencies – Belmont, Foster City, and San Mateo; consequently, these assets are not available for future spending. Although SMC Fire's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of SMC Fire's ending total net position of $10.2 million is unrestricted, in that the funds are not restricted for a particular use and available to be appropriated by the SMC Fire Board.

Tables on the following pages present a summary of SMC Fire's net position as of June 30, 2023.

STATEMENT OF NET POSITION
(Amounts in millions)

	Governmental Activities	
	2022-23	2021-22
Current and other assets	$ 10.1	$ 11.5
Capital assets	11.3	11.0
Total assets	**21.4**	**22.5**
Deferred outflows - pension related amounts	10.2	10.5
Deferred outflows - OPEB related amounts	0.6	0.6
Total deferred outflows of resources	**10.8**	**11.1**
Current liabilities	2.2	2.9
Non-current liabilities	6.0	5.4
Total liabilities	**8.3**	**8.3**
Deferred inflows - pension related amounts	-	0.3
Deferred inflows - OPEB related amounts	3.1	2.6
Total deferred inflows of resources	**3.1**	**2.9**
Net position:		
Net investment in capital assets	10.6	9.6
Unrestricted	10.2	12.8
Total net position	**$ 20.8**	**$ 22.4**

Totals may not add up due to rounding.

STATEMENT OF ACTIVITIES
(Amounts in millions)

	Governmental Activities	
	2022-23	2021-22
Revenues:		
Program revenues:		
Charges for services	$ 2.9	$ 2.7
Operating grants and contributions	46.9	45.3
Capital grants and contributions	0.1	0.1
General revenues:		
Investment income (loss)	0.2	(0.0)
Gain (loss) on sale of capital assets	(0.0)	(0.0)
Miscellaneous revenue	0.1	0.6
Total revenues	**50.0**	**48.7**
Expenses:		
Personnel	44.4	37.1
Materials and services	5.4	5.6
Payments to other agencies	0.5	0.6
Miscellaneous	0.1	0.2
Depreciation	1.1	0.8
Total expenses	**51.6**	**44.4**
Change in net position	(1.6)	4.3
Net position - beginning of year	22.4	18.1
Net position - end of year	**$ 20.8**	**$ 22.4**

Totals may not add up due to rounding.

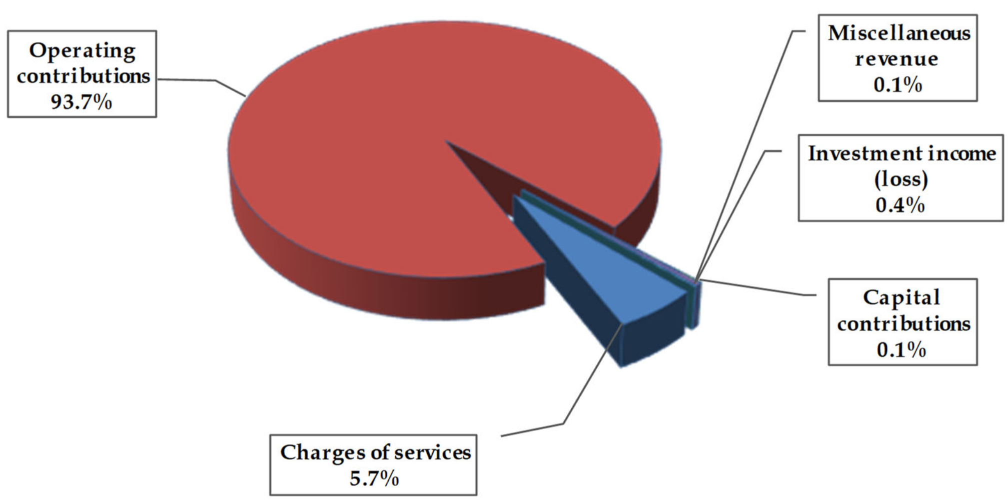
GOVERNMENTAL ACTIVITIES

Governmental activities decreased in total net position to $20.8 million. Key elements contributing to the result are described below.

- Overall, total revenues from governmental activities were $49.9 million, largely attributed to $43.6 million in contributions from member agencies for their proportional share of SMC Fire's operating costs, which excludes the activities of the Fire Prevention Fund that is administered on a cost recovery basis. SMC Fire's operating costs are split amongst the member agencies as follows: City of Belmont – 20%; City of Foster City – 20%; City of San Mateo – 60%.
- SMC Fire's total expenses were $51.6 million, primarily consisting of $44.4 million in personnel costs. As noted earlier, the primary driver for the increase in personnel costs was due to an accounting adjustment related to pension to reflect changes from deferred inflows/outflows and a net pension liability.

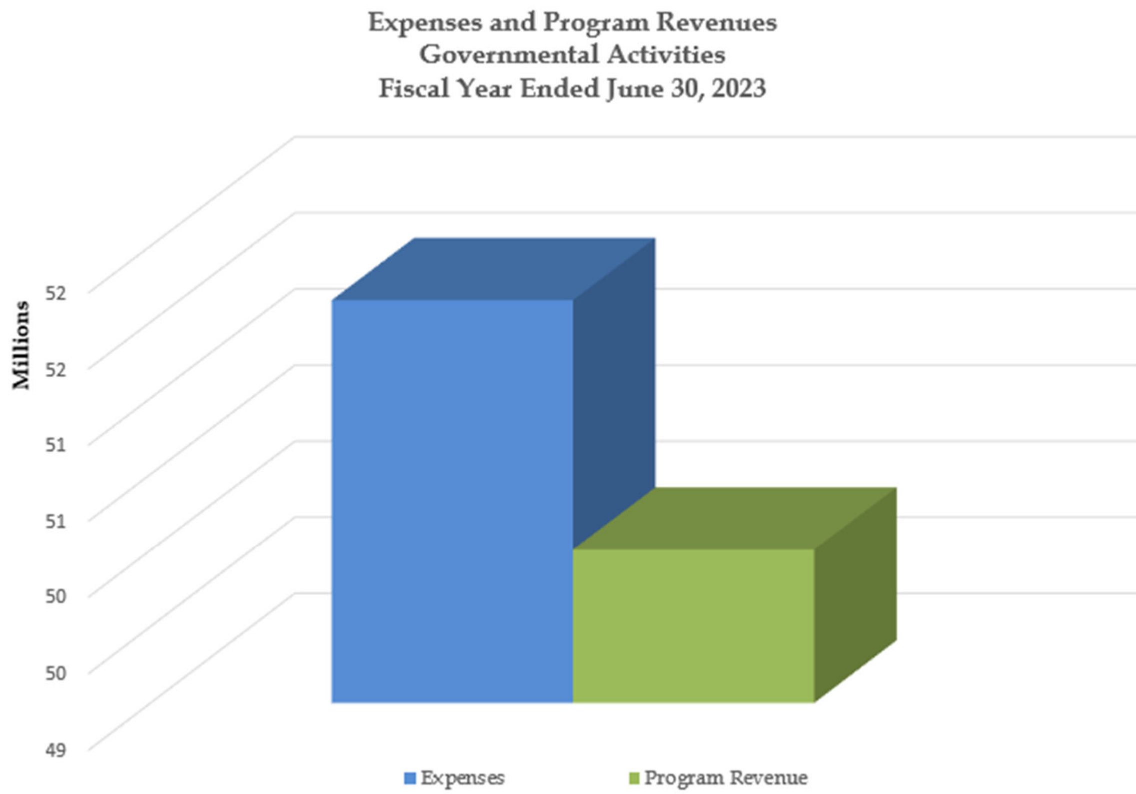
The following charts of governmental activities revenue by sources, expenses, and program revenues were derived from the Statement of Activities.

