

San Mateo Consolidated Fire Department

Foster City, California

Annual Financial Report

For the Year Ended June 30, 2025

Prepared by
City of San Mateo Finance Department

**San Mateo Consolidated Fire Department
Annual Financial Report
For the Year Ended June 30, 2025
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
San Mateo, 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, 2025, 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, 2025, 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 Auditor's 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the SMC Fire adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. The adoption of this standard resulted in the restatement of the SMC Fire's net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with accounting standards generally accepted in the United States of America and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 55 through 64 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.

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
San Mateo, California
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Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 November 7, 2025, 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 7, 2025

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Mateo Consolidated Fire Department
Statement of Net Position
June 30, 2025

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 9,887,326
Accounts receivable, net	1,894,577
Interest receivable	115,478
Prepaid items	25,610
Total current assets	11,922,991
Noncurrent assets:	
Capital assets:	
Depreciable/amortizable, net	13,580,851
Total capital assets	13,580,851
Total noncurrent assets	13,580,851
Total assets	25,503,842
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	12,712,325
Related to OPEB	1,689,398
Total deferred outflows of resources	14,401,723
LIABILITIES	
Current liabilities:	
Accounts payable	438,539
Accrued payroll	1,523,579
Deposits payable	25,620
Interest payable	34,099
Compensated absences - due within one year	1,801,728
Long-term debt - due within one year	364,884
Total current liabilities	4,188,449
Noncurrent liabilities:	
Net pension liability	2,960,835
Net OPEB liability	5,360,450
Compensated absences - due in more than one year	3,785,026
Long-term debt - due in more than one year	3,724,359
Total noncurrent liabilities	15,830,670
Total liabilities	20,019,119
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	2,923,672
Total deferred inflows of resources	2,923,672
NET POSITION	
Net investment in capital assets	9,491,608
Unrestricted	7,471,166
Total net position	\$ 16,962,774

See accompanying Notes to the Basic Financial Statements.

San Mateo Consolidated Fire Department
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position
	Governmental Activities
Expenses:	
Governmental activities:	
Personnel	\$ 49,570,625
Materials and services	6,042,340
Payments to other agencies	493,170
Miscellaneous	49,132
Depreciation/amortization	1,199,712
Interest on long-term debt	54,198
Total governmental activities	57,409,177
Program revenues:	
Charges of services	2,686,153
Operating contributions	51,995,961
Total program revenues	54,682,114
General revenues:	
Investment income	411,504
Loss on sale of capital assets	(86,871)
Miscellaneous revenue	875,192
Total general revenues	1,199,825
Change in net position	(1,527,238)
Net Position:	
Beginning of year, as restated (Note 11)	18,490,012
End of year	\$ 16,962,774

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.

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San Mateo Consolidated Fire Department
Balance Sheet
Governmental Funds
June 30, 2025

	Major Funds		Total Governmental Funds
	General Fund	Fire Prevention Special Revenue Fund	
ASSETS			
Cash and investments	\$ 2,095,708	\$ -	\$ 2,095,708
Accounts receivable, net	1,001,619	712,194	1,713,813
Interest receivable	115,478	-	115,478
Due from other funds	251,605	-	251,605
Prepaid items	12,805	12,805	25,610
Total assets	\$ 3,477,215	\$ 724,999	\$ 4,202,214
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 369,060	\$ 36,436	\$ 405,496
Accrued payroll	1,453,295	70,284	1,523,579
Due to other funds	-	251,605	251,605
Deposits payable	14,125	11,495	25,620
Total liabilities	1,836,480	369,820	2,206,300
Fund Balances:			
Nonspendable	12,805	12,805	25,610
Committed	-	342,374	342,374
Unassigned	1,627,930	-	1,627,930
Total fund balances	1,640,735	355,179	1,995,914
Total liabilities and fund balances	\$ 3,477,215	\$ 724,999	\$ 4,202,214

**San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2025**

Total Fund Balances - Total Governmental Funds	\$ 1,995,914
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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	13,580,851
Less: capital assets reported in Internal Service Funds	(6,107,118)
Total capital assets	7,473,733

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	(364,884)
Long-term debt - due in more than one year	(3,724,359)
Compensated absences - due within one year	(1,801,728)
Compensated absences - due in more than one year	(3,785,026)
Total long-term liabilities	(9,675,997)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.

	(34,099)
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Aggregate net pension liability and net 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	(2,960,835)
Net OPEB liability	(5,360,450)
Total net pension liability and net OPEB liability	(8,321,285)

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	1,689,398
Deferred outflows of resources related to pensions	12,712,325
Total deferred outflows of resources	14,401,723

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	(2,923,672)
Total deferred inflows of resources	(2,923,672)

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.

