RODEO - HERCULES FIRE PROTECTION DISTRICT

HERCULES, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

HARSHWAL & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

RODEO - HERCULES FIRE PROTECTION DISTRICT

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JUNE 30, 2023

FINANCIAL SECTION

HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rodeo - Hercules Fire Protection District
Hercules, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rodeo - Hercules 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 each major fund, of the 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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.

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 and *Government 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 that the management's discussion and analysis on pages 4 - 11, and required supplementary information on page 44 through 52 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 07, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
March 07, 2024

Our discussion and analysis of the Rodeo - Hercules Fire Protection District (the "District") provides the reader with an overview of the District's financial position and performance for the period ending June 30, 2023. The Management's Discussion & Analysis (MD&A) describes the significant changes that occurred in general operations and discusses the activities during the year for capital assets and long-term debt. The discussion concludes with a description of currently known facts, decisions, and conditions that are expected to impact the financial position of the District's operations. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements:

- The District ended its fiscal year with positive net position of $1,344,202.
- The total program Expenses were $8,921,276.
- The total program revenues were $785,864.
- The total general revenues were $8,526,823.
- The change in net position represents an increase of $391,411.

Fund Financial Statements:

- The General Fund operating revenues exceeded its expenses leaving a fund balance of $5,936,839.
- The Hercules Fire Impact Fund operating expenses exceeded its revenues leaving a fund balance of $185,033.
- The Rodeo Fire Impact Fund operating expenses exceeded its revenues leaving a fund balance of $20,612.
- The Capital Projects #1 Fund operating expenses exceeded its revenues leaving a fund balance of $117,125.
- Measure O Parcel Tax Fund operating revenue exceeded expenses leaving a fund balance of $968,133.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,936,839. Restricted fund balance of the Hercules Fire Impact Fee Special Revenue Fund was $185,033; and the Rodeo Fire Impact Fee Special Revenue Fund was $20,612. Assigned fund balance of the Capital Projects # 1 was $117,125; and the Measure O Parcel Tax Special Revenue Fund was $968,133.

Annual Report Overview

This discussion and analysis serves as an introduction to District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, the financial section of this report contains required supplementary information.

Government-wide Financial Statements: The government-wide financial statements provide a broad overview of District's and the manner of presentation is similar to a private-sector business. The government-wide financial statements can be found on pages 12 - 14.

Annual Report Overview - Cont'd

Statement of Net Position: The statement of net position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The statement of net position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The statement of net position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position. From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the statement of net position provides a picture of the net position and the availability of those assets for expenditure. The net between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values.

Statement of Activities: The statement of activities provides information about all the District's revenues and expenditures on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of each specific program. This statement explains in detail the change in Net Position for the year.

All of the District's activities in the government-wide financial statements are principally supported by taxes, intergovernmental revenues, fire impact fees, and inspection fees.

Fund Financial Statements: A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Like other state and local governments, District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the District uses to keep track of specific resources of funding and spending for a particular purpose.

The Governmental funds account for essentially the same functions as those reported in the government-wide financial statements as "governmental activities." However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating a government's near-term financing requirements. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of near-term financial decisions. Reconciliations are provided to facilitate this comparison for the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances.

The District reports six governmental funds (General Fund, Capital Projects Fund, Debt Service Fund, Measure O Parcel tax and two Developer Impact Fees). Information for each governmental fund is presented separately in the fund financial statements, because District has elected to classify all governmental funds as major funds. District adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements or schedules are provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15 - 20.

Notes to Financial Statements: The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 43 on this report.

Annual Report Overview - Cont'd

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's liabilities related to retirement and other postemployment benefit plans. Required supplementary information, while not a part of the basic financial statements, is considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information can be found on pages 44 - 52 on this report.

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE

This analysis focuses on the Net Position and changes in Net Position of the District's Governmental Activities, as presented in the Government-Wide Statement of Net Position and Statement of Activities as follows:

Statement of Net Position: This analysis focuses on the net position and change in net position of the District's governmental activities. Over time, net position may serve as a useful indicator of a government's financial position. Following is a summary of District's net position as of June 30, 2023 and 2022:

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D

Table 1
Net Position
Governmental Activities

	June 30, 2023	June 30, 2022, Restated	Increase (Decrease) Amount	Percent Change
Assets:				
Current assets	$ 8,247,385	$ 7,243,618	$ 1,003,767	13.9%
Other assets	-	-	-	-%
Capital assets, net	3,342,487	3,533,672	(191,185)	(5.4)%
Total assets	11,589,872	10,777,290	812,582	7.5%
Deferred Outflows of Resources				
Related to pension	16,641,430	(459,275)	17,100,705	(3,723.4)%
Related to OPEB	277,916	89,464	188,452	210.6%
Total deferred outflows of resources	16,919,346	(369,811)	17,289,157	(4,675.1)%
Liabilities:				
Current liabilities	1,232,987	701,430	531,557	75.8%
Noncurrent liabilities	17,342,311	8,284,773	9,057,538	109.3%
Total liabilities	18,575,298	8,986,203	9,589,095	106.7%
Deferred Inflows of Resources				
Related to pension	7,856,178	(775,885)	8,632,063	(1,112.5)%
Related to OPEB	733,540	1,244,370	(510,830)	(41.1)%
Total deferred inflows of resources	8,589,718	468,485	8,121,233	1,733.5%
Net Position:				
Net investment in capital assets	1,252,033	3,533,672	(2,281,639)	(64.6)%
Restricted for:				
Special projects and programs	205,645	248,647	(43,002)	(17.3)%
Debt service	-	-	-	-%
Unrestricted	(113,476)	(2,829,528)	2,716,052	96.0%
Total net position	$ 1,344,202	$ 952,791	$ 391,411	41.1%

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D

Analysis of Net Position

As noted earlier, the change in net position over time serves as a useful indicator of a government's financial position. In the case of District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,344,202 at June 30, 2023.

$1,252,033, or 93%, represents net investment in capital assets which include land, buildings, machinery, equipment, and infrastructure. The District uses these capital assets to provide needed services to its citizens; consequently, these assets are not available for future spending. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The final component of net position is unrestricted net position, $(113,476). This deficit amount is the result of the District's unfunded pension obligations.

Statement of Activities: Changes in total net position, as presented on the statement of net position, are based on the activity presented in the statement of activities. The purpose of this statement is to present the expenses incurred, whether paid or not, by the District, and the revenues earned, whether received or not, by the District. Thus, this statement presents the District's results of operations.

The statement of activities is summarized below:

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D

Statement of Activities - Cont'd

Table 2
Statement of Activities
Governmental Activities

	June 30, 2023	June 30, 2022, Restated	Increase (Decrease) Amount	Percent Change
Expenses				
Public safety - Fire protection	$ 8,792,903	$ 1,992,234	$ 6,800,669	341.4%
Interest on long-term debt	128,373	71,594	56,779	79.3%
Total expenses	8,921,276	2,063,828	6,857,448	332.3%
Revenues				
Program revenues:				
Operating grants and contributions	555,796	523,503	32,293	6.2%
Charges for services	230,068	130,595	99,473	76.2%
General revenues:				
Property taxes	4,517,392	4,237,397	279,995	6.6%
Special Tax/Fire (Benefit Assessment)	3,945,909	3,875,944	69,965	1.8%
Donation income	-	100,000	(100,000)	100.0%
Investment earnings	54,261	5,962	48,299	810.1%
Miscellaneous	9,261	291,000	(281,739)	(96.8)%
Total revenues	9,312,687	9,164,401	148,286	1.6%
Changes in net position	391,411	7,100,573	(6,709,162)	(94.5)%
Net position, beginning of year	952,791	(6,147,782)	7,100,573	115.5%
Net position, end of year	$ 1,344,202	$ 952,791	$ 391,411	(41.1)%

Total governmental activities revenues increased by $148,286 or 2%. Total governmental activities expenses increased from the prior year by $6,857,448 or 332%. Key elements of the changes in governmental activities are as follows:

Expenses: The Public Safety - Fire Protection expenses totaled to $8,792,903 for fiscal year ending June 30, 2023.

Program Revenues: During the fiscal year ended June 30, 2023, the District also received funding through the District's Measure "O" in amount of $2,584,327. The proceeds of the special tax funding replacement measure imposed by this ordinance could be used solely for any lawful purpose permissible to Fire District's pursuant to California Health and Safety Code section 13800 et seq.

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE - CONT'D

Statement of Activities - Cont'd

The program revenues that fall under the category of "Charges for Service" include revenues for inspection fees, weed abatement charges, and reports/photocopies.

General Revenues: The primary source of revenue for the operation of the Rodeo - Hercules Fire Protection District is generated through the collection of secured, unsecured, and supplemental property and parcel taxes. During the last fiscal year, the overall assessed valuation increased by 12.2%. This increase reflects the increase in assessed valuations in the City of Hercules and Town of Rodeo. A considerable portion of the District's potential revenues falls within the City of Hercules Redevelopment Area of which the District is entitled to receive a portion of the pass-through property tax revenues. However, due to the City of Hercules' financial crisis, the District did not receive its pass-through monies in fiscal years 2010-11 through 2022-23, as stated above.

Fund Financial Statements

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

Governmental Funds: Governmental activities are generally accounted for under the General Fund, Capital Projects Fund, Debt Service Fund, Measure O Parcel tax and two Developer Impact Fees funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances as spendable resources. Such information is useful in assessing the District's short-term financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. At June 30, 2023, the District's governmental funds reported combined fund balances of $7,227,742, which is an increase of $672,194 compared with the prior year.