Revenue by Sources
Governmental Activities
Fiscal Year Ended June 30, 2023



Total Governmental Activities Revenues: $50 million

The cost of all governmental activities for the fiscal year ended June 30, 2023 was $51.6 million. Some of the costs were paid by those directly benefiting from the programs ($2.9 million) or by contributions from the member agencies ($43.6 million). SMC Fire paid for the remaining "public benefit" portion of governmental activities with $0.3 million in general revenues, the majority of which reflected interagency reimbursements for training and staffing.



FINANCIAL ANALYSIS OF THE SMC FIRE FUNDS

As noted earlier, SMC Fire uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

GOVERNMENTAL FUNDS

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

As of June 30, 2023, SMC Fire's governmental funds reported a combined ending fund balance of $1.6 million, of which the General Fund accounted for $0.6 million, and the remaining fund balance attributable to the Fire Prevention Fund. Of the total fund balances, $0.6 million is unassigned fund balance, which is available for spending at SMC Fire's discretion.

The General Fund is the primary operating fund of SMC Fire. The unassigned fund balance of the General Fund was $0.6 million. As a measure of liquidity, the unassigned fund balance can be compared to total fund expenditures. Unassigned fund balance represents 1.3% of total General Fund expenditures of $47 million.

To ensure service stability without imposing a significant burden on member agencies during financial emergency, the General Fund will seek to establish a reserve that is both reasonable and sufficient to offer flexibility in meeting the department's operational needs. Expenditure and fund balance will be continuously monitored in subsequent years to further enhance the reserve levels. SMC Fire's Reserve Policy has been modified to set a modest reserve requirement that reflects the member agencies' preference to retain resources in their respective agencies' ledgers and provide SMC Fire with an adequate amount of resources for operational flexibility, eliminating the need to request additional contributions throughout the fiscal year.

SMC Fire's General Fund accounted for $47 million in revenues for the fiscal year ended June 30, 2023, which was an increase of $1.7 million or 3.8% compared to the prior fiscal year. The increase was primarily attributable to a $1.6 million increase in operating contributions from the member agencies and $0.1 million increase in grants and other intergovernmental revenues compared to the prior year.

SMC Fire's General Fund accounted for $47 million in expenditure for the same period, which was an increase of $0.8 million, or 1.7% compared to the prior fiscal year. The increase was principally due to $0.7 million in additional non-personnel operating costs.

The Fire Prevention Fund (Fire Protection and Life Safety) was established to account for the activities of SMC Fire's Bureau of Fire Protection and Life Safety (Bureau), which enforces state and local fire codes and standards, and conducts fire investigations. Total revenues for the fiscal year were $2.9 million, of which SMC Fire's service charges of $2.8 million represented the majority. Total expenditure for the same period was $2.3 million, a decrease of $0.4 million and indicative of the Bureau's efforts to control costs of the Bureau's operations and revenues in relation to the cost of service.

Proprietary Funds

SMC Fire's only Proprietary Funds are internal service funds. SMC Fire's proprietary funds provide the same type of information found in the government-wide financial statements, but with some additional details.

SMC Fire's total internal service funds' net position was $13.5 million as of June 30, 2023. The Vehicle & Equipment Replacement Fund's net position comprised 57% of the total internal service funds' net position, followed by the Benefit and Dental Fund, which comprised 25.9% of the total.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund expenditures were $0.3 million more than the final budget, while General Fund revenues matched the final budget. The unfavorable budget variance for the General Fund expenditures was primarily attributable to increases in personnel costs.

Following this narrative is a summary of the General Fund budgetary comparison schedule (amounts in millions).

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE

(Amounts in millions)

	Original Budget	Final Budget	Actual Results	Variance from Final Budget Favorable (Unfavorable)
Beginning fund balance	$ -	$ -	$ 0.6	$ 0.6
Resources:				
Revenues	44.8	47.0	47.0	0.0
Total resources	**44.8**	**47.0**	**47.0**	**0.0**
Charges to appropriations:				
Expenditures	44.8	46.7	47.0	(0.3)
Transfers out	-	-	-	-
Total charges	**44.8**	**46.7**	**47.0**	**(0.3)**
Net change in fund balance	-	0.3	(0.0)	(0.3)
Ending fund balance	$ -	$ 0.3	$ 0.6	$ 0.3

Given the above results, General Fund expenditures and revenues balanced for the current fiscal year. At the end of the fiscal year, the total General Fund balance was $0.6 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

CAPITAL ASSETS

SMC Fire invested $1.5 million in capital assets for the fiscal year ending June 30, 2023. This investment in capital assets primarily reflected the purchase of an aerial ladder truck and a fire engine that are expected to be put into service in 2024 due to an extended wait period of 800 days compared to the historical 300 days of build time, which reflects supply chain and labor impacts.

CAPITAL ASSETS

(Amounts in millions)

	Governmental Activities	
	2022-23	**2021-22**
Non-depreciable assets:		
Equipment in progress	$ 2.7	$ 2.7
Total non-depreciable assets	**$ 2.7**	**2.7**
Depreciable assets:		
Machinery & Equipment	10.5	9.1
Less: accumulated depreciation	(3.1)	(2.2)
Total depreciable assets (net)	**7.4**	**6.9**
Leased assets being amortized:		
Machinery & Equipment	0.4	0.3
Less: accumulated amortization	(0.2)	(0.1)
Total amortizable assets (net)	**0.1**	**0.2**
Subscritpion assets being amortized:		-
Subscriptions	**1.2**	-
Less: accumulated amortization	**(0.2)**	-
Total amortizable assets (net)	**1.0**	-
Total capital assets	**$ 11.3**	**$ 9.8**

LONG-TERM DEBT

SMC Fire's total long-term debt as of June 30, 2023 is $3.3 million. Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 87 and No. 96, the financial statement reflects $0.7 million in lease and subscription liability as of June 30, 2023. At the end of the current fiscal year, SMC Fire had outstanding compensated absences of $2.6 million; $0.8 million of which was projected to be due within one year, while the remaining $1.8 million is due in more than one year.

FY22-23

LONG-TERM LIABILITIES

(Amounts in millions)

	Governmental Activities	
	2022-23	**2021-22**
Compensated absences	$ 2.6	$ 2.7
Leases payable	0.1	0.2
Subbscription Liability	0.6	
Total long-term liabilities	**$ 3.3**	**$ 2.9**

Economic Factors and Next Year's Budget

SMC Fire obtains the majority of funding for core operations from its member agencies. As such, its long-term sustainability largely depends upon the economic performance of the communities which it serves – Belmont, Foster City, and San Mateo. While Belmont has a dedicated funding source to pay for its contribution to SMC Fire through the Belmont Fire Protection District, San Mateo and Foster City pay for their respective contributions from their General Fund. San Mateo and Foster City's tax revenues specifically tax revenues that are based on transactions, such as sales tax and transient occupancy tax (TOT) are greatly impacted by economic downturns such as the COVID-19 pandemic.

Sales and hotel occupancy tax revenues for both the cities of San Mateo and Foster City continued to recover from the pandemic and exceeded the original budget projections. However high inflation has a negative impact on projected real property transfer tax revenues. The Federal Reserve System's efforts to address inflationary pressure by raising the federal funds rate has made it more difficult for prospective homeowners to borrow money. This is anticipated to result in a softening of the real estate market and is likely to influence future revenue growth in property tax.