	14,046,457
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Net Position of Governmental Activities	\$ 16,962,774
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San Mateo Consolidated Fire Department
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds		Total Governmental Funds
	General Fund	Fire Prevention Special Revenue Fund	
REVENUES:			
Intergovernmental:			
Contributions from City of Belmont	\$ 9,582,555	\$ -	\$ 9,582,555
Contributions from City of Foster City	9,582,555	-	9,582,555
Contributions from City of San Mateo	28,747,664	-	28,747,664
Grants and other intergovernmental	4,067,484	15,703	4,083,187
Charges for services	2,000	2,684,153	2,686,153
Other revenue	841,311	11,185	852,496
Interest income	285,267	3,931	289,198
Total revenues	53,108,836	2,714,972	55,823,808
EXPENDITURES:			
Current:			
Personnel costs	46,826,620	2,409,592	49,236,212
Materials and services	5,564,570	367,719	5,932,289
Payments to other agencies	-	493,170	493,170
Miscellaneous	49,125	7	49,132
Capital outlay	2,548,801	1,307,694	3,856,495.00
Debt service:			
Principal	149,086	17,145	166,231
Interest and fiscal charges	24,927	3,773	28,700
Total expenditures	55,163,129	4,599,100	59,762,229
REVENUES OVER (UNDER) EXPENDITURES	(2,054,293)	(1,884,128)	(3,938,421)
OTHER FINANCING SOURCES (USES):			
Inception of lease agreement	2,146,956	1,204,073	3,351,029
Inception of subscription agreement	281,500	46,904	328,404
Total other financing sources (uses)	2,428,456	1,250,977	3,679,433
NET CHANGE IN FUND BALANCES	374,163	(633,151)	(258,988)
FUND BALANCES:			
Beginning of year	1,266,572	988,330	2,254,902
End of year	<u>\$ 1,640,735</u>	<u>\$ 355,179</u>	<u>\$ 1,995,914</u>

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, 2025

Net change in Fund Balances - Total Governmental Funds \$ (258,988)

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 \$68,698, and capitalized materials and services of \$110,051. 3,746,444

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 \$336,144. (863,568)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased net position. (86,871)

Due to the termination of a subscription-based information technology arrangement related to the fire operations system the SMC Fire derecognized the related subscription asset and liability, resulting in a gain of recognized in the statement of activities as follows:

Subscription asset, net	(145,893)
Subscription liability	167,089
Gain/(loss) on termination	21,196

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.

Lease liability	(3,351,029)
Subscription liability	(328,404)

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	166,231
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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. (118,405)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. This amount represented the changes in accrued interest from prior year. (25,498)

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 pension related deferred outflows of resources	531,979
Changes in net pension liabilities	(244,843)

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	(1,571,522)
Changes in net OPEB liabilities	167,126
Changes in OPEB related deferred inflows of resources	104,463

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. 584,451

Change in Net Position of Governmental Activities \$ (1,527,238)

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.

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San Mateo Consolidated Fire Department
Statement of Net Position
Proprietary Funds
June 30, 2025

	Total Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 7,791,618
Accounts receivable, net	180,764
Total current assets	7,972,382
Noncurrent assets:	
Capital assets:	
Depreciable/amortizable, net	6,107,118
Total capital assets	6,107,118
Total noncurrent assets	6,107,118
Total assets	14,079,500
LIABILITIES	
Current liabilities:	
Accounts payable	33,043
Total current liabilities	33,043
Total liabilities	33,043
NET POSITION	
Net investment in capital assets	6,107,118
Unrestricted	7,939,339
Total net position	\$ 14,046,457

San Mateo Consolidated Fire Department
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Total Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 14,929,996
Insurance reimbursement	180,808
Total operating revenues	15,110,804
OPERATING EXPENSES:	
Personnel costs	10,403,632
Materials and services	3,910,383
Depreciation/amortization	336,144
Total operating expenses	14,650,159
OPERATING INCOME	460,645
NONOPERATING REVENUES:	
Investment income	122,306
Gain on sale of capital assets	1,500
Total nonoperating revenues	123,806
Change in net position	584,451
NET POSITION:	
Beginning of year	13,462,006
End of year	\$ 14,046,457

San Mateo Consolidated Fire Department
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services provided	\$ 14,929,996
Cash received from insurance reimbursements	105,816
Cash payments to employees for services	(10,403,632)
Cash payments to suppliers for goods and services	(3,976,545)
Net cash provided by operating activities	655,635
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of capital assets	1,500
Acquisition of capital assets	(68,698)
Net cash (used in) capital and related financing activities	(67,198)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest from investments	122,306
Net cash (provided by) investing activities	122,306
Net change in cash and cash equivalents	710,743
CASH AND CASH EQUIVALENTS:	
Beginning of year	7,080,875
End of year	\$ 7,791,618
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 460,645
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	336,144
Changes in operating assets and liabilities:	
Accounts receivable, net	(74,992)
Accounts payable	(66,162)
Total adjustments	194,990
Net cash provided by operating activities	\$ 655,635

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Mateo Consolidated Fire Department
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For the Year Ended June 30, 2025

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San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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 was formed on November 22, 2017 as a Joint Powers Authority (“JPA”) between the City of San Mateo (“San Mateo”), the City of Foster City/Estero Municipal Improvement District (“Foster City”), and the City of Belmont/Belmont Fire Protection District (“Belmont”).

