



Craig R. Fechter, CPA, MST  
(1976 - 2022)

November 14, 2023

SOUTH SANTA CLARA COUNTY FIRE DISTRICT  
Attn: Mr. Dylan Olson, Staff Services Analyst  
15670 Monterey Road  
Morgan Hill, CA 95037

Dear Dylan:

Attached are of the following 2022 fiscal year end reports for South Santa Clara County Fire District:

- Nine bound and one unbound copies of the Audited Financial Statements with Independent's Auditor's Report
- Nine stapled copies of Communication with Those Charged with Governance

Should you need any other information or have any questions, please contact our office at your convenience.

Sincerely,

A handwritten signature in blue ink that reads 'Fechter + Company' with a stylized flourish at the end.

Fechter and Company,  
Certified Public Accountants

Enclosures: 9 bound, 1 unbound, 9 stapled

MSF: ks



Craig R. Fechter, CPA, MST  
(1976 - 2022)

November 13, 2023

To the Board of Directors  
South Santa Clara County Fire District  
Morgan Hill, California

We have audited the financial statements of the governmental activities and major fund of South Santa Clara County Fire District (the District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 20, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Santa Clara County Fire District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended 2023. We noted no transactions entered into by South Santa Clara County Fire District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no pervasive or unusual risks determined based on the limited estimates over which District management and governance have control. The most sensitive estimates affecting the government-wide financial statements were:

Management's estimate of capital assets' useful lives, and the resulting depreciation expense, is based on the District's historical experience with previously used capital assets of similar type and classification, as well as standards used by other Fire Districts in the County. We evaluated the key factors and assumptions used to develop the estimated useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of equipment operating lease assets and liabilities are based on the initial assumptions of the previous fiscal year in which GASB 87 was implemented. We evaluated the key factors and assumptions including the lease terms and appropriateness of using the risk-free interest rate benchmark in determining that the right-of-use assets and corresponding lease liabilities are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of long-term debt in Note 6 to the financial statements – this footnote reflects the activity resulting from loan with the County.

Additionally, the disclosure of prior period adjustments in Note 9 identifies the two components of change to the opening balance of the 2023 fiscal year as a result of changes identified during the 2023 audit.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, to the extent possible by approving the adjustment needed to reconcile County reports to the audited financial statements. The following audit adjustments were material to the financial statements:

- Recognize the prior period's deferred revenues.
- Adjust 4<sup>th</sup> Quarter estimated CAL FIRE expenses to actual.
- Record GASB 34 adjustments for capital asset and debt activity only to be recognized on the government-wide financial statements.
- Record GASB 87 lease activity.
- Reclassify expenditures from capital outlay to other income statement classifications for items that did not meet the District's capitalization policies.
- Post prior period adjustments to correct depreciation expense errors dating back through 2010 and recognize delayed first responder contract revenues in the appropriate reporting period.
- Accrue earned but unpaid first responder contract receivables.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 13, 2023.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Director’s and management of South Santa Clara County Fire District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Fechter and Company  
Certified Public Accountants

**South Santa Clara County Fire District  
(A Component Unit of the  
County of Santa Clara, California)**

**Annual Financial Report  
with  
Independent Auditor's Report Thereon**

**June 30, 2023**

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Annual Financial Report**  
**June 30, 2023**

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Craig R. Fechter, CPA, MST  
(1976 - 2022)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
South Santa Clara County Fire District  
Morgan Hill, California

### Opinion

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

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Santa Clara County Fire District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

To the Board of Commissioners  
South Santa Clara County Fire District  
Morgan Hill, California

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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



To the Board of Commissioners  
South Santa Clara County Fire District  
Morgan Hill, California

**Required Supplementary Information**

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

Fechter & Company  
Certified Public Accountants



Sacramento, California  
November 13, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

The following discussion and analysis provides an overview of the financial activities of South Santa Clara County Fire District (the District) for the year ended June 30, 2023. Please read it in conjunction with the District's basic financial statements, which follow this section.