Overall, the adopted 2023-24 General Fund budget reflects a balanced budget, with revenues and expenditures of $46.2 million each.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the San Mateo Consolidated Fire Department finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of San Mateo, 330 West 20th Avenue, San Mateo, California, 94403.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

San Mateo Consolidated Fire Department
Statement of Net Position
June 30, 2023

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 8,992,071
Accounts receivable, net	795,879
Interest receivable	74,706
Prepaid items	286,113
Total current assets	10,148,769
Noncurrent assets:	
Capital assets:	
Non-depreciable	2,704,793
Depreciable/amortizable, net	8,611,314
Total capital assets	11,316,107
Total noncurrent assets	11,316,107
Total assets	21,464,876
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	10,198,816
Related to OPEB	564,062
Total deferred outflows of resources	10,762,878

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Statement of Net Position (Continued)
June 30, 2023

	Primary Government
	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable	258,476
Accrued payroll	930,246
Deposits payable	22,526
Compensated absences - due within one year	834,382
Long-term debt - due within one year	200,331
Total current liabilities	2,245,961
Noncurrent liabilities:	
Net pension liability	540,615
Total OPEB liability	3,197,498
Compensated absences - due in more than one year	1,773,061
Long-term debt - due in more than one year	526,548
Total noncurrent liabilities	6,037,722
Total liabilities	8,283,683
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	3,136,434
Total deferred inflows of resources	3,136,434
NET POSITION	
Net investment in capital assets	10,589,228
Unrestricted	10,218,409
Total net position	$ 20,807,637

See accompanying Notes to the Basic Financial Statements.

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San Mateo Consolidated Fire Department
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenses:	
Governmental activities:	
Personnel	$ 44,446,937
Materials and services	5,442,869
Payments to other agencies	482,468
Miscellaneous	141,397
Depreciation/amortization	1,129,486
Total governmental activities	51,643,157
Program revenues:	
Charges of services	2,851,261
Operating contributions	46,906,442
Capital contributions	60,000
Total program revenues	49,817,703
General Revenues:	
Investment income (loss)	165,606
Gain (loss) on sale of capital assets	(5,008)
Miscellaneous revenue	68,625
Total general revenues	229,223
Change in net position	(1,596,231)
Net Position:	
Beginning of year, as restated (Note 11)	22,403,868
End of year	$ 20,807,637

See accompanying Notes to the Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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Governmental Funds Financial Statements

General Fund - This fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Fire Prevention Special Revenue Fund - This fund accounts for the fees charged and expenditures for activities relating to fire inspections and permits.

San Mateo Consolidated Fire Department
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,621,741	$ 317,250	$ 1,938,991
Accounts receivable, net	23,524	681,196	704,720
Interest receivable	74,706	-	74,706
Prepaid items	20,045	-	20,045
Total assets	$ 1,740,016	$ 998,446	$ 2,738,462
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 214,281	$ 12,873	$ 227,154
Accrued payroll	930,246	-	930,246
Deposits payable	11,925	10,601	22,526
Total liabilities	1,156,452	23,474	1,179,926
Fund Balances:			
Nonspendable	20,045	-	20,045
Committed	-	974,972	974,972
Unassigned	563,519	-	563,519
Total fund balances	583,564	974,972	1,558,536
Total liabilities and fund balances	$ 1,740,016	$ 998,446	$ 2,738,462

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds	$ 1,558,536
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Capital Assets used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Government-Wide Statement of Net Position	11,316,107
Less: capital assets reported in Internal Service Funds	(6,156,306)
Total capital assets	5,159,801
Long-term liabilities are not due and payable in the current period and therefore were not reported in the Governmental Funds Balance Sheet.	
Amount reported in Government-Wide Statement of Net Position	
Long-term debt - due within one year	(200,331)
Long-term debt - due in more than one year	(526,548)
Compensated absences - due within one year	(834,382)
Compensated absences - due in more than one year	(1,773,061)
Total long-term liabilities	(3,334,322)
Aggregate net pension asset and total OPEB liability used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Net pension liability	(540,615)
Total OPEB liability	(3,197,498)
Total net pension liability and total OPEB liability	(3,738,113)
Deferred outflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	
Deferred outflows of resources related to OPEB	564,062
Deferred outflows of resources related to pensions	10,198,816
Total deferred outflows of resources	10,762,878
Deferred inflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	
Deferred inflows of resources related to OPEB	(3,136,434)
Total deferred inflows of resources	(3,136,434)
Internal service funds are used by management to charge the cost of fleet management, risk management, information technology, and building maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	13,535,291
Net Position of Governmental Activities	$ 20,807,637

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
REVENUES:			
Intergovernmental:			
Contributions from City of Belmont	$ 8,722,543	$ -	$ 8,722,543
Contributions from City of Foster City	8,722,543	-	8,722,543
Contributions from City of San Mateo	26,167,628	-	26,167,628
Grants and other intergovernmental	3,213,099	54,322	3,267,421
Charges for services	9,689	2,841,572	2,851,261
Other revenue	39,250	29,375	68,625
Interest income	124,631	-	124,631
Total revenues	46,999,383	2,925,269	49,924,652
EXPENDITURES:			
Current:			
Personnel costs	40,866,489	1,607,001	42,473,490
Materials and services	5,167,162	275,707	5,442,869
Payments to other agencies	241,234	241,234	482,468
Miscellaneous	13,329	107,484	120,813
Capital outlay	508,185	-	508,185
Debt service:			
Principal	211,952	23,415	235,367
Interest and fiscal charges	19,999	585	20,584
Total expenditures	47,028,350	2,255,426	49,283,776
REVENUES OVER (UNDER) EXPENDITURES	(28,967)	669,843	640,876
OTHER FINANCING SOURCES (USES):			
Inception of lease agreement	38,169	-	38,169
Inception of subscription agreement	24,140	-	24,140
Total other financing sources (uses)	62,309	-	62,309
NET CHANGE IN FUND BALANCES	33,342	669,843	703,185
FUND BALANCES:			
Beginning of year	550,222	305,129	855,351
End of year	$ 583,564	$ 974,972	$ 1,558,536

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2023

Total Fund Balances - Total Governmental Funds	$	703,185
Amounts reported for Governmental Activities in the Statement of Net Position were different because:		
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position the cost of those assets was allocated over their estimated useful lives as depreciation/amortization expense. This is the amount of capital assets recorded in the current period, and is net of amounts recorded in the internal service funds of $979,465.		508,185
Depreciation/amortization expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation/amortization expense, net of internal service funds of $275,022, was not reported as expenditures in the Governmental Funds.		(854,464)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased net position.		(5,008)
Issuance of long-term liabilities provides current financial resources to governmental funds, but the issuance increased long-term liabilities in the Government-Wide Statement of Net Position.		
Subscription liability		(38,169)
Lease liability		(24,140)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Principal payments of long-term debt		235,367
Compensated absences expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		52,303
Certain pension expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Changes in net pension assets		(1,796,905)
Changes in pension related deferred outflows of resources		(320,249)
Changes in net pension liabilities		(540,615)
Changes in pension related deferred inflows of resources		304,418
Certain OPEB expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Changes in OPEB related deferred outflows of resources		(39,523)
Changes in total OPEB liabilities		(361,993)
Changes in OPEB related deferred inflows of resources		(555,971)
The internal service funds are used by management to charge the costs of fleet maintenance, facilities maintenance, and technology to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		1,137,348
Change in Net Position of Governmental Activities	$	(1,596,231)

See accompanying Notes to the Basic Financial Statements.

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Proprietary Funds Financial Statements

Internal Service Funds - These funds are used to provide goods and services by one department or agency to other departments or agencies of the Department on a cost reimbursement basis.