SMF Fire was formed to provide integrated and comprehensive fire protection, fire prevention, and emergency response services to all three communities serving a population of over 164,000.

SMC Fire is a legally separate and independent entity that is not a component unit of San Mateo, Foster City, or 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 is governed under the terms of the JPA Agreement by a Board of Directors consisting of one voting representative and one alternate who are elected members from the governing boards of the three JPA Member Agencies. Each member agency has the following weighted vote: San Mateo (60%), Belmont (20%), and Foster City (20%), with a minimum weighted vote of 80% needed for any action to be taken.

SMC Fire maintains its headquarters at 2121 S. El Camino Real, Building B, Suite 100, San Mateo, CA, 94403.

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.

Government-Wide Financial Statements

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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. Under this method, revenues are recognized when measurable and available. In the fund financial statements, property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. Property taxes are recorded as deferred inflows of resources when not received within sixty days after fiscal year-end. In the government-wide financial statements, property taxes are recorded as revenue when levied regardless of when the cash is collected. Charges for services and interest are accrued when their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

B. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

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.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

F. Leases (Continued)

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.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

G. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

- 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
Building and improvements	20-40
Machinery & equipment	2-15

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

I. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation: The City’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee’s current pay rate upon separation from employment.

Sick Leave: The City’s policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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, 2023
Measurement date	June 30, 2024
Measurement period	July 1, 2023 to June 30, 2024

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.

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, 2023
Measurement date	June 30, 2024
Measurement period	July 1, 2023 to June 30, 2024

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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.

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

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) 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:

Net Investment in Capital Assets – 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.

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

Unrestricted – 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.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

N. Fund Balances (Continued)

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.

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2025

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, 2025. 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. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement had a moderate effect on the SMC Fire’s financial reporting for the fiscal year ended June 30, 2025. See Note 12.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement did not have an effect on the SMC Fire’s financial reporting for the fiscal year ended June 30, 2025.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments

Cash and investments consisted of the following at June 30, 2025:

Demand deposits with financial institutions	\$ 657,630
Total cash	657,630
Local Agency Investment Fund (LAIF)	9,229,696
Total investments	9,229,696
Total cash and investments	\$ 9,887,326

A. Deposits

The carrying amount of SMC Fire’s cash deposits were \$657,630 at June 30, 2025. Bank balances before reconciling items were \$610,077 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%

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures

Interest Rate Risk

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, 2025, SMC Fire had the following investments and maturities:

<u>Investments</u>	<u>Minimum Rating Required</u>	<u>Fair Value</u>	<u>Maturity 12 Months or Less</u>
Investments:			
Local Agency Investment Fund (LAIF)	NA	\$ 9,229,696	\$ 9,229,696
Total Investments		<u>\$ 9,229,696</u>	<u>\$ 9,229,696</u>

Credit Risk

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, 2025, SMC Fire had the following investments and ratings.

<u>Investments</u>	<u>Credit Rating</u>	<u>Value</u>
Investments:		
Local Agency Investment Fund (LAIF)	Not Rated	\$ 9,229,696
Total Investments		<u>\$ 9,229,696</u>

Custodial Credit Risk

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.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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.

As of June 30, 2025, SMC Fire had \$9,229,696 invested in LAIF. LAIF determines fair 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. LAIF is reported at amortized cost, which approximates fair value.

Note 3 – Interfund Balances and Transactions

A. Due To/Due From Other Funds

At June 30, 2025, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Fire Prevention Special Revenue Fund	\$ 251,605	Overdrawn Cash

Current 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.

Note 4 – Capital Assets

Summary of changes in capital assets activity for the year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
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					
Buildings and improvements	24,716	-	-	-	24,716
Machinery and equipment	11,289,826	130,709	(1,052,578)	2,704,793	13,072,750
Total capital assets, being depreciated	11,314,542	130,709	(1,052,578)	2,704,793	13,097,466
Less: accumulated depreciation:					
Buildings and improvements	(1,133)	(1,236)	-	-	(2,369)
Machinery and equipment	(3,953,274)	(861,160)	965,707	-	(3,848,727)
Total accumulated depreciation	(3,954,407)	(862,396)	965,707	-	(3,851,096)
Total capital assets, being depreciated, net	7,360,135	(731,687)	(86,871)	2,704,793	9,246,370
Lease assets, being amortized					
Buildings and improvements	157,646	3,351,030	-	-	3,508,676
Total leased assets, being amortized	157,646	3,351,030	-	-	3,508,676
Less: accumulated amortization					
Buildings and improvements	(48,523)	(165,160)	-	-	(213,683)
Total accumulated amortization	(48,523)	(165,160)	-	-	(213,683)
Total leased asset, being amortized, net	109,123	3,185,870	-	-	3,294,993
Subscription assets, being amortized	1,367,568	333,403	(305,762)	-	1,395,209
Less: accumulated amortization	(343,434)	(172,156)	159,869	-	(355,721)
Total subscription assets, being amortized, net	1,024,134	161,247	(145,893)	-	1,039,488
Total capital assets, net	\$ 11,198,185	\$ 2,615,430	\$ (232,764)	\$ -	\$ 13,580,851