**Financial Highlights**

- At the close of the year, June 30, 2023, the assets of the District exceeded its liabilities by \$5,988,099 (net position). Of this amount, \$4,517,156 (unrestricted net position) may be used to meet ongoing obligations to citizens that the District serves.
- The District's net position increased by \$152,109. This increase is primarily due to increased property taxes and grants.
- At the end of the current year, June 30, 2023, fund balance for the general fund was \$4,460,807, which is an increase of \$91,182 from the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The annual financial report for the District includes this Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the basic financial statements, and other required supplementary information.

The basic financial statements of the District are presented showing two different views of the District in one statement. The government-wide statements focus on both long-term and short-term information about the District's overall financial status. The fund financial statements view on the District's operations with a short-term focus.

The government-wide statements are the Statement of Net Position and the Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements provide both long-term and short-term information about the District's overall financial status. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of whether cash is received or paid. The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health, or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The fund financial statements are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, and are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Fund financial statements keep track of specific sources of funding and spending for particular purposes. The District has two funds (General Fund and Special Revenue Fund), which are governmental funds. The fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the footnotes that explains the relationship (or differences) between them.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Government-Wide Financial Statement Analysis**

Net position serves over time as a useful indicator of a government's financial position. For the District, assets exceed liabilities in the current year by \$5,988,099. The largest portion of the District's net position, 75%, reflects unrestricted net position, which means that it represents resources available for any function within the jurisdiction of the District. Another component of the District's net position is its investments in capital assets, net of related debt and depreciation. This amount is 26% of the District's net position. This category of net position is not available for future spending. The final component of the District's net position is restricted for capital expansion of services to meet the additional demand which is generated by new development in the District's jurisdiction.

The following table summarizes and compares the net position of the District as of June 30, 2023 and June 30, 2022, respectively.

**Table 1**  
**Governmental Net Position**

	Governmental Activities		
	2023	2022 (restated)	Change
<b>Assets:</b>			
Current and other assets	\$ 5,256,952	\$ 6,546,725	-20%
Capital and right-of-use assets, net	1,431,994	1,359,635	5%
<b>Total assets</b>	<b>6,688,946</b>	<b>7,906,360</b>	<b>-15%</b>
<b>Liabilities:</b>			
Current and other liabilities	249,080	1,552,224	-84%
Long-term debt outstanding	451,767	518,146	100%
<b>Total liabilities</b>	<b>700,847</b>	<b>2,070,370</b>	<b>-66%</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	913,792	512,940	78%
Restricted for fire capital expansion	557,151	441,788	26%
Unrestricted	4,517,156	4,881,262	-7%
<b>Total net position</b>	<b>\$ 5,988,099</b>	<b>\$ 5,835,990</b>	<b>3%</b>

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

There are no current or previous fund balance deficits. There was a \$636,254 decrease in the net invested in capital assets category of net position due to the depreciation expense exceeding the value of capital additions, along with a restatement of opening balances for accumulated depreciation.

The Statement of Activities presents program revenues, expenses, and general revenues in detail. These are elements in the changes in governmental net position summarized below.

**Table 2**  
**Changes in Governmental Net Position**

	Governmental Activities		
	2023	2022	Change
Revenues:			
Program revenues	\$ 291,637	\$ 356,216	-18%
General revenues:			
Property taxes	6,409,336	5,882,052	9%
Other revenues	373,719	449,279	-17%
Total revenues	<u>7,074,692</u>	<u>6,687,547</u>	6%
Expenses:			
Public safety - fire protection	<u>6,922,583</u>	<u>6,145,051</u>	13%
Total expenses	<u>6,922,583</u>	<u>6,145,051</u>	13%
Change in net position	<u>\$ 152,109</u>	<u>\$ 542,496</u>	-72%

Property tax revenues increased by \$527,284 (9%) in the current year. This is due to an increase in property values and new construction with no significant declines in the population in the Santa Clara County. Program revenues decreased by \$64,579 (18%). Additionally, other revenue decreased by \$75,560 (17%) from fiscal year 2022 to fiscal year 2023. The continued increase in expenses is largely due to an increase in contractual expenses paid to CAL FIRE, while the increase in revenues is primarily a function of property tax allocations.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Financial Analysis of the District's General Fund**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the District include the General and Special Revenue Funds.