Major Analyses of General Fund & Measure O Parcel Tax Fund

General Fund*:* The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments. In this year property taxes revenue increased by $281,062 from the previous year. Overall, the General Fund expenditures increased by 2.40% from last year.

Measure O Parcel Tax Special Revenue: The Measure O Parcel Tax Special Revenue fund increased by $123,955. The major revenue sources are from benefit assessments. In this year benefit assessments revenue increased by $70,463 from the previous year

CAPITAL ASSETS

The District's investment in capital assets for its governmental as of June 30, 2023, amounts to $3,342,487 (net of accumulated depreciation). The investment in capital assets includes land and improvements, structures and improvements, and equipment.

Additional information about the District's capital assets can be found in Note 3 to the Basic Financial Statements.

Table 3
Capital Assets at Year-End
Governmental Activities

	June 30, 2023	June 30, 2022	Increase (Decrease) Amount	Percent Change
Land	$ 7,437	$ 7,437	$ -	- %
Buildings and improvements	1,096,448	1,096,448	-	- %
Equipment	7,986,857	7,938,765	48,092	0.6 %
Total	9,090,742	9,042,650	48,092	0.5 %
Less: accumulated depreciation	(5,748,255)	(5,508,978)	(239,277)	(4.3)%
Capital assets, net	$ 3,342,487	$ 3,533,672	$ (191,185)	(5.4)%

All the capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. All capital assets are depreciated over their estimated useful lives, using the straight line method. See Note 1 in the basic financial statement for more detailed analyses.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

In past years, the District's assessed values have increased but the District expects this trend to level out in future years without any significant increase or decrease in assessed values. Financial planning is based on specific assumptions from recent trends in real property values, new commercial and residential development, State of California economic forecasts and historical growth patterns in the various tax rate areas in the Rodeo - Hercules Fire Protection District.

The economic condition of the Rodeo - Hercules Fire Protection District as it appears on the balance sheet reflects financial stability for future years as the District has made significant reductions in expenditures and has made efforts to increase its revenues. Measure O parcel tax allowed the District to keep both stations open upon the expiration of the FEMA Safer Grant and the 2014 benefit assessment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to:

Administrative Offices of the Rodeo - Hercules Fire Protection District,

1680 Refugio Valley Road, Hercules,

CA 94547

(510) 799-4561.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets:	
Cash and investments	$ 8,093,319
Accounts receivable	64,057
Due from other governments	90,009
Total current assets	8,247,385
Noncurrent assets:	
Non-depreciable capital assets	7,437
Depreciable capital assets, net	3,335,050
Total noncurrent assets	3,342,487
Total assets	11,589,872
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	16,641,430
Related to other post-employment benefit plan	277,916
Total deferred outflows of resources	16,919,346
Total assets and deferred outflows of resources	28,509,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current liabilities:	
Accounts payable	744,962
FLSA liability	274,681
Compensated absences, due within one year	81,151
Long-term debt, due within one year	132,193
Total current liabilities	1,232,987
Noncurrent liabilities:	
Compensated absences, due in more than one year	183,668
Long-term debt, due in more than one year	1,958,261
Net OPEB liability	2,534,758
Net pension liability	12,665,624
Total noncurrent liabilities	17,342,311
Total liabilities	18,575,298

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

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
DEFERRED INFLOWS OF RESOURCES	
Related to pension	7,856,178
Related to OPEB	733,540
Total deferred inflows of resources	8,589,718
Total liabilities and deferred inflows of resources	27,165,016
NET POSITION	
Net investment in capital assets	1,252,033
Restricted for:	
Special projects and programs	205,645
Unrestricted	(113,476)
Total net position	1,344,202
Total liabilities, deferred inflows of resources, and net position	$ 28,509,218

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

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental activities:				
Public safety - Fire protection	$ 8,792,903	$ 230,068	$ 555,796	$ (8,007,039)
Interest on long-term debt	128,373	-	-	(128,373)
Total governmental activities	$ 8,921,276	$ 230,068	$ 555,796	(8,135,412)
General Revenues:				
Property tax				4,490,699
Special tax/fire (Benefit assessment)				3,945,909
Home owner property tax relief				26,693
Use of money and property				54,261
Miscellaneous income				9,261
Total general revenues				8,526,823
Changes in net position				391,411
Net position - beginning of year				1,040,964
Restatement				(88,173)
Net Position - beginning of year, *restated*				952,791
Net position - end of year				$ 1,344,202