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Capital Assets (Continued)

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

Public safety - fire	\$ 863,568
Internal service funds	336,144
Total depreciation/amortization expense	\$ 1,199,712

Note 5 – Long-Term Debt

A summary of changes in the long-term liabilities of the governmental activities for the year ended June 30, 2025, is as follows:

	Balance July 1, 2024	Debt Issued	Debt Retired	Balance June 30, 2025	Classification	
					Due within One Year	Due in More Than One Year
Long-term debt:						
Lease liability	\$ 106,643	\$ 3,351,029	\$ (49,220)	\$ 3,408,452	\$ 241,813	\$ 3,166,639
Subscription liability	636,487	328,404	(284,100)	680,791	123,071	557,720
Total	\$ 743,130	\$ 3,679,433	\$ (333,320)	\$ 4,089,243	\$ 364,884	\$ 3,724,359

Lease Liability

As of June 30, 2025, SMC Fire has 3 active leases. The leases have payments that range from \$0 to \$47,200 and interest rates that range from 2.9490% to 3.0000%. The terms of the agreements range from 8 to 12 years. As of June 30, 2025, the total combined value of the lease liability is \$3,408,452, the total combined value of the short-term lease liability is \$241,813. The combined value of the right-to-use asset, as of June 30, 2025, was of \$3,508,676 with accumulated amortization of \$213,683.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 241,813	\$ 116,087	\$ 357,900
2027	320,678	89,453	410,131
2028	332,471	79,786	412,257
2029	388,680	69,243	457,923
2030	408,871	57,438	466,309
2031-2035	1,664,908	122,862	1,787,770
2036	51,031	189	51,220
Total	\$ 3,408,452	\$ 535,058	\$ 3,943,510

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Long-Term Debt (Continued)

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, 2025, the capitalized right-to-use assets related to SBITAs were \$ 1,395,209, with accumulated amortization of \$355,721. The total subscription liability was \$680,791, of which \$123,071 is reported as a current liability.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 123,071	\$ 19,366	\$ 142,437
2027	110,034	15,864	125,898
2028	110,779	12,703	123,482
2029	111,517	9,567	121,084
2030	115,655	6,361	122,016
2031-2034	109,735	5,467	115,202
Total	\$ 680,791	\$ 69,328	\$ 750,119

Note 6 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2025 is as follows:

	Balance		Balance June 30, 2025	Classification	
	July 1, 2024 as restated	Increase (Decrease)		Due within One Year	Due in More Than One Year
Compensated absences	\$ 5,468,349	\$ 118,405	\$ 5,586,754	\$ 1,801,728	\$ 3,785,026

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 \$5,586,754 at June 30, 2025. The amount due within one year of \$1,801,728 represents the estimated amount for anticipated retirees.

Note 7 – 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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Risk Management (Continued)

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, 2025 were covered by the insurance policies.

Note 8 – 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 eight 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, 2024, measurement date, the following members were covered by the benefit terms for each Plan:

	Miscellaneous Plans	Safety Plans
Active	15	140
Transferred or separated	3	17
Retired	1	36
Total	19	193

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

The rate plan provisions and benefits in effect at June 30, 2025, are summarized below:

For transferred employees from member agencies

	<u>Classic Misc - San Mateo Tier 1</u>	<u>Classic Misc - San Mateo Tier 2</u>	<u>Classic Safety - Belmont Tier 2</u>
Benefit formula	2% at age 55	2% at age 55	2% at age 50
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	50
Required employee contribution rates	7.000%	0.000%	9.000%
Required employer contribution rates	12.520%	0.000%	20.090%
Final Average Compensation Period	1 year	3 years	3 years
	<u>Classic Safety - Foster City Tier 1</u>	<u>Classic Safety - San Mateo Tier 1</u>	<u>Classic Safety - San Mateo Tier 2</u>
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	25.860%	27.320%	23.000%
Final Average Compensation Period	3 years	1 year	3 years

For new employees hired after January 13, 2019

	<u>PEPRA - Misc</u>	<u>PEPRA - Safety</u>
Benefit formula	2% at age 62	2.7% at age 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	52	50
Required employee contribution rates	7.750%	13.750%
Required employer contribution rates	7.870%	13.760%
Final Average Compensation Period	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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – 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, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
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	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full 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 2021 experience study report from November 2021 that can be found on the CalPERS website.