San Mateo Consolidated Fire Department
Statement of Net Position
Proprietary Funds
June 30, 2023

	Total Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	$ 7,053,080
Accounts receivable, net	91,159
Prepaid items	266,068
Total current assets	7,410,307
Noncurrent assets:	
Capital assets:	
Non-depreciable	2,704,793
Depreciable/amortization, net	3,451,513
Total capital assets	6,156,306
Total noncurrent assets	6,156,306
Total assets	13,566,613
LIABILITIES	
Current liabilities:	
Accounts payable	31,322
Total current liabilities	31,322
Total liabilities	31,322
NET POSITION	
Net investment in capital assets	6,156,306
Unrestricted	7,378,985
Total net position	$ 13,535,291

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

		Total Internal Service Funds
OPERATING REVENUES:		
Charges for services	$	12,322,440
Insurance reimbursement		584,166
Total operating revenues		12,906,606
OPERATING EXPENSES:		
Personnel costs		8,572,038
Materials and services		3,049,480
Depreciation/amortization		275,022
Total operating expenses		11,896,540
OPERATING INCOME		1,010,066
NONOPERATING REVENUES:		
Investment income		40,975
Operating grants		26,307
Total nonoperating revenues		67,282
INCOME BEFORE CAPITAL CONTRIBUTIONS		1,077,348
CAPITAL CONTRIBUTIONS:		
Capital contributions		60,000
Total capital contributions		60,000
Changes in net position		1,137,348
NET POSITION:		
Beginning of year		12,397,943
End of year	$	13,535,291

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services provided	$ 11,965,213
Cash received from insurance reimbursements	584,166
Cash payments to employees for services	(8,572,038)
Cash payments to suppliers for goods and services	(3,070,082)
Net cash provided by operating activities	907,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Operating grants	26,307
Contributions from other agencies	60,000
Acquisition of capital assets, net	(979,465)
Net cash (used in) capital and related financing activities	(893,158)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest from investments	40,975
Net cash (provided by) investing activities	40,975
Net change in cash and cash equivalents	55,076
CASH AND CASH EQUIVALENTS:	
Beginning of year	6,998,004
End of year	$ 7,053,080
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 1,010,066
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	275,022
Changes in operating assets and liabilities:	
Accounts receivable, net	(91,159)
Prepaid items	(266,068)
Accounts payable	(20,602)
Total adjustments	(102,807)
Net cash provided by operating activities	$ 907,259

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Mateo Consolidated Fire Department
Index of Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the San Mateo Consolidated Fire Department ("SMC Fire") have been prepared in conformity with accounting principles generally accepted of the United States of America ("U.S. GAAP") as applied to Governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of SMC Fire's accounting policies are described below.

A. Reporting Entity

SMC Fire is a legally separate and independent entity that is not a component unit of the City of San Mateo ("San Mateo"), the City of Foster City/Estero Municipal Improvement District ("Foster City"), or the City of Belmont/Belmont Fire Protection District ("Belmont"). Further, SMC Fire has no component unit organizations under its control. Therefore, the financial statements contained within represent solely the activities, transactions, and status of the SMC Fire. SMC Fire is governed by a Board of Directors ("Fire Board") consisting of representatives from each City.

SMC Fire maintains its headquarters at 1040 E. Hillsdale Boulevard Foster City, CA 94404.

B. Basis of Accounting and Measurement Focus

The accounts of SMC Fire are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

<u>*Government - Wide Financial Statements*</u>

SMC Fire's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for SMC Fire.

These financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of SMC Fire's assets and liabilities, including capital assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents change in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for SMC Fire in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. Interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the Statement of Net Position have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

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

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances. SMC Fire considers all funds as major funds since they met the applicable criteria in accordance with GASB Statement No. 34. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements.

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

Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, SMC Fire considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by SMC Fire, are member agency operating contributions and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Non-exchange transactions, in which SMC Fire gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

SMC Fire reports the following major funds:

General Fund is the general operating fund of SMC Fire. It is used to account for all financial resources of SMC Fire except those required to be accounted for in another fund.

Fire Protection Special Revenue Fund accounts for the fees charged and expenditures for activities relating to fire inspections and permits.

Proprietary Fund Financial Statement

SMC Fire reports the Internal Service Funds as Proprietary Funds of SMC Fire.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

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

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statement (Continued)

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

The Internal Service Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues represent premiums paid for the programs and contributions toward programs; operating expenses include claims paid and administrative expenses of the programs, and vehicle and equipment purchases. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements, and are comprised of the following funds:

Vehicle and Equipment Replacement Fund accounts for charges to SMC Fire for funding and acquisition of vehicles, equipment and fire engines.

Benefits and Dental Fund accounts for SMC Fire's charges for other funds and expenditures relating to the employee benefits other than those accounted for in the Workers' Compensation and Comprehensive Liability Insurance Fund.

Workers' Compensation and Comprehensive Liability Insurance Fund accounts for all workers' compensation activities, and general liability transactions.

C. Cash and Investments

Cash includes cash on hand and demand deposits. Investments are reported at market value. Changes in market value that occur during the fiscal year are recognized as investment income for that fiscal year.

SMC Fire participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset-backed securities.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the market value of the pool shares.

Certain disclosure requirements, if applicable, for deposits and investment risks are in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

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

D. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

F. Leases

SMC Fire has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. SMC Fire recognizes lease liabilities with an initial, individual value of $15,000 or more.

At the commencement of a lease, SMC Fire initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that SMC Fire has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how SMC Fire determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- SMC Fire uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, SMC Fire generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that SMC Fire is reasonably certain to exercise.

SMC Fire monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported with long-term debt on the Government-Wide Statement of Net Position.

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

G. Subscription-Based Information Technology Arrangements (SBITAs)

SMC Fire has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of $15,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using SMC Fire's incremental borrowing rate and SMC Fire recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

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

- SMC Fire uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, SMC Fire generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The subscription term includes the period during which the SMC Fire has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that SMC Fire is reasonably certain to exercise. SMC Fire monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

H. Capital Assets and Depreciation

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value on the date donated. SMC Fire policy has set the capitalization threshold for reporting capital assets at $10,000. As stipulated in the JPA agreement, fire stations remain the assets of the individual member agencies. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Asset Type	Years
Machinery & equipment	2-15

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed.

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

I. Compensated Absences

Compensated absences comprise vested vacation, sick, comp time and annual leave. Employees do not gain a vested right to accumulated sick leave, unless they take retirement through CalPERS or are laid off. The annual leave plan combines vacation and sick leave, which is settled annually.

In government-wide financial statements compensated absences are recorded as expenses and liabilities as incurred.

In Fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is SMC Fire's policy to liquidate any unpaid annual leave at year-end from future resources rather than currently available and expendable resources. The General Fund is typically used to liquidate compensated absences.

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums, based on the employee's bargaining unit. Employees may elect to be paid a portion of these leaves at various times according to the applicable Memorandum of Understanding. Sick leave may be accumulated without limit. Sick leave may be exchanged for service credit in SMC Fire's pension plan upon retirement.

J. Pensions

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

The following timeframes are used for pension reporting:

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

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically overtime. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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

K. Other Postemployment Benefits

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

The following timeframes are used for other postemployment benefits reporting:

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

Gains and losses related to changes in total other postemployment benefits liability and fiduciary net position are recognized in other postemployment benefits expense systematically over time. The first amortized amounts are recognized in other postemployment benefits expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to other postemployment benefits and are to be recognized in future other postemployment benefits expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

L. Deferred Outflows and Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

M. Net Position

In government-wide financial statements, net position is categorized as follows:

<u>*Net Investment in Capital Assets*</u> – This component of net position consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

<u>*Restricted*</u> – This component of net position consists of restricted assets reduced by liabilities and related deferred inflows of resources related to those assets.

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

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

N. Fund Balances

In fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. The Board of Directors is considered the highest authority for SMC Fire. A Board resolution is required to have fund balance committed.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board of Directors is considered the highest authority for SMC Fire. A Board resolution is required to have fund balance assigned.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other funds, it is not appropriate to report a positive unassigned fund balance amount. However, in funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

O. Spending Policy

Government-Wide Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, SMC Fire's policy is to apply restricted Net Position first.

Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, SMC Fire uses the unrestricted resources in the following order: committed, assigned, and unassigned.

P. Use of Estimates

The preparation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

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

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to SMC Fire, for the year ended June 30, 2023. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on SMC Fire's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of this statement did not have a significant effect on SMC Fire's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a moderate effect on SMC Fire's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect on SMC Fire's financial statements for the fiscal year ended June 30, 2023.