The General Fund is the chief operating fund for the District. At June 30, 2023, fund balance of the General Fund was \$4,699,801. Revenues for General Fund totaled \$7,113,617 which is an increase of \$720,412 or about 11% from the previous fiscal year. Expenditures for the General Fund totaled \$7,022,435 which is an increase of \$818,501 or 13% from the previous fiscal year. In the current fiscal year ended June 30, 2023, revenues for all governmental funds exceeded expenditures by \$206,545.

The Special Revenue Fund is a separate fund to account for revenues restricted by legislation and the expenditure of those restricted balances for allowable capital outlay.

**Capital Assets and Debt Administration**

Capital Assets

Shown in the table below is the District's investment in capital assets as of June 30, 2023. The capital asset balance includes investments in land, buildings, equipment, and vehicles.

Land	\$ 64,620
Buildings	258,946
Equipment and vehicles	<u>4,981,181</u>
Net historical cost	<u><u>\$ 5,304,747</u></u>

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Economic Factors and Next Year's Budget and Rates**

Assessed property values are the largest revenue source for the District. As such, incremental revenue is based on changes in property value in Santa Clara County. We have realized small increases in assessed property value over the last several years as property is exchanged in sales and property values increase. Assessed values in the District are expected to remain on a small positive course over the next budget year, however home sales prices and values have begun to flatten out in the market and this could be an impact in coming years; we could potentially see a neutral revenue situation come to light.

The major expense for the District is the cost for personnel with the entirety of that being reimbursement for the services provided by CAL FIRE for administrative and operational personnel. CAL FIRE has secured a one-year extension with the labor bargaining unit. CAL FIRE has ratified a two-year agreement with the labor bargaining unit, ending June 30, 2024. In fiscal year 2024, labor costs are expected to increase under the new contract by 2% for a general salary increase on July 2, 2023, and a monthly payment of \$260 per employee enrolled in a health plan to help cover increasing health insurance costs. Administrative costs for the cooperative agreement have seen incremental increases and benefit costs have continued to increase over several years. As wages and benefits increase, there will be a commensurate incremental increase in reimbursement costs for services provided by CAL FIRE to the District. The continued increase in supplies due to consumer price index will also have an impact on the District due to higher costs for goods and services.

While the District's operating expenses are stable, the increases in costs for goods and services, as well as increased personnel costs, and the lack of funds to address deferred maintenance and capital asset replacement will continue to be a challenge. The Board of Directors continues to work on recommendations to increase revenues to address the anticipated fiscal deficits.

**Requests for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the South Santa Clara County Fire District, 15670 Monterey Highway, Morgan Hill, California 95037.

**BASIC FINANCIAL STATEMENTS**



**South Santa Clara County Fire District**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 4,879,668
Accounts receivable	265,926
Interest receivable	65,180
Prepaid expense	46,178
Total current assets	5,256,952
Non-current assets:	
Intangible right-to-use assets	70,751
Capital assets, net of accumulated depreciation	1,361,243
Total non-current assets	1,431,994
<b>Total Assets</b>	<b>6,688,946</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	182,645
Current portion of operating lease liabilities	2,514
Current portion of long-term debt	63,921
Total current liabilities	249,080
Long-term liabilities:	
Lease liabilities, net of current portion	68,237
Long-term debt, net of current portion	383,530
Total long-term liabilities	451,767
<b>Total Liabilities</b>	<b>700,847</b>
<b>Net Position</b>	
Investment in capital assets, net of related debt	913,792
Restricted	557,151
Unrestricted	4,517,156
<b>Total Net Position</b>	<b>\$ 5,988,099</b>