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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – 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	Target Asset Allocation	Real Return
Global Equity - Cap-weighted	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%
Total	100.00%	

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	\$ 190,356	\$ 59,743	\$ (47,771)
Safety Plans	8,363,842	2,901,092	(1,566,670)

Pension Plan Fiduciary Net Position

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

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – 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: 6/30/23 (Valuation date)	\$ 717,109	\$ 661,714	\$ 55,395
Balance at: 6/30/24 (Measurement date)	967,931	908,188	59,743
Net Changes during 2023-2024	250,822	246,474	4,348
Safety Plan:			
Balance at: 6/30/23 (Valuation date)	\$ 30,046,159	\$ 27,385,562	\$ 2,660,597
Balance at: 6/30/24 (Measurement date)	39,991,133	37,090,041	2,901,092
Net Changes during 2023-2024	9,944,974	9,704,479	240,495

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, 2023). 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, 2024). 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, 2024 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2022-23).
- (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).

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – 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, 2023 and 2024, were as follows:

	Miscellaneous Plan	Safety Plan
Proportion June 30, 2023 (Measurement date)	0.001108%	0.035594%
Proportion June 30, 2024 (Measurement date)	0.001235%	0.039791%
Change - Increase (Decrease)	0.000127%	0.004197%

For the year ended June 30, 2025, SMC Fire recognized pension expense in the amounts of \$102,727 and \$5,271,894, 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 2023-24 measurement period is 3.8 years, which was obtained by dividing the total service years of 630,177 (the sum of remaining service lifetimes of the active employees) by 166,163 (the total number of participants: active, inactive, and retired).

At June 30, 2025, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	\$ 136,558	\$ -	\$ 5,525,197	\$ -
Changes in assumptions	1,536	-	71,477	-
Difference between actual and expected experience	4,964	-	229,057	-
Difference between projected and actual earning on pension plan investments	3,439	-	140,226	-
Adjustment due to differences in proportions	30,424	-	1,263,170	-
Difference between Employer’s actual contributions and proportionate share of contributions	93,885	-	5,212,392	-
Total	\$ 270,806	\$ -	\$ 12,441,519	\$ -
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Contributions made after measurement date	\$ 5,661,755	\$ -		
Changes in assumptions	73,013	-		
Difference between actual and expected experience	234,021	-		
Difference between projected and actual earning on pension plan investments	143,665	-		
Adjustment due to differences in proportions	1,293,594	-		
Difference between Employer’s actual contributions and proportionate share of contributions	5,306,277	-		
Total	\$ 12,712,325	\$ -		

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – 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, \$136,558 and \$5,525,197 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 the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous Plan	Safety Plan
2026	\$ 63,161	\$ 3,332,304
2027	51,925	2,605,762
2028	20,341	1,026,235
2029	(1,179)	(47,979)
2030	-	-
Thereafter	-	-
Total	\$ 134,248	\$ 6,916,322

Note 9 – 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, 2024, the date of the latest actuarial valuation:

Active employees	155
Transferred and terminated employees	9
Retired employees and beneficiaries	14
Total	178

Contributions

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

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Other Postemployment Benefits (Continued)

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

Total OPEB Liability

SMC Fires net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. The net OPEB liability at June 30, 2025 was \$5,360,450.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate

The discount rate used to measure the total OPEB liability was 3.95% percent. This discount rate is based on the municipal Bond Buyer 20-Bond Index.

Change in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2023 (Valuation Date)	\$ 5,527,576	\$ -	\$ 5,527,576
Changes Recognized for the Measurement Period:			
Service Cost	1,500,465	-	1,500,465
Interest on the total OPEB liability	253,648	-	253,648
Contributions from the employer	-	1,657,569	(1,657,569)
Net investment income	-	42,000	(42,000)
Benefit payments	(157,569)	(157,569)	-
Change due to investment experience	-	(40,364)	40,364
Change due to change in discount rate	(262,034)	-	(262,034)
Net Changes during July 1, 2023 to June 30, 2024	1,334,510	1,501,636	(167,126)
Balance at June 30, 2024 (Measurement Date)	\$ 6,862,086	\$ 1,501,636	\$ 5,360,450

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 (2.95 percent) or 1-percentage-point higher (4.95 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.95%)	Current Discount Rate (3.95%)	Discount Rate + 1% (4.95%)
\$ 6,302,503	\$ 5,360,450	\$ 4,596,353

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Other Postemployment Benefits (Continued)

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

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		
Healthcare Cost		
-1%	Trend Rates	1%
\$ 4,337,968	\$ 5,360,450	\$ 6,670,427

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

For the fiscal year ended June 30, 2025, SMC Fire recognized OPEB expense of \$1,518,470. At June 30, 2025, 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	\$ 218,537	\$ -
Changes of assumptions	405,802	(1,877,956)
Difference between expected and actual experience	1,032,768	(1,045,716)
Difference between projected and actual earning on investments	32,291	-
Total	\$ 1,689,398	\$ (2,923,672)

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 11.82 years, which was determined as of June 30, 2024, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