Note 2 – Cash and Investments

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

Demand deposits with financial institutions	$ 2,588,256
Total cash	2,588,256
Local Agency Investment Fund (LAIF)	6,403,815
Total investments	6,403,815
Total cash and investments	$ 8,992,071

A. Deposits

The carrying amount of SMC Fire's cash deposits were $2,588,256 at June 30, 2023. Bank balances before reconciling items were $2,625,512 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in SMC Fire's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure SMC Fire's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SMC Fire's name.

The market value of pledged securities must equal at least 110% of SMC Fire's cash deposits. California law also allows institutions to secure SMC Fire deposits by pledging first trust deed mortgage notes having a value of 150% of SMC Fire's total cash deposits. SMC Fire may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. SMC Fire, however, has not waived the collateralization requirements.

SMC Fire follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on the average monthly cash and investment balances.

B. Investments

Under the provisions of SMC Fire's investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	None	$75 Million
U.S. Treasury Obligations	5 years	None	None
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 years	70%	40%

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures

<u>*Interest Rate Risk*</u>

Interest rate risk is the risk that changes in market interest rates will adversely affect the market value of an investment. Generally, the longer the maturity, the greater the sensitivity its market value is to changes in market interest rates. As a means of limiting its exposure to market value losses arising from rising interest rates, SMC Fire's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2023, SMC Fire had the following investments and maturities:

Investments	Minimum Rating Required	Fair Value	Maturity 12 Months or Less
Investments:			
Local Agency Investment Fund (LAIF)	NA	$ 6,403,815	$ 6,403,815
Total Investments		$ 6,403,815	$ 6,403,815

<u>*Credit Risk*</u>

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 nationally recognized statistical rating organization. As of June 30, 2023, SMC Fire had the following investments and ratings.

Investments	Credit Rating	Value
Investments:		
Local Agency Investment Fund (LAIF)	Not Rated	$ 6,403,815
Total Investments		$ 6,403,815

<u>*Custodial Credit Risk*</u>

Custodial credit risk is the risk that in the event of a bank failure, SMC Fire's deposits may not be returned to it. SMC Fire does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State of local governmental units 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 public deposited by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. Cash in banks is fully insured by the Federal Depository Insurance Corporation or collateralized, so there is no exposure to custodial credit risk.

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Concentration of Credit Risk

The investment policy of SMC Fire contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. SMC Fire's investment in an external investment pool is exempt from the requirement.

D. Investments in Local Agency Investment Fund

SMC Fire is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. SMC Fire's investments in LAIF at June 30, 2023 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023, SMC Fire had $6,403,815 invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines market value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. SMC Fire's investment in LAIF is reported at amortized cost at June 30, 2023.

Note 3 – Capital Assets

Summary of changes in capital assets activity for the year ended June 30, 2023, is shown below:

	Balance July 1, 2022, as restated	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated					
Construction in progress	$ 2,704,793	$ -	$ -	$ -	$ 2,704,793
Total capital assets, not being depreciated	2,704,793	-	-	-	2,704,793
Capital assets, being depreciated					
Machinery and equipment	9,127,944	1,425,341	(10,233)	-	10,543,051
Total capital assets, being depreciated	9,127,944	1,425,341	(10,233)	-	10,543,051
Less: accumulated depreciation:					
Machinery and equipment	(2,244,832)	(865,963)	5,225	-	(3,105,569)
Total accumulated depreciation	(2,244,832)	(865,963)	5,225	-	(3,105,569)
Total capital assets, being depreciated, net	6,883,112	559,378	(5,008)	-	7,437,482
Lease assets, being amortized					
Machinery and equipment	314,484	38,169	-	-	352,653
Total leased assets, being amortized	314,484	38,169	-	-	352,653
Less: accumulated amortization					
Machinery and equipment	(122,664)	(100,049)	-	-	(222,713)
Total accumulated amortization	(122,664)	(100,049)	-	-	(222,713)
Total leased asset, being amortized, net	191,820	(61,880)	-	-	129,940
Subscription assets, being amortized	1,183,226	24,140	-	-	1,207,366
Less: accumulated amortization	-	(163,474)	-	-	(163,474)
Total subscription assets, being amortized, net	1,183,226	(139,334)	-	-	1,043,892
Total capital assets, net	$ 10,962,951	$ 358,164	$ (5,008)	$ -	$ 11,316,107

Depreciation and amortization expense were charged to the functions/programs of the governmental activities as follows:

Public safety - fire	$ 854,464
Internal service funds	275,022
Total depreciation/amortization expense	$ 1,129,486

Note 4 – Long-Term Debt

A summary of changes in the long-term liabilities of the governmental activities for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022, as restated	Debt Issued	Debt Retired	Balance June 30, 2023	Classification: Due within One Year	Classification: Due in More Than One Year
Long-term debt:						
Lease liability	$ 163,451	$ 38,169	$ (89,502)	$ 112,118	$ 83,855	$ 28,263
Subscription liability	736,486	24,140	(145,865)	614,761	116,476	498,285
Total	$ 899,937	$ 62,309	$ (235,367)	$ 726,879	$ 200,331	$ 526,548

Lease Liability

SMC Fire has entered into leases for machinery and equipment use. The terms of the agreements range from 2 to 4 years. The calculated interest rates used was 3.00%.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 83,855	$ 2,040	$ 85,895
2025	13,346	665	14,011
2026	13,752	259	14,011
2027	1,165	3	1,168
Total	$ 112,118	$ 2,967	$ 115,085

Subscription Liability

SMC Fire has entered into subscription-based information technology arrangements (SBITAs) for services related to cloud-based software applications, data storage and management services. Under the terms of these arrangements, SMC Fire does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from 3 to 10 years. The calculated interest rate used ranged between 2.18% and 2.93%, depending on the length of the SBITA and date of the agreement.

As of June 30, 2023, the capitalized right-to-use assets related to SBITAs were $1,207,366 and the total subscription liability was $614,761, of which $116,476 is reported as a current liability representing the amount due within the next fiscal year.

Note 4 – Long-Term Debt (Continued)

Subscription Liability (Continued)

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 116,476	$ 16,065	$ 132,541
2025	120,613	13,171	133,784
2026	100,885	10,171	111,056
2027	90,163	7,665	97,828
2028	43,322	5,403	48,725
2029-2031	143,302	8,433	151,735
Total	$ 614,761	$ 60,908	$ 675,669

Note 5 – Compensated Absences

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

					Classification	
	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Compensated absences	$ 2,659,746	$ 1,933,750	$ (1,986,053)	$ 2,607,443	$ 834,382	$ 1,773,061

SMC Fire's liability for vested and unpaid compensated absences (accrued vacation, sick time, comp time, and annual leave) has been accrued and amounts to $2,607,443 at June 30, 2023. The amount due within one year of $834,382 represents the estimated amount for anticipated retirees. SMC Fire primarily uses the General Fund to liquidate the liability for compensated absences for governmental funds.

Note 6 – Risk Management

A. General Liability

SMC Fire maintains occurrence-basis commercial insurance coverage for both general liability and workers' compensation. The general liability insurance covers up to $1 million per occurrence and $10 million annual aggregate with excess liability of $10 million per occurrence and $20 million aggregate. The workers' compensation insurance covers up to $50 million per occurrence.

B. Claims Activity

SMC Fire's claims activity is recorded in its Worker's Compensation and Comprehensive Liability Internal Service Fund. Estimated liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims during the fiscal year ended June 20, 2023 were covered by the insurance policies.