**South Santa Clara County Fire District  
Statement of Activities  
For the Year Ended  
June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	
<b>Governmental Activities:</b>				
Public Safety	\$ 6,922,583	\$ 281,478	\$ 10,159	\$ (6,630,946)
Total Governmental Activities	\$ 6,922,583	\$ 281,478	\$ 10,159	(6,630,946)
<b>General Revenues:</b>				
				6,409,336
				103,420
				174,481
				95,818
				6,783,055
				152,109
				6,041,575
				(205,585)
				5,835,990
				\$ 5,988,099

**FUND FINANCIAL STATEMENTS**

**South Santa Clara County Fire District  
Balance Sheet - Governmental Funds  
June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 4,326,703	\$ 552,965	\$ 4,879,668
Accounts receivable	265,926	-	265,926
Interest receivable	60,994	4,186	65,180
Prepaid expense	46,178	-	46,178
Due from other funds	-	-	-
<b>Total Assets</b>	<b><u>\$ 4,699,801</u></b>	<b><u>\$ 557,151</u></b>	<b><u>\$ 5,256,952</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 182,645	\$ -	\$ 182,645
<b>Total Liabilities</b>	<b><u>182,645</u></b>	<b><u>-</u></b>	<b><u>182,645</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	56,349	-	56,349
<b>Total Deferred Inflows of Resources</b>	<b><u>56,349</u></b>	<b><u>-</u></b>	<b><u>56,349</u></b>
<b>Fund Balances</b>			
Restricted	-	557,151	557,151
Unassigned	4,460,807	-	4,460,807
<b>Total Fund Balances</b>	<b><u>4,460,807</u></b>	<b><u>557,151</u></b>	<b><u>5,017,958</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,699,801</u></b>	<b><u>\$ 557,151</u></b>	<b><u>\$ 5,256,952</u></b>

**South Santa Clara County Fire District  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2023**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 5,017,958
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the governmental fund.	1,361,243
Intangible right-to-use assets are not financial resources, and are not reported in the governmental fund.	70,751
Deferred inflows from unavailable revenues that do not meet the 60-day measurable and available criteria for recognition in the fund statements are included in the government-wide statements.	56,349
Long-term debt is not due and payable in the current period and, therefore, are not reported in the governmental fund.	(518,202)
Net position of governmental activities	<u><u>\$ 5,988,099</u></u>

**South Santa Clara County Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended**  
**June 30, 2023**

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
Property taxes	\$ 6,409,336	\$ -	\$ 6,409,336
Development impact fees	-	103,420	103,420
Charges for services (First Responder contract)	282,511	-	282,511
Intergovernmental grants	163,414	-	163,414
Investment income	162,538	11,943	174,481
Miscellaneous	95,818	-	95,818
	<b>7,113,617</b>	<b>115,363</b>	<b>7,228,980</b>
<b>Expenditures</b>			
Current:			
Public safety:			
California Department of Forestry and Fire Protection	5,885,086	-	5,885,086
Materials and services	745,761	-	745,761
Debt service:			
Principal	63,921	-	63,921
Interest	8,960	-	8,960
Capital outlay	318,707	-	318,707
	<b>7,022,435</b>	<b>-</b>	<b>7,022,435</b>
Net Change in Fund Balance	<b>91,182</b>	<b>115,363</b>	<b>206,545</b>
Fund Balances, Beginning of Year	<b>4,369,625</b>		
Fund Balances, End of Year	<b>\$ 4,460,807</b>		

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
5800 S. UNIVERSITY AVENUE  
CHICAGO, ILLINOIS 60637

RECEIVED  
JAN 15 1964  
FROM  
DR. J. H. GOLDSTEIN  
SUBJECT  
POLYMERIZATION OF VINYL MONOMERS  
IN AQUEOUS SOLUTION

TO  
DR. J. H. GOLDSTEIN  
5800 S. UNIVERSITY AVENUE  
CHICAGO, ILLINOIS 60637

RE: POLYMERIZATION OF VINYL MONOMERS  
IN AQUEOUS SOLUTION

**South Santa Clara County Fire District  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended  
June 30, 2023**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	\$	206,545
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balance		318,707
Depreciation expense not reported in governmental funds		(244,643)
Amortization of right-to-use asset		(1,705)

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

Long-term debt payments		63,921
Lease liability payments		2,458

Governmental funds recognize revenues on the modified-accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are available to finance current period operations, which the District has defined as within 60 days of year-end.