Deferred outflows of resources related to OPEB resulting from SMC Fire’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2026	\$ (193,643)
2027	(193,643)
2028	(193,643)
2029	(193,644)
2030	(201,716)
Thereafter	(476,522)
	\$ (1,452,811)

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025:

	General Fund	Fire Prevention Special Revenue Fund	Total
Nonspendable			
Prepaid items	\$ 12,805	\$ 12,805	\$ 25,610
Total nonspendable	12,805	12,805	25,610
Committed			
Fire prevention inspection and other	-	342,374	342,374
Total committed	-	342,374	342,374
Unassigned			
	1,627,930	-	1,627,930
Total fund balances	\$ 1,640,735	\$ 355,179	\$ 1,995,914

Note 11 – Restatement of Beginning Net Position

The beginning net position was restated due to implementation of GASB 101 *Compensated Absences* as follows:

	<u>Governmental Activities</u>
Net position as previously reported at June 30, 2024	\$ 21,233,968
Restatement to implement GASB Statement No. 101	(2,743,956)
Net position as restated at July 1, 2024	<u>\$ 18,490,012</u>

Note 12 – Commitments and Contingencies

A. Commitments

SMC Fire had several outstanding or planned construction and other projects as of June 30, 2025. There were no material construction commitments as of June 30, 2025.

B. Litigation

SMC Fire is presently involved in certain matters of litigation that have arisen 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.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – Commitments and Contingencies (Continued)

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.

Note 13 – Subsequent Events

On September 24, 2025, SMC Fire entered into two finance purchase agreements totaling approximately \$5.1 million for the acquisition of three (3) fire trucks.

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REQUIRED SUPPLEMENTARY INFORMATION

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**San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2025**

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, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Contributions from City of Belmont	\$ 9,582,555	\$ 9,582,555	\$ 9,582,555	\$ -
Contributions from City of Foster City	9,582,555	9,582,555	9,582,555	-
Contributions from City of San Mateo	28,747,664	28,747,664	28,747,664	-
Grants and other intergovernmental	1,126,145	4,926,145	4,067,484	(858,661)
Charges for services	-	-	2,000	2,000
Other revenue	-	-	841,311	841,311
Interest income	75,000	75,000	285,267	210,267
Total revenues	49,113,919	52,913,919	53,108,836	194,917
EXPENDITURES:				
Current:				
Personnel costs	42,852,977	46,777,977	46,826,620	(48,643)
Materials and services	6,086,270	5,912,258	5,564,570	347,688
Miscellaneous	3,500	3,500	49,125	(45,625)
Capital outlay	-	2,428,456	2,548,801	(120,345)
Debt service:				
Principal	-	149,085	149,086	(1)
Interest and fiscal charges	-	24,927	24,927	-
Total expenditures	48,942,747	55,296,203	55,163,129	133,074
REVENUES OVER (UNDER) EXPENDITURES	171,172	(2,382,284)	(2,054,293)	327,991
OTHER FINANCING SOURCES (USES):				
Inception of lease agreement	-	2,146,956	2,146,956	-
Inception of subscription agreement	-	281,500	281,500	-
Total other financing sources (uses)	-	2,428,456	2,428,456	-
Net change in fund balance	\$ 171,172	\$ 46,172	374,163	\$ 327,991
FUND BALANCE:				
Beginning of year			1,266,572	
End of year			<u>\$ 1,640,735</u>	

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedules – Fire Prevention Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Grants and other intergovernmental	\$ -	\$ -	\$ 15,703	\$ 15,703
Charges for services	3,358,452	3,358,452	2,684,153	(674,299)
Other revenue	35,000	35,000	11,185	(23,815)
Interest income	-	-	3,931	3,931
Total revenues	3,393,452	3,393,452	2,714,972	(678,480)
EXPENDITURES:				
Current:				
Personnel costs	2,546,123	2,566,123	2,409,592	156,531
Materials and services	563,347	537,429	367,719	169,710
Payments to other agencies	545,912	545,912	493,170	52,742
Miscellaneous	-	-	7	(7)
Capital outlay	-	1,255,977	1,307,694	(51,717)
Debt service:				
Principal	-	17,145	17,145	-
Interest and fiscal charges	-	3,773	3,773	-
Total expenditures	3,655,382	4,926,359	4,599,100	327,259
REVENUES OVER (UNDER) EXPENDITURES	(261,930)	(1,532,907)	(1,884,128)	(351,221)
OTHER FINANCING SOURCES (USES):				
Inception of lease agreement	-	1,204,073	1,204,073	-
Inception of subscription agreement	-	46,904	46,904	-
Total other financing sources (uses)	-	1,250,977	1,250,977	-
Net change in fund balance	\$ (261,930)	\$ (281,930)	(633,151)	\$ (351,221)
FUND BALANCE:				
Beginning of year			988,330	
End of year			<u>\$ 355,179</u>	

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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, 2025