Note 7 – Pension Plans

A. *General Information about the Pension Plans*

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. SMC Fire sponsors eleven rate plans. Benefit provisions under the Plan are established by State statute and SMC Fire resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Employees Covered by Benefit Terms

At June 30, 2022, measurement date, the following members were covered by the benefit terms for each Plan:

	Miscellaneous Plans	Safety Plans
Active	11	143
Transferred or separated	5	6
Retired	1	15
Total	17	164

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Safety members with five years or more of total service are eligible to retire at age 50. Miscellaneous members with five years or more of total service are eligible to retire at age 50, with exception of those that fall under the 2% at 62 formula, who are eligible to retire at age 52. Those that retire before the "normal retirement age" listed in their formula will receive statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Note 7 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

The rate plan provisions and benefits in effect at June 30, 2023, are summarized below:

For transferred employees from member agencies

	Classic Misc - San Mateo Tier 1	Classic Misc - San Mateo Tier 2	Classic Safety - Belmont Tier 1	Classic Safety - Belmont Tier 2
Benefit formula	2% at age 55	2% at age 55	2% at age 55	2% at age 50
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50	50
Required employee contribution rates	7.000%	7.000%	9.000%	9.000%
Required employer contribution rates	10.870%	10.320%	20.640%	18.170%
Final Average Compensation Period	1 year	3 years	1 year	3 years

	Classic Safety - Foster City Tier 1	Classic Safety - San Mateo Tier 1	Classic Safety - San Mateo Tier 2
Benefit formula	3% at age 50	3% at age 50	3% at age 55
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 55	50 - 57
Required employee contribution rates	9.000%	9.000%	9.000%
Required employer contribution rates	22.470%	23.750%	20.640%
Final Average Compensation Period	3 years	1 year	3 years

For new employees hired after January 13, 2019

	Classic - Misc	PEPRA - Misc	Classic - Safety	PEPRA - Safety
Benefit formula	2% at age 62	2% at age 62	2.7% at age 57	2.7% at age 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	52	52	50	50
Required employee contribution rates	6.750%	6.750%	13.000%	13.000%
Required employer contribution rates	7.470%	7.470%	12.780%	12.780%
Final Average Compensation Period	3 years	3 years	3 years	3 years

Contributions

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

Note 7 – Pension Plans (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumption

In 2022, the accounting discount rate was reduced from 7.15% to 6.90%.

Discount Rate

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

Long-Term Expected Rate of Return

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

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

Note 7 – Pension Plans (Continued)

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

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as followed:

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1-10[2]
Global Equity	30.00%	4.54%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

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

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

The following presents SMC Fire's proportionate share of the net pension liability for each Plan type, calculated using the discount rate for each Plan, as well as what SMC Fire's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	**Current Discount Rate (6.90%)**	**Discount Rate + 1% (7.90%)**
Miscellaneous Plans	$ 86,103	$ 13,002	$ (47,141)
Safety Plans	$ 3,351,036	$ 527,613	$ (1,779,897)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 7 – Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous Plan:			
Balance at: 6/30/21 (Valuation date)	$ 297,472	$ 341,443	$ (43,971)
Balance at: 6/30/22 (Measurement date)	536,247	523,245	13,002
Net Changes during 2021-2022	238,775	181,802	56,973
Safety Plan:			
Balance at: 6/30/21 (Valuation date)	$ 11,695,057	$ 13,447,991	$ (1,752,934)
Balance at: 6/30/22 (Measurement date)	20,444,999	19,917,386	527,613
Net Changes during 2021-2022	8,749,942	6,469,395	2,280,547

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

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

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-21).

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

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

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

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

Note 7 – Pension Plans (Continued)

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

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

SMC Fire's proportionate share of the net pension liability as of the measurement dates of June 30, 2021 and 2022, were as follows:

	Miscellaneous Plan	Safety Plan
Proportion June 30, 2021 (Measurement date)	-0.002316%	-0.049948%
Proportion June 30, 2022 (Measurement date)	0.000278%	0.007678%
Change - Increase (Decrease)	0.002594%	0.057627%

For the year ended June 30, 2023, SMC Fire recognized pension expense in the amounts of $152,561 and $6,919,059, for the Miscellaneous plans and Safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2021-22 measurement period is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired).

Note 7 – Pension Plans (Continued)

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

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

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

Deferred outflows of resources and deferred inflows of resources

	Miscellaneous Plans		Safety Plans	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	$ 91,571	$ -	$ 4,626,696	$ -
Changes in assumptions	1,332	-	53,199	-
Difference between actual and expected experience	86	-	16,107	-
Difference between projected and actual earning on pension plan investments	2,382	-	83,318	-
Adjustment due to differences in proportions	17,692	-	563,846	-
Difference between Employer's actual contributions and proportionate share of contributions	74,660	-	4,667,927	-
Total	$ 187,723	$ -	$ 10,011,093	$ -

	Total	
	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	$ 4,718,267	$ -
Difference between actual and expected experience	16,193	-
Difference between projected and actual earning on pension plan investments	85,700	-
Adjustment due to differences in proportions	581,538	-
Difference between Employer's actual contributions and proportionate share of contributions	4,742,587	-
Total	$ 10,198,816	$ -

Note 7 – Pension Plans (Continued)

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

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

For the Miscellaneous plans and Safety plans, $91,571 and $4,626,696, respectively, was reported as deferred outflows of resources related to pensions resulting from SMC Fire's contributions subsequent to the measurement date will be recognized as a reduction of collective the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows/ (Inflows) of Resources	
Year Ended June 30	Miscellaneous Plan	Safety Plan
2024	$ 52,800	$ 2,934,020
2025	30,802	1,751,676
2026	11,093	647,876
2027	1,457	50,825
2028	-	-
Thereafter	-	-
Total	$ 96,152	$ 5,384,397

Note 8 – Other Postemployment Benefits

A. General Information about OPEB

Plan Description

SMC Fire administers a single employer defined benefit post-employment healthcare plan (Plan). Merit employees who retire directly from SMC Fire under CalPERS at the minimum age 50 with at least 5 years of CalPERS service (or disability) are eligible to receive $160 per month for medical insurance premiums paid to CalPERS. This same benefit may continue to a surviving spouse depending on the retirement plan election.

Eligibility

Membership in the plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Active employees	154
Transferred and terminated employees	6
Retired employees and beneficiaries	11
Total	171

Note 8 – Other Postemployment Benefits (Continued)

A. General Information about OPEB (Continued)

Contributions

The Board will review the funding requirements and policy annually. SMC Fire funds the Plan on a pay as you go basis.

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

Total OPEB Liability

SMC Fires total OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability at June 30, 2023 was $3,197,498.

Actuarial Assumptions

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

Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 2000-2019 Experience Study
Mortality Improvement Scale	Modified projected fully generational with Scale MP-2021
Healthcare Trend Rate - Non-Medicare	6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Healthcare Trend Rate - Medicare	5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum Increase	4.00% annually

Change of Assumption

In 2022, the accounting discount rate was increased from 2.16% to 3.54%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% percent. This discount rate is rate is based on the municipal Bond Buyer 20-Bond Index.