Deferred inflows recognized as revenue in the Statement of Activities		(193,174)
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Change in Net Position of Governmental Activities	\$	152,109
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**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 1: FINANCIAL REPORTING ENTITY**

The South Santa Clara County Fire District (the District) was formed as of June 1, 1980 in accordance with section 506 of the Santa Clara County (the County) Ordinance adopted by the County Board of Supervisors. The purpose of the District is to provide fire protection services to the unincorporated areas in South Santa Clara County bounded on the north by the Morgan Hill Fire Department, on the south and west by the Santa Clara County line, and on the east by the eastern foothills.

The District contracts with the California Department of Forestry and Fire Protection for personnel to be used in fulfilling its responsibility.

The District is a separate legal entity that is an integral part of the County. The governing body of the District is the Santa Clara County Board of Supervisors (the Board). The Board has delegated management of the affairs of the District to a Board of Commissioners. The County exercises significant financial and management control over the District, and the District's Board of Commissioners are at all times at will appointees of the County's Board of Supervisors. Therefore, the District is considered a component unit of the County, and its financial activities are included in the County's basic financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District prepares its government-wide statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District's fund financial statements are prepared using the current financial resources focus and the modified accrual basis of accounting. Revenues are recorded when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenues not considered available are recorded as deferred inflows of resources. Expenditures are generally recorded when the fund liability is incurred, except for debt service principal payments which are recognized when due.

**Basis of Presentation – Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation – Fund Accounting (continued)**

All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the way the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following two governmental funds:

- The *General Fund* is the chief operating fund of the District. It is used to account for the ordinary operations of the District. All transactions, except those amounts required to be reported in the special revenue fund, are accounted for in this fund.
- The *Development Impact Fee Special Revenue Fund* is used to account for the proceeds from development impact fees that are restricted to finance the capital facilities described or identified in the South Santa Clara County Fire District Capital Facilities Mitigation Analysis, or other fire protection capital facilities plan adopted by the Board of Directors of the District.

**Basis of Accounting and Measurement Focus**

*Government-wide financial statements* consist of the Statement of Net Position and the Statement of Activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting and Measurement Focus (continued)**

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, all assets, liabilities, and deferred outflows and inflows of the District are included on the Statement of Net Position. The difference between the District's assets, liabilities, deferred outflows of resources, and deferred inflows of resources is net position. Net position represents the resources the District has available for use in providing services. Net position is reported as restricted when constraints are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's spending priority is to spend restricted resources first, followed by unrestricted.

The *fund financial statements* consist of the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances of the District's general fund and development impact fee special revenue fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund generally presents increases (revenues) and decreases (expenditures) in current resources. All operations of the District are accounted for in the general fund.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related liability is incurred, except for debt service payments, which are recognized as expenditures in the period they are due.

*Unavailable revenue* arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations are recognized as expenditures when due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds, but are recognized in the government-wide statements.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Investments**

The cash balances are pooled and invested by the Santa Clara County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value on June 30, 2023, based on market prices.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District with a useful life extending beyond one year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost is based on replacement cost. Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 years; equipment and vehicles, 5 to 15 years. Donated capital assets are recorded at estimated acquisition value at the date of donation.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, some liabilities such as claims and judgments that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

**Fund Balances – Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

In February 2014, the governing board adopted a minimum fund balance policy for the general fund to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires unassigned general fund amounts equal to no less than 20% of general fund expenditures.

**Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Data**

The District proposes a budget that is adopted by the County Board of Supervisors during the year. This budget is based on anticipated revenues and expenditures for the current year.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**New Accounting Pronouncements**

**Future Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based technology arrangements (SBITAs) for government end users. A SBITA is defined as a contract that conveys control of the right-to-use another party’s information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Much like GASB Statement No. 87, a government should recognize a right-to-use subscription asset – and intangible asset – and a corresponding subscription liability, initially measured at the present value of subscription payments expected to be made during the subscription term. The requirements of the Statement are effective for fiscal years beginning after June 15, 2022. There were no financial or reporting impacts on the District, as management did not determine there to be any material assets and liabilities resulting from SBITAs.