Measurement period, year ended	Miscellaneous Plans					
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019¹
Plan's proportion of the net pension liability	0.001235%	0.001108%	0.000278%	-0.002316%	-0.002316%	n/a
Plan's proportionate share of the net pension liability (asset)	\$ 59,743	\$ 55,395	\$ 13,002	\$ (43,971)	\$ (758)	n/a
Plan's covered payroll	\$ 1,384,697	\$ 1,163,952	\$ 870,003	\$ 918,326	\$ 891,579	\$ 340,208
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	4.31%	4.76%	1.49%	-4.79%	-0.09%	n/a
Plan's fiduciary net position	\$ 908,188	\$ 661,714	\$ 523,245	\$ 341,443	\$ 89,684	n/a
Plan's fiduciary net position as a percentage of the total pension liability (asset)	93.83%	92.28%	97.58%	114.78%	100.85%	n/a
Plan's proportionate share of aggregate employer contributions	\$ 110,840	\$ 91,571	\$ 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.

Measurement period, year ended	Safety Plans					
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019¹
Plan's proportion of the net pension liability	0.039791%	0.035594%	0.007678%	-0.049948%	-0.049948%	n/a
Plan's proportionate share of the net pension liability (asset)	\$ 2,901,092	\$ 2,660,597	\$ 527,613	\$ (1,752,934)	\$ 11,183	n/a
Plan's covered payroll	\$ 25,888,787	\$ 24,249,066	\$ 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	11.21%	10.97%	2.58%	-8.58%	0.06%	n/a
Plan's fiduciary net position	\$ 37,090,041	\$ 27,385,562	\$ 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)	92.75%	91.14%	97.42%	114.99%	99.66%	n/a
Plan's proportionate share of aggregate employer contributions	\$ 5,413,765	\$ 4,626,696	\$ 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, 2025

Miscellaneous Plans

Fiscal Year:	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19 ¹
Contractually determined contribution (actuarially determined)	\$ 136,558	\$ 110,840	\$ 91,571	\$ 66,317	\$ 79,561	\$ 78,522	\$ 29,267
Contributions in relation to the actuarially determined contributions	(136,558)	(110,840)	(91,571)	(66,317)	(79,561)	(78,522)	(29,267)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,616,034	\$ 1,384,697	\$ 1,163,952	\$ 870,003	\$ 918,326	\$ 891,579	\$ 340,208
Contributions as a percentage of covered payroll	8.45%	8.00%	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, 2025**

	Safety Plans						
Fiscal Year:	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Contractually determined contribution (actuarially determined)	\$ 5,525,197	\$ 5,413,765	\$ 4,626,696	\$ 4,278,297	\$ 4,403,851	\$ 4,075,340	\$ 1,695,816
Contributions in relation to the actuarially determined contributions	(5,525,197)	(5,413,765)	(4,626,696)	(4,278,297)	(4,403,851)	(4,075,340)	(1,695,816)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 26,392,141	\$ 25,888,787	\$ 24,249,066	\$ 22,736,992	\$ 20,440,407	\$ 19,845,055	\$ 18,507,379
Contributions as a percentage of covered payroll	20.94%	20.91%	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, 2025

Measurement period, year ending:	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019¹</u>
Total OPEB liability						
Service cost	\$ 1,500,465	\$ 1,206,815	\$ 1,174,516	\$ 2,256,923	\$ 1,970,092	\$ 542,698
Interest	253,648	155,222	86,416	122,865	90,609	10,492
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	1,243,108	-	(1,603,432)	-	-
Changes of assumptions	-	(236,029)	(880,330)	(1,222,789)	643,809	65,557
Benefit payments, including refunds of member contributions	(157,569)	(39,038)	(18,609)	(41,319)	-	-
Change due to change in discount rate	(262,034)	-	-	-	-	-
Net change in total OPEB liability	<u>1,334,510</u>	<u>2,330,078</u>	<u>361,993</u>	<u>(487,752)</u>	<u>2,704,510</u>	<u>618,747</u>
Total OPEB liability - beginning	<u>5,527,576</u>	<u>3,197,498</u>	<u>2,835,505</u>	<u>3,323,257</u>	<u>618,747</u>	<u>-</u>
Total OPEB liability - ending (a)	<u>\$ 6,862,086</u>	<u>\$ 5,527,576</u>	<u>\$ 3,197,498</u>	<u>\$ 2,835,505</u>	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>
OPEB fiduciary net position						
Contributions - employer	\$ 1,657,569	\$ 39,038	\$ 18,609	\$ 41,319	\$ -	\$ -
Net investment income	42,000	-	-	-	-	-
Benefit payments, including refunds of member contributions	(157,569)	(39,038)	(18,609)	(41,319)	-	-
Change due to investment experience	(40,364)	-	-	-	-	-
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>1,501,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,501,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 5,360,450</u>	<u>\$ 5,527,576</u>	<u>\$ 3,197,498</u>	<u>\$ 2,835,505</u>	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>
Plan fiduciary net position as a percentage of the total OPEB liability	21.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 30,910,000	\$ 29,232,000	\$ 29,447,000	\$ 29,284,000	\$ 25,542,000	\$ 113,260,000
Plan net OPEB liability as a percentage of covered-employee payroll	17.34%	18.91%	10.86%	9.68%	13.01%	0.55%

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.