Note 8 – Other Postemployment Benefits (Continued)

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Change in the Total OPEB Liability

		Total OPEB Liability
Balance at June 30, 2021 (Valuation Date)	$	2,835,505
Changes Recognized for the Measurement Period:		
Service Cost		1,174,516
Interest on the total OPEB liability		86,416
Changes of assumptions		(880,330)
Benefit payments		(18,609)
Net Changes during July 1, 2021 to June 30, 2022		361,993
Balance at June 30, 2022 (Measurement Date)	$	3,197,498

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of SMC Fire, as well as what SMC Fire's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage- point higher (4.54 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate + 1% (4.54%)
$ 3,802,878	$ 3,197,498	$ 2,726,038

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of SMC Fire, as well as what SMC Fire's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
-1%	Healthcare Cost Trend Rates	1%
$ 2,601,575	$ 3,197,498	$ 3,992,299

Note 8 – Other Postemployment Benefits (Continued)

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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

For the fiscal year ended June 30, 2023, SMC Fire recognized OPEB expense of $996,525. At June 30, 2023, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Employer contributions made subsequent to the measurement date	$ 39,038	$ -
Difference between expected and actual experience	-	(1,324,574)
Changes of assumptions	525,024	(1,811,860)
Total	$ 564,062	$ (3,136,434)

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 11.2 years, which was determined as of June 30, 2022, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2024	$ (264,748)
2025	(264,748)
2026	(264,748)
2027	(264,748)
2028	(264,748)
Thereafter	(1,287,670)
	$ (2,611,410)

Note 9 – Other Required Disclosures

Expenditures Exceeding Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

Fund	Excess Expenditures over Appropriations
General Fund	$ 323,712

Note 10 – Classification of Fund Balances

SMC Fire classifies fund balances, as shown on the *Balance Sheet – Governmental Funds*, as follows as of June 30, 2023:

	General Fund	Fire Prevention Special Revenue Fund	Total
Nonspendable			
Prepaid items	$ 20,045	$ -	$ 20,045
Total nonspendable	20,045	-	20,045
Committed			
Fire prevention inspection and other	-	974,972	974,972
Total committed	-	974,972	974,972
Unassigned	563,519	-	563,519
Total fund balances	$ 583,564	$ 974,972	$ 1,558,536

Note 11 – Prior Period Adjustment

The beginning net position at July 1, 2022 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities
Net position, as previously reported, at July 1, 2022	$ 21,957,128
To implement GASB 96 SBITAs	446,740
Net position at July 1, 2022, as restated	$ 22,403,868

Note 12 – Commitments and Contingencies

A. Commitments

SMC Fire had several outstanding or planned construction and other projects as of June 30, 2023. The were no material construction commitments as of June 30, 2023.

B. Litigation

SMC Fire is presently involved in certain matters of litigation that have risen in the normal course of conducting SMC Fire's business. SMC Fire management believes, based upon consultation with SMC Fire's Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on SMC Fire. Additionally, SMC Fire's management believes that SMC Fire's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

C. Federal and State Grant Programs

SMC Fire participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit act as amended. Accordingly, SMC Fire's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although SMC Fire anticipates such amounts, if any, will be immaterial.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Information

A. Budgetary Control and Budgetary Accounting

Budgets are adopted annually for the General Fund and Fire Prevention Fund. The Budget is adopted by the Fire Board (Board) and can be amended only by the Board.

An annual operating budget is adopted by the Board on or before June 30. The operating budget may be reallocated among programs, but expenditures may not exceed budgeted appropriations each year without Board acknowledgment and approval.

B. Encumbrances and Budgetary Financial Statements

SMC Fire's budget, and the accompanying budgetary financial statements, are prepared using encumbrance accounting. Encumbrance accounting requires that purchase orders, contracts, and other commitments for the expenditure of monies be recorded as expenditures in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year-end are reported as expenditures in the budgetary financial statements.

Unencumbered operating appropriations lapse at year-end.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedules – General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental:				
Contributions from City of Belmont	$ 8,722,543	$ 8,722,543	$ 8,722,543	$ -
Contributions from City of Foster City	8,722,543	8,722,543	8,722,543	-
Contributions from City of San Mateo	26,167,628	26,167,628	26,167,628	-
Grants and other intergovernmental	1,104,012	3,304,012	3,213,099	(90,913)
Charges for services	-	-	9,689	9,689
Other revenue	-	-	39,250	39,250
Interest income	50,000	50,000	124,631	74,631
Total revenues	44,766,726	46,966,726	46,999,383	32,657
EXPENDITURES:				
Current:				
Personnel costs	39,039,659	40,539,659	40,866,489	(326,830)
Materials and services	4,742,661	5,180,573	5,167,162	13,411
Payments to other agencies	241,234	241,234	241,234	-
Miscellaneous	3,500	3,500	13,329	(9,829)
Capital outlay	508,185	508,185	508,185	-
Debt service:				
Principal	211,952	211,952	211,952	-
Interest and fiscal charges	19,535	19,535	19,999	(464)
Total expenditures	44,766,726	46,704,638	47,028,350	(323,712)
REVENUES OVER (UNDER) EXPENDITURES	-	262,088	(28,967)	(291,055)
OTHER FINANCING SOURCES (USES):				
Inception of lease agreement	-	-	38,169	38,169
Inception of subscription agreement	-	-	24,140	24,140
Total other financing sources (uses)	-	-	62,309	62,309
Net change in fund balance	$ -	$ 262,088	33,342	$ (228,746)
FUND BALANCE:				
Beginning of year			550,222	
End of year			$ 583,564	

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedules – Fire Prevention Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Favorable/
	Original	Final	Amounts	(Unfavorable)
REVENUES:				
Intergovernmental:				
Grants and other intergovernmental	$ 64,000.00	$ 64,000.00	$ 54,322	$ (9,678)
Charges for services	2,588,779	2,588,779	2,841,572	252,793
Other revenue	-	-	29,375	29,375
Total revenues	2,652,779	2,652,779	2,925,269	272,490
EXPENDITURES:				
Current:				
Personnel costs	1,823,717	1,823,717	1,607,001	216,716
Materials and services	318,424	318,424	275,707	42,717
Payments to other agencies	482,468	482,468	241,234	241,234
Miscellaneous	-	-	107,484	(107,484)
Debt service:				
Principal	-	-	23,415	(23,415)
Interest and fiscal charges	-	-	585	(585)
Total expenditures	2,624,609	2,624,609	2,255,426	369,183
Net change in fund balance	$ 28,170	$ 28,170	669,843	$ 641,673
FUND BALANCE:				
Beginning of year			305,129	
End of year			$ 974,972	

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San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of SMC Fire's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios
For the Year Ended June 30, 2023

Miscellaneous Plans

Measurement period, year ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019[1]
Plan's proportion of the net pension liability	0.000278%	-0.002316%	-0.002316%	n/a
Plan's proportionate share of the net pension liability (asset)	$ 13,002	$ (43,971)	$ (758)	n/a
Plan's covered payroll	$ 870,003	$ 918,326	$ 891,579 0	$ 340,208
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	1.49%	-4.79%	-0.09%	n/a
Plan's fiduciary net position	$ 523,245	$ 341,443	$ 89,684	n/a
Plan's fiduciary net position as a percentage of the total pension liability (asset)	2.48%	-12.88%	-0.85%	n/a
Plan's proportionate share of aggregate employer contributions	$ 66,317	$ 79,561	$ 78,522	$ 29,267

[1] Information is only presented from the start of Department operations in January 2019.
n/a - information is not available.

Safety Plans

Measurement period, year ended	6/30/2022	6/30/2021	6/30/2020	6/30/2019[1]
Plan's proportion of the net pension liability	0.007678%	-0.049948%	-0.049948%	n/a
Plan's proportionate share of the net pension liability (asset)	$ 527,613	$ (1,752,934)	$ 11,183	n/a
Plan's covered payroll	$ 22,736,992	$ 20,440,407	$ 19,845,055	$ 18,507,379
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	2.58%	-8.58%	0.06%	n/a
Plan's fiduciary net position	$ 19,917,386	$ 13,447,991	$ 3,272,497	n/a
Plan's fiduciary net position as a percentage of the total pension liability (asset)	2.65%	-13.03%	0.34%	n/a
Plan's proportionate share of aggregate employer contributions	$ 4,278,297	$ 4,403,851	$ 4,075,340	$ 1,695,816

[1] Information is only presented from the start of Department operations in January 2019.
n/a - information is not available.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions - Pension
For the Year Ended June 30, 2023