**NOTE 3: DEPOSITS AND INVESTMENTS**

**Investment in County Treasury**

The District is a participant in a governmental external investment pool maintained by the Santa Clara County Treasurer. The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the county’s comprehensive annual financial report (CAFR), which can be obtained from the Santa Clara County Controller-Treasurer website at [www.sccgov.org](http://www.sccgov.org).

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

The following is a summary of deposits and investments as of June 30, 2023:

Santa Clara County Treasury Investment Pool	\$	4,879,168
Petty Cash		500
		500
Total Cash and Investments	\$	4,879,668

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

**General Authorizations**

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Local Agency Investment Fund (LAIF)	N/A	None	\$75 million
Repurchase Agreements	92 days	None	None
Reverse Repurchase Agreements	92 days	20%	\$90 million
Securities Lending	92 days	20%	None
Collateralized Bank Deposits	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	5%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Medium-Term Corporate Note	5 years	30%	5%
Municipal Obligations	5 years	10%	None
Money Market Funds - Taxable	N/A	20%	10%
Money Market Funds - Tax-Exempt	N/A	20%	10%
Federal Agency Mortgage Backed Securities	5 years	20%	None

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Santa Clara County Treasury Investment Pool. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 648 days on June 30, 2023.

**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 a nationally recognized statistical rating organization. The District's investment in the Santa Clara County Investment Pool is not rated as of June 30, 2023.

**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of June 30, 2023, all of the District's funds were invested in the Santa Clara County Investment Pool.

Deposits and withdrawals in the county investment pool are made on the basis of the U.S. Dollar and not fair value, accordingly, the District's proportionate share of investments in the Santa Clara County Investment Pool at June 30, 2023 is an uncategorized input, not defined as a Level 1, Level 2, or Level 3.



**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Previously Reported 6/30/2022	Restated 6/30/2022	Additions	Retirements	Balance 6/30/2023
<b>Governmental Activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	\$ 64,620	\$ 64,620	\$ -	\$ -	\$ 64,620
Total non-depreciable capital assets	64,620	64,620	-	-	64,620
<b>Depreciable capital assets:</b>					
Buildings and improvements	258,946	258,946	-	-	258,946
Equipment	5,111,448	5,111,448	318,707	(448,974)	4,981,181
Total depreciable capital assets	5,370,394	5,370,394	318,707	(448,974)	5,240,127
<b>Accumulated Depreciation:</b>					
Buildings and improvements	(214,838)	(214,838)	(5,689)	-	(220,527)
Equipment	(3,670,130)	(3,932,997)	(238,954)	448,974	(3,722,977)
Total accumulated depreciation	(3,884,968)	(4,147,835)	(244,643)	448,974	(3,943,504)
<b>Total capital assets, net</b>	<b>\$ 1,550,046</b>	<b>\$ 1,287,179</b>	<b>\$ 74,064</b>	<b>\$ -</b>	<b>\$ 1,361,243</b>

Depreciation expense of \$244,643 was charged as a direct expense to governmental activities for public safety.

A prior period adjustment of \$262,867 was made to correct the opening balance of equipment accumulated depreciation as of July 1, 2022. The restatement of this balance as \$3,932,997 was based on an inventoried and recalculated capital assets depreciation schedule as of June 30, 2023.

**NOTE 5: LEASES**

The District is subject to one contractual equipment lease for the purposes of using a tower for dispatch radio and related services. The lease commenced July 1, 2020 for a 5-year term, with 4 successive renewal options of 5 years each. It is reasonably certain the District will execute the options to extend the lease until June 30, 2045. This lease falls under the scope of GASB 87, as described in Note 2, whereby the intangible right-of-use asset was measured and recorded starting July 1, 2021. There were no commitments prior to the lease term and there were no other variable payments made during the fiscal year that were not previously included in the measurement of the lease liability. An imputed interest rate of 2.250% was used based on the District's estimated incremental borrowing rate for the present value calculations.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 5: LEASES (CONTINUED)**

The following is a schedule of right-of-use assets by major class and their related accumulated amortization as of June 30, 2023.

