

EASTSIDE RURAL COUNTY
FIRE PROTECTION DISTRICT

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT



To the Governing Board of the
Eastside Rural County Fire Protection District
Stockton, California

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eastside Rural County Fire Protection District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 the major fund of the District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison schedule on page 20 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.

Management has omitted 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 omitted 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 opinion on the basic financial statements is not affected by this missing information.

Schwartz, Giannini, Lantsberger & Adamson

Stockton, California

February 23, 2024

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,792,025
Accounts receivable	93,840
Capital assets:	
Nondepreciable	12,000
Depreciable, net (Note 4)	<u>1,639,101</u>
Total assets	<u>8,536,966</u>
LIABILITIES	
Accounts payable	<u>55,536</u>
Total liabilities	<u>55,536</u>
NET POSITION	
Net investment in capital assets	1,651,101
Unrestricted	<u>6,830,329</u>
Total net position	<u><u>\$ 8,481,430</u></u>

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

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operation Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Fire safety and emergency services	\$ 2,305,264	\$ -	\$ -	\$ -	\$ (2,305,264)
Administrative	113,150				(113,150)
Depreciation	84,208				(84,208)
Total governmental activities	<u>\$ 2,502,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,502,622)</u>
General Revenues:					
Property taxes and assessments					2,823,206
Interest income					<u>157,195</u>
Total general revenue					2,980,401
Change in net position					477,779
Net position - beginning of year					<u>8,003,651</u>
Net position - end of year					<u>\$ 8,481,430</u>

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

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,792,025
Accounts Receivable	<u>93,840</u>
Total assets	<u><u>6,885,865</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	<u>55,536</u>
Total liabilities	<u>55,536</u>
FUND BALANCE	
Unrestricted	
Committed	3,134,432
Unassigned	<u>3,695,897</u>
Total fund balance	<u>6,830,329</u>
Total liabilities and fund balance	<u><u>\$ 6,885,865</u></u>

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

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balance - governmental fund	\$ 6,830,329
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

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

Capital assets at historical cost	\$ 2,205,658
Accumulated depreciation	<u>(554,557)</u>

Net capital assets	1,651,101
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Net position of governmental activities	<u><u>\$ 8,481,430</u></u>
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The accompanying notes are an integral part of these financial statements.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 2,823,206
Interest income	<u>157,195</u>
Total revenues	<u>2,980,401</u>
EXPENDITURES	
Fire safety and emergency services	
Services and maintenance	2,305,264
Capital outlay	<u>8,203</u>
Total fire safety and emergency services	<u>2,313,467</u>
Administrative and support services	
Business services	33,434
Legal and accounting	8,314
Insurance	9,652
Director fees	15,101
Tax administrative charges	<u>46,649</u>
Total administrative and support services	<u>113,150</u>
Total expenditures	<u>2,426,617</u>
Excess of revenues over expenditures	553,784
Fund balance - beginning	<u>6,276,545</u>
Fund balance - ending	<u><u>\$ 6,830,329</u></u>

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

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balance - governmental fund	\$ 553,784
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of additions to capital assets of \$8,203, less depreciation expense of \$84,208 in the period.	(76,005)
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Increase in net position of governmental activities	<u>\$ 477,779</u>
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The accompanying notes are an integral part of these financial statements.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Eastside Rural County Fire Protection District (the “District”) is a special purpose local government, established under the California Health and Safety Code. The Board of Directors is made up of five persons elected by the citizens of the district. The District was established to provide fire protection and medical response services to residents and landowners within the boundaries of the District.

The reporting entity is the Eastside Rural County Fire Protection District. There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Government activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and 3) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Taxes and other revenues not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenue – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenues: Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Expenses/expenditures: Under the accrual basis of accounting, expenses are recognized at the time a liability is incurred. Under the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized in funds as follows:

General fund – This fund is the District's primary operating fund and accounts for all financial resources of the general government.

Fund Balances and Net Position

Fund balance is the difference between the assets and liabilities reported in the governmental general fund. In compliance with GASB Statement No. 54, the District has established the following fund balance types:

Nonspendable – This non-spendable fund balance classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

Restricted – The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action (legislation, resolution, ordinance, etc.) it employed to previously commit those amounts.

Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted or committed. Such intent is to be established by a) the governing body itself or b) a body or official to which the governing body had delegated the authority to assign amounts to be used for specific purposes.

Unassigned – The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes within the General Fund. The General Fund is the only fund that should report this category of fund balance.

Governmental Accounting Standards Board Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified in the following categories:

Net Investment in Capital Assets – Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt directly attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – The restricted net position is the portion of net position that has external constraints placed on it by external creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

Unrestricted Net Position – The unrestricted net position classification is the amount remaining that does not fall into one of the above two categories.

The District's policy is that when an expenditure is incurred for which both restricted and unrestricted fund balances are available, the restricted fund balance be spent first followed by committed, then assigned, and if applicable, unassigned.

Cash and Cash Equivalents

The District pools all of its available cash for investment purposes with the San Joaquin County. The District considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

Component Entity

As discussed in Note 6, the District participates in a Joint Powers Agreement (JPA), but the JPA is not considered a component entity because it does not meet the criteria of *AU-C Section 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, and therefore, the JPA financial results are not included in these financial statements.

Management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. Management concluded that there are no potential component units which should be included in the reporting entity.

Budgetary Information

The District adopts final annual operating budgets prior to the start of the fiscal year (July 1st). The general fund budget is prepared within the limit on spending as regulated by Proposition 4. Unencumbered appropriations for annually budgeted funds lapse at year-end.