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San Mateo Consolidated Fire Department
Combining Statement of Net Position
All Internal Service Funds
June 30, 2025

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 4,117,914	\$ 2,702,568	\$ 971,136	\$ 7,791,618
Accounts receivable, net	-	-	180,764	180,764
Total current assets	4,117,914	2,702,568	1,151,900	7,972,382
Noncurrent assets:				
Capital assets:				
Depreciable/amortizable, net	6,107,118	-	-	6,107,118
Total capital assets	6,107,118	-	-	6,107,118
Total noncurrent assets	6,107,118	-	-	6,107,118
Total assets	10,225,032	2,702,568	1,151,900	14,079,500
LIABILITIES				
Current liabilities:				
Accounts payable	18,990	14,053	-	33,043
Total current liabilities	18,990	14,053	-	33,043
Total liabilities	18,990	14,053	-	33,043
NET POSITION				
Net investment in capital assets	6,107,118	-	-	6,107,118
Unrestricted	4,098,924	2,688,515	1,151,900	7,939,339
Total net position	\$ 10,206,042	\$ 2,688,515	\$ 1,151,900	\$ 14,046,457

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, 2025

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 1,775,989	\$ 10,203,547	\$ 2,950,460	\$ 14,929,996
Insurance reimbursement	-	-	180,808	180,808
Total operating revenues	1,775,989	10,203,547	3,131,268	15,110,804
OPERATING EXPENSES:				
Personnel costs	-	10,403,632	-	10,403,632
Materials and services	397,824	21,984	3,490,575	3,910,383
Depreciation and amortization	336,144	-	-	336,144
Total operating expenses	733,968	10,425,616	3,490,575	14,650,159
OPERATING INCOME	1,042,021	(222,069)	(359,307)	460,645
NONOPERATING REVENUES (EXPENSES):				
Interest income	110,468	-	11,838	122,306
Gain on sale of capital assets	1,500	-	-	1,500
Total nonoperating revenues (expenses)	111,968	-	11,838	123,806
Changes in net position	1,153,989	(222,069)	(347,469)	584,451
NET POSITION:				
Beginning of year	9,052,053	2,910,584	1,499,369	13,462,006
End of year	\$ 10,206,042	\$ 2,688,515	\$ 1,151,900	\$ 14,046,457

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2025

	Vehicle & Equipment Replacement Fund	Benefits & Dental Fund	Workers' Compensation & Comprehensive Liability Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from interfund services provided	\$ 1,775,989	\$ 10,203,547	\$ 2,950,460	\$ 14,929,996
Cash received from insurance reimbursements	-	-	105,816	105,816
Cash payments to employees for services	-	(10,403,632)	-	(10,403,632)
Cash payments to suppliers for goods and services	(467,266)	(18,704)	(3,490,575)	(3,976,545)
Net cash provided by (used in) operating activities	<u>1,308,723</u>	<u>(218,789)</u>	<u>(434,299)</u>	<u>655,635</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	1,500	-	-	1,500
Acquisition of capital assets, net	(68,698)	-	-	(68,698)
Net cash (used in) capital and related financing activities	<u>(67,198)</u>	<u>-</u>	<u>-</u>	<u>(67,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	110,468	-	11,838	122,306
Net cash provided by investing activities	<u>110,468</u>	<u>-</u>	<u>11,838</u>	<u>122,306</u>
Net change in cash and cash equivalents	1,351,993	(218,789)	(422,461)	710,743
CASH AND CASH EQUIVALENTS:				
Beginning of year	2,765,921	2,921,357	1,393,597	7,080,875
End of year	<u>\$ 4,117,914</u>	<u>\$ 2,702,568</u>	<u>\$ 971,136</u>	<u>\$ 7,791,618</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 1,042,021	\$ (222,069)	\$ (359,307)	\$ 460,645
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	336,144	-	-	336,144
Changes in operating assets and liabilities:				
Accounts receivable, net	-	-	(74,992)	(74,992)
Accounts payable	(69,442)	3,280	-	(66,162)
Total adjustments	<u>266,702</u>	<u>3,280</u>	<u>(74,992)</u>	<u>194,990</u>
Net cash provided by (used in) operating activities	<u>\$ 1,308,723</u>	<u>\$ (218,789)</u>	<u>\$ (434,299)</u>	<u>\$ 655,635</u>

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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 Auditor's Report

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
San Mateo, 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, 2025, and the related notes to the basic financial statements, which collectively comprise SMC Fire's basic financial statements, and have issued our report thereon November 7, 2025.

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 identified.

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
San Mateo, 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.

A handwritten signature in black ink that reads "The Pex Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 7, 2025