Operating Leases:	
Equipment	\$ 75,612
Less: Accumulated depreciation	<u>(4,861)</u>
Net capital assets under capital lease	<u>\$ 70,751</u>

Lease liability activity for right-to-use assets are as follows for the fiscal year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
Equipment Operating Leases:					
Tower	<u>\$ 73,209</u>	<u>\$ -</u>	<u>\$ (2,458)</u>	<u>\$ 70,751</u>	<u>\$ 2,514</u>

The following is a schedule of future equipment lease payments as of June 30, 2023:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Liability</u> <u>Reduction</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2023	2,458	1,622	\$ 4,080
2024	2,514	1,566	4,080
2025	2,570	1,510	4,080
2026	2,630	1,450	4,080
2027-2031	14,073	6,327	20,400
2032-2036	15,753	4,647	20,400
2037-2041	17,619	2,781	20,400
2042-2045	15,592	728	16,320
Total	<u>\$ 73,209</u>	<u>\$ 20,631</u>	<u>\$ 93,840</u>

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 6: LONG-TERM DEBT**

In October 2020, the District received an unsecured loan from the County to obtain sufficient funding to purchase a new fire engine. The loan is to be repaid in quarterly installments, and will bear interest at the annual rate earned by the County-operated commingled investment pool, as determined by the Director of Finance. The following is the schedule of changes in long-term debt for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
County loan	\$ 511,372	\$ -	\$ (63,921)	\$ 447,451	\$ 63,921

Because the long-term interest rate is undetermined, the County's amortization table does not provide for interest expense beyond the subsequent fiscal year. As of June 30, 2023, the annualized interest rate is stated as 3.16494%. In order to approximately estimate payment obligations, including expected interest expense, the fiscal year 2023 average quarterly interest rate of 2.40675% is applied to the loan balance for the entire loan term in the following schedule of future debt payments:

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 63,921	\$ 10,192	\$ 74,113
2025	63,921	8,654	72,575
2026	63,921	7,115	71,036
2027	63,921	5,577	69,498
2028	63,921	4,038	67,959
2029-2030	127,846	3,462	131,308
Total	\$ 447,451	\$ 39,038	\$ 486,489

**NOTE 7: RISK MANAGEMENT**

The District is exposed to various risks of loss related to auto liability, general liability, theft, damage and destruction of property, and employee dishonesty in the performance of their public safety function. As a result, the District is a member of the Fire Agencies Insurance Risk Authority (FAIRA) and has acquired insurance for general liability, public officials' errors and omissions liability, automobile liability, property damage, and automobile physical damage. Through FAIRA, the District has coverage on general liability of \$1 million per occurrence with an annual aggregate limit of \$2 million.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 7: RISK MANAGEMENT (CONTINUED)**

The District also has an umbrella liability policy through FAIRA that provides a \$5 million per occurrence limit with an annual aggregate of \$10 million, excess of the underlying liability limits outlined above. Coverage for direct physical loss or damage to the District's Real Property and Business Personal Property is limited to the value scheduled for a particular location, which does not exceed \$434 thousand at any one location. Crime coverage for different incidents has liability limits ranging from \$100 thousand to \$1 million depending on the crime. Automobile physical damage limit, providing comprehensive and collision coverage for the District's fleet, is based on a schedule and subject to certain valuation provisions dependent on use and classification of vehicle.

The FAIRA program is underwritten with American Alternatives Insurance Corporation (as the carrier) and placed through Arthur J. Gallagher & Co. (as the broker).

The District also participates in the State Compensation Insurance Fund (SCIF) for the District's Volunteer Firefighters (VF). VF are not employees of the District but are contractors who participate in the operations of the District. SCIF covers 100% of costs associated with work incurred injuries and illnesses.