Use of Estimates

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is calculated on the straight-line basis over the estimated useful lives of the asset.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

NOTE 2. CASH AND CASH EQUIVALENTS

The District maintains all of its cash in the San Joaquin County Treasury. The County Treasurer pools and invests the District's cash with other funds under its control. Interest earned on pooled investments is apportioned into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionally shared by all funds in the pool. Investments are carried at fair value. At June 30, 2023, the District had \$6,792,025 of cash and cash equivalents on hand with the County Treasurer.

The District categorized its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; Level 3 inputs are significant unobservable inputs. The District had investments in the San Joaquin County Investment Pool, measured under Level 2.

Investments Authorized by the District's Investment Policy

The District has not formally adopted a deposit and investment policy that limits the District's allowable deposits or investments and addresses the specific types of risk to which the government is exposed. However, the San Joaquin County Treasurer's investment policy contains specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The remaining maturity of the District's investments in the San Joaquin County Investment Pool is 12 months or less.

Concentration of Credit Risk

The District has not formally adopted an investment policy that contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. There is no minimum legal rating required of investment pools such as the San Joaquin County Investment Pool. Therefore, a rating is not issued.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies to only direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the San Joaquin County Investment Pool).

NOTE 3. PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the San Joaquin County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provision of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 3. PROPERTY TAXES (CONTINUED)

However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value, which results in a tax base of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and end June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments. The San Joaquin County bills and collects all property taxes and remits to the District its share of the 1% property tax allocation. Tax revenues are recognized by the District when received.

Tax Levy Apportionments – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ending June 30, 2023, is as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Nondepreciable assets:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Depreciable assets:				
Firehouse improvements	2,054,850	-	-	2,054,850
Hydrants	130,605	8,203	-	138,808
Total depreciable assets	<u>2,185,455</u>	<u>8,203</u>	<u>-</u>	<u>2,193,658</u>
 Accumulated depreciation	 <u>(470,349)</u>	 <u>(84,208)</u>	 <u>-</u>	 <u>(554,557)</u>
 Net depreciable assets	 <u>1,715,106</u>	 <u>(76,005)</u>	 <u>-</u>	 <u>1,639,101</u>
 Net capital assets	 <u><u>\$ 1,727,106</u></u>	 <u><u>\$ (76,005)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,651,101</u></u>

NOTE 5. CONTRACTUAL SERVICES

Effective January 1, 1976, the District entered into an agreement with the City of Stockton (the "City") to provide fire protection and life saving services to the District. Fire fighting personnel of the District were absorbed into the City of Stockton Fire Department. Payment for these services is payable in monthly installments at a predetermined rate based on the City's budget and the District's assessed valuation. The contract may be terminated by either party without cause upon the giving of a five year notice. The contract was amended for the third time in October 2022 to allow for additional costs related to additional firefighting personnel. For fiscal year 2023, fees for the services provided by the City totaled \$2,298,517.

NOTE 6. JOINT POWERS AGREEMENT

The District is a member of the Special District Risk Management Authority (SDRMA), a joint powers agreement between various special districts. SDRMA is organized under Government Code Section 6500 as a separate and distinct public entity and is governed by a Board comprised of seven members elected by the member entities. The governing board appoints its own management and approves its own budget.

During the fiscal year ended June 30, 2023, the District had up to \$2.5 million of general liability coverage, subject to the terms, conditions, and exclusions as provided in the Memorandum of the Coverage from SDRMA.

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 7. RELATED PARTY TRANSACTIONS

The District incurred business service expenses during the year ended June 30, 2023, with two individuals who are non-voting members of the District's Board of Directors in the amount of \$30,372 and \$9,678, respectively.

NOTE 8. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 23, 2024, the date the financial statements were available to be issued.

NOTE 9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2023, were as follows:

	Excess Expenditures
City of Stockton - contract	\$ 209,754
City of Stockton - hydrants	18,214
Miscellaneous	2,462
Capital outlay	8,203
Audited financial statements	906
Auditors tax admin charges	26,649
Directors fees	7,101
Professional fees	708
Insurance	1,649
	<u>\$ 275,646</u>

REQUIRED SUPPLEMENTARY INFORMATION

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,451,675	\$ 2,451,675	\$ 2,823,206	\$ 371,531
Interest income	25,000	25,000	157,195	132,195
Total revenues	<u>2,476,675</u>	<u>2,476,675</u>	<u>2,980,401</u>	<u>503,726</u>
EXPENDITURES				
Fire safety and emergency services:				
City of Stockton - contract	2,054,550	2,054,550	2,264,304	(209,754)
City of Stockton - hydrants	16,000	16,000	34,214	(18,214)
Hydrants	15,000	15,000	2,284	12,716
Miscellaneous	2,000	2,000	4,462	(2,462)
Capital outlay	-	-	8,203	(8,203)
	<u>2,087,550</u>	<u>2,087,550</u>	<u>2,313,467</u>	<u>(225,917)</u>
Administrative and support:				
Audited financial statements	5,700	5,700	6,606	(906)
Auditors tax admin charges	20,000	20,000	46,649	(26,649)
Business services	38,568	38,568	33,434	5,134
Directors fees	8,000	8,000	15,101	(7,101)
Dues and subscriptions	600	600	-	600
Professional fees	1,000	1,000	1,708	(708)
Insurance	8,003	8,003	9,652	(1,649)
	<u>81,871</u>	<u>81,871</u>	<u>113,150</u>	<u>(31,279)</u>
Total expenditures	<u>2,169,421</u>	<u>2,169,421</u>	<u>2,426,617</u>	<u>(257,196)</u>
Excess of revenues over expenditures	307,254	307,254	553,784	246,530
Fund balance - beginning	<u>6,276,545</u>	<u>6,276,545</u>	<u>6,276,545</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,583,799</u>	<u>\$ 6,583,799</u>	<u>\$ 6,830,329</u>	<u>\$ 246,530</u>

See accompanying independent auditor's report.