Miscellaneous Plans

Fiscal Year:	2022-23	2021-22	2020-21	2019-20	2018-19[1]
Contractually determined contribution (actuarially determined)	$ 91,571	$ 66,317	$ 79,561	$ 78,522	$ 29,267
Contributions in relation to the actuarially determined contributions	(91,571)	(66,317)	(79,561)	(78,522)	(29,267)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,163,952	$ 870,003	$ 918,326	$ 891,579	$ 340,208
Contributions as a percentage of covered payroll	7.87%	7.62%	8.66%	8.81%	8.60%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2021 Funding Valuation Report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.50%
Investment rate of return	6.9% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2001 and 2019.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study. The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

[1] Information is only presented from the start of Department operations in January 2019.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions – Pension (Continued)
For the Year Ended June 30, 2023

Safety Plans

Fiscal Year:	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually determined contribution (actuarially determined)	$ 4,626,696	$ 4,278,297	$ 4,403,851	$ 4,075,340	$ 1,695,816
Contributions in relation to the actuarially determined contributions	(4,626,696)	(4,278,297)	(4,403,851)	(4,075,340)	(1,695,816)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 24,249,066	$ 22,736,992	$ 20,440,407	$ 19,845,055	$ 18,507,379
Contributions as a percentage of covered payroll	19.08%	18.82%	21.54%	20.54%	9.16%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2021 Funding Valuation Report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.500%
Investment rate of return	6.90% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2001 and 2019.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study. The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

[1] Information is only presented from the start of Department operations in January 2019.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

Measurement period, year ending:	6/30/2022	6/30/2021	6/30/2020	6/30/2019[1]
Total OPEB liability				
Service cost	$ 1,174,516	$ 2,256,923	$ 1,970,092	$ 542,698
Interest	86,416	122,865	90,609	10,492
Changes of benefit terms				-
Differences between expected and actual experience	-	(1,603,432)	-	-
Changes of assumptions	(880,330)	(1,222,789)	643,809	65,557
Benefit payments, including refunds of member contributions	(18,609)	(41,319)	-	-
Net change in total OPEB liability	361,993	(487,752)	2,704,510	618,747
Total OPEB liability - beginning	2,835,505	3,323,257	618,747	-
Total OPEB liability - ending (a)	$ 3,197,498	$ 2,835,505	$ 3,323,257	$ 618,747
OPEB fiduciary net position				
Contributions - employer	$ 18,609	$ 41,319	$ -	$ -
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(18,609)	(41,319)	-	-
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -
Plan net OPEB liability - ending (a) - (b)	$ 3,197,498	$ 2,835,505	$ 3,323,257	$ 618,747
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 29,232,000	$ 29,447,000	$ 29,452,031	$ 26,552,435
Plan net OPEB liability as a percentage of covered-employee payroll	10.94%	9.63%	11.28%	2.33%

[1] Information only presented from start of Department operations in January 2019.

SUPPLEMENTARY INFORMATION

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Internal Service Funds

Vehicle & Equipment Replacement Fund - This fund is used to account for SMC Fire's charges to for acquisition of vehicles, equipment, and fire engines.

Benefits & Dental Fund - This fund is used to account for SMC Fire's charges for expenditures relating to the employee benefits other than those accounted for in the Workers' Compensation and Comprehensive Liability Insurance Fund.

Workers' Compensation & Comprehensive Liability Insurance Fund - This fund is used to account for all workers' compensation activities, and general liability transactions.

San Mateo Consolidated Fire Department
Combining Statement of Net Position
All Internal Service Funds
June 30, 2023

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
ASSETS				
Current assets:				
Cash and investments	$ 1,616,101	$ 3,249,325	$ 2,187,654	$ 7,053,080
Accounts receivable, net	-	361	90,798	91,159
Prepaid items	-	263,720	2,348	266,068
Total current assets	1,616,101	3,513,406	2,280,800	7,410,307
Noncurrent assets:				
Capital assets:				
Non-depreciable	2,704,793	-	-	2,704,793
Depreciable, net	3,451,513	-	-	3,451,513
Total capital assets	6,156,306	-	-	6,156,306
Total noncurrent assets	6,156,306	-	-	6,156,306
Total assets	7,772,407	3,513,406	2,280,800	13,566,613
LIABILITIES				
Current liabilities:				
Accounts payable	30,992	330	-	31,322
Total current liabilities	30,992	330	-	31,322
Total liabilities	30,992	330	-	31,322
NET POSITION				
Net investment in capital assets	6,156,306	-	-	6,156,306
Unrestricted	1,585,109	3,513,076	2,280,800	7,378,985
Total net position	$ 7,741,415	$ 3,513,076	$ 2,280,800	$ 13,535,291

San Mateo Consolidated Fire Department
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
OPERATING REVENUES:				
Charges for services	$ 404,121	$ 9,326,854	$ 2,591,465	$ 12,322,440
Insurance reimbursement	-	-	584,166	584,166
Total operating revenues	404,121	9,326,854	3,175,631	12,906,606
OPERATING EXPENSES:				
Personnel costs	-	8,572,038	-	8,572,038
Materials and services	-	26,027	3,023,453	3,049,480
Depreciation	275,022	-	-	275,022
Total operating expenses	275,022	8,598,065	3,023,453	11,896,540
OPERATING INCOME	129,099	728,789	152,178	1,010,066
NONOPERATING REVENUES (EXPENSES):				
Interest income	23,476	-	17,499	40,975
Operating grants	26,307	-	-	26,307
Total nonoperating revenues (expenses)	49,783	-	17,499	67,282
INCOME BEFORE CAPITAL CONTRIBUTIONS	178,882	728,789	169,677	1,077,348
CAPITAL CONTRIBUTIONS				
Capital contributions	60,000	-	-	60,000
Total capital contributions	60,000	-	-	60,000
Changes in net position	238,882	728,789	169,677	1,137,348
NET POSITION:				
Beginning of year	7,502,533	2,784,287	2,111,123	12,397,943
End of year	$ 7,741,415	$ 3,513,076	$ 2,280,800	$ 13,535,291

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from interfund services provided	$ 404,121	$ 9,062,773	$ 2,498,319	$ 11,965,213
Cash received from insurance reimbursements	-	-	584,166	584,166
Cash payments to employees for services	-	(8,572,038)	-	(8,572,038)
Cash payments to suppliers for goods and services	(5,029)	(41,076)	(3,023,977)	(3,070,082)
Net cash provided by operating activities	399,092	449,659	58,508	907,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Operating grants	26,307	-	-	26,307
Contributions from other agencies	60,000	-	-	60,000
Acquisition of capital assets, net	(979,465)	-	-	(979,465)
Net cash (used in) capital and related financing activities	(893,158)	-	-	(893,158)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	23,476	-	17,499	40,975
Net cash (provided by) investing activities	23,476	-	17,499	40,975
Net change in cash and cash equivalents	(470,590)	449,659	76,007	55,076
CASH AND CASH EQUIVALENTS:				
Beginning of year	2,086,691	2,799,666	2,111,647	6,998,004
End of year	$ 1,616,101	$ 3,249,325	$ 2,187,654	$ 7,053,080

(Continued)

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 129,099	$ 728,789	$ 152,178	$ 1,010,066
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	275,022	-	-	275,022
Changes in operating assets and liabilities:				
Accounts receivable, net	-	(361)	(90,798)	(91,159)
Prepaid items	-	(263,720)	(2,348)	(266,068)
Accounts payable	(5,029)	(15,049)	(524)	(20,602)
Total adjustments	269,993	(279,130)	(93,670)	(102,807)
Net cash provided by operating activities	$ 399,092	$ 449,659	$ 58,508	$ 907,259

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Consolidated Fire Department ("SMC Fire"), as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise SMC Fire's basic financial statements, and have issued our report thereon dated March 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMC Fire's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMC Fire's internal control. Accordingly, we do not express an opinion on the effectiveness of SMC Fire's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SMC Fire's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California
Page 2

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Walnut Creek, California
March 8, 2024