The District also participates in additional life insurance through Myer Stevens for its VF in accordance with an agreement between the VF Association and the District. The VF Association pays these costs and maintains the insurance.

The District participates in an Accident & Health Insurance for Emergency Service Organizations policy through Provident. Benefits coverage ranges from \$100 per week for disability benefits up to \$25,000 for permanent physical impairment benefits, including covered injuries and illnesses, death, dismemberment, loss of sight, speech, or hearing, and covered illness death benefit.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8: RELATED PARTY TRANSACTIONS**

Expenses and board fees are assessed any time the District is required to present matters to the County's Board of Supervisors. The District also utilizes the services of the County's counsel for any legal matters that the District requires and for this the District is billed via an invoice. Both charges are paid from an intra-County professional services account. In the current year, professional services paid to the County totaled \$54,096. In addition, the County charges the District for processing payment vouchers and for any work undertaken by the Budget Office. \$23,538 was charged from the overhead-internal account in the current year.

As described in Note 3, the District is a participant in the county investment pool. During fiscal year ended June 30, 2023, interest income allocated by the County totaled \$174,481.

**South Santa Clara County Fire District**  
**(A Component Unit of the County of Santa Clara, California)**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 9: PRIOR PERIOD ADJUSTMENTS**

There were two prior period adjustments with a net effect of reducing net position at the beginning of fiscal year 2023 by \$205,585. As discussed in Note 4, there was a correction to the calculation of depreciation, increasing accumulated depreciation and reducing opening net position by \$262,867. In addition, as a result of delinquent first responder billing and payments, there was a quarterly payment for fiscal year 2022 services received after the previous financial statements were issued. A prior period adjustment was recorded to account for the revenues in accordance with GAAP, which increased net position and accounts receivable at the beginning of the fiscal year and reduced first responder revenues in the current year by \$57,282.

**NOTE 10: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 13, 2023, the date the financial statements were available to be issued. No events occurring subsequent to June 30, 2023 were determined to have a material impact on the financial statements that would require adjustment or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**South Santa Clara County Fire District**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended**  
**June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 5,888,000	\$ 5,888,000	\$6,409,336	\$ 521,336
First responder contract	223,485	223,485	282,511	59,026
Federal and state grants and other	417,200	3,594,195	421,770	(3,172,425)
<b>Total Revenues</b>	<u>6,528,685</u>	<u>9,705,680</u>	<u>7,113,617</u>	<u>(2,592,063)</u>
<b>Expenditures</b>				
Public safety				
California Department of Forestry and Fire Protection	6,645,920	6,645,920	5,885,086	760,834
Materials and services	943,041	4,428,187	745,761	3,682,426
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	63,921	(63,921)
Interest	5,901	5,901	8,960	(3,059)
Capital outlay	-	-	318,707	(318,707)
<b>Total Expenditures</b>	<u>7,594,862</u>	<u>11,080,008</u>	<u>7,022,435</u>	<u>4,057,573</u>
<b>Net Change in Fund Balance</b>	<u>\$(1,066,177)</u>	<u>\$(1,374,328)</u>	<u>91,182</u>	<u>\$ (6,649,636)</u>
<b>Fund Balance, Beginning of Year</b>			<u>4,369,625</u>	
<b>Fund Balance, End of Year</b>			<u>\$4,460,807</u>	

**South Santa Clara County Fire District  
Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended  
June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Development impact fees	\$ 95,000	\$ 95,000	\$ 103,420	\$ 8,420
Interest	4,000	4,000	11,943	7,943
<b>Total Revenues</b>	<u>99,000</u>	<u>99,000</u>	<u>115,363</u>	<u>16,363</u>
<b>Expenditures</b>				
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 99,000</u>	<u>\$ 99,000</u>	<u>115,363</u>	<u>\$ 16,363</u>
<b>Fund Balance, Beginning of Year</b>			<u>441,788</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 557,151</u>	

**Notes to the Budgetary Comparison Schedules:**

The budgetary comparison schedule presents information for the original and actual results of operations, as well as the variances to actual results of operations.

The District did not amend the original budgets.