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

FUND FINANCIAL STATEMENTS

RODEO - HERCULES FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Hercules Fire Impact Fee Special Revenue	Rodeo Fire Impact Fee Special Revenue	Measure O Parcel Tax Special Revenue
ASSETS				
Cash and investments	$ 6,662,008	$ 185,033	$ 20,612	$ 1,108,541
Accounts receivable	64,057	-	-	-
Due from other governments	90,009	-	-	-
Due from other funds	140,408	-	-	-
Total assets	6,956,482	185,033	20,612	1,108,541
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	744,962	-	-	-
FLSA liability	274,681	-	-	-
Due to funds	-	-	-	140,408
Total liabilities	1,019,643	-	-	140,408
FUND BALANCES				
Restricted	-	185,033	20,612	-
Assigned	-	-	-	968,133
Unassigned	5,936,839	-	-	-
Total fund balances	5,936,839	185,033	20,612	968,133
Total liabilities and fund balances	$ 6,956,482	$ 185,033	$ 20,612	$ 1,108,541

RODEO - HERCULES FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Capital Projects #1	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	$ 117,125	$ -	$ 8,093,319
Accounts receivable	-	-	64,057
Due from other governments	-	-	90,009
Due from other funds	-	-	140,408
Total assets	117,125	-	8,387,793
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	744,962
FLSA liability	-	-	274,681
Due to funds	-	-	140,408
Total liabilities	-	-	1,160,051
FUND BALANCES			
Restricted	-	-	205,645
Assigned	117,125	-	1,085,258
Unassigned	-	-	5,936,839
Total fund balances	117,125	-	7,227,742
Total liabilities and fund balances	$ 117,125	$ -	$ 8,387,793

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

RODEO - HERCULES FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balances of governmental funds	$ 7,227,742
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	3,342,487
Liabilities are not due and payable with current financial resources and therefore are not reported in the governmental funds.	
Compensated absences payable	(264,819)
Net OPEB liability and deferred inflows and outflows of resources	(2,990,382)
Net pension liability and deferred inflows and outflows of resources	(3,880,372)
Long-term debt	(2,090,454)
Total net position - governmental activities	$ 1,344,202

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

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General	Hercules Fire Impact Fee Special Revenue	Rodeo Fire Impact Fee Special Revenue	Measure O Parcel Tax Special Revenue
REVENUES				
Property taxes	$ 4,490,699	$ -	$ -	$ -
Home owner property tax relief	26,693	-	-	-
Intergovernmental revenue	555,796	-	-	-
Program income	230,068	-	-	-
Special tax/fire (Benefit assessment)	1,361,582	-	-	2,584,327
Use of money and property	52,483	-	-	-
Miscellaneous income	4,171	-	5,090	-
Total revenues	6,721,492	-	5,090	2,584,327
EXPENDITURES				
Current:				
Public safety - Fire protection	5,875,552	-	-	2,460,372
Capital outlay	-	48,092	-	-
Debt service:				
Principal	128,094	-	-	-
Interest	128,373	-	-	-
Total expenditures	6,132,019	48,092	-	2,460,372
Net change in fund balances	589,473	(48,092)	5,090	123,955
Fund balances - beginning of year	5,347,366	233,125	15,522	844,178
Restatement	-	-	-	-
Fund balances - beginning of year, *restated*	5,347,366	233,125	15,522	844,178
Fund balances - end of year	$ 5,936,839	$ 185,033	$ 20,612	$ 968,133

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Capital Projects #1	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	$ -	$ -	$ 4,490,699
Home owner property tax relief	-	-	26,693
Intergovernmental revenue	-	-	555,796
Program income	-	-	230,068
Special tax/fire (Benefit assessment)	-	-	3,945,909
Use of money and property	1,778	-	54,261
Miscellaneous income	-	-	9,261
Total revenues	1,778	-	9,312,687
EXPENDITURES			
Current:			
Public safety - Fire protection	10	-	8,335,934
Capital outlay	-	-	48,092
Debt service:			
Principal	-	-	128,094
Interest	-	-	128,373
Total expenditures	10	-	8,640,493
Net change in fund balances	1,768	-	672,194
Fund balances - beginning of year	115,357	88,173	6,643,721
Restatement	-	(88,173)	(88,173)
Fund balances - beginning of year, *restated*	115,357	-	6,555,548
Fund balances - end of year	$ 117,125	$ -	$ 7,227,742

RODEO - HERCULES FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balances - total governmental funds	$ 672,194
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	48,092
Depreciation	(239,277)
Some expenses and changes in deferred outflows and inflows of resources reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(30,596)
OPEB income	236,890
Pension expenses	(423,986)
Repayment of principal	128,094
Change in net position - governmental activities	$ 391,411

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rodeo - Hercules Fire Protection District is an autonomous district governed by a five (5) member Board of Directors elected at large by the voters of the District. The District covers an area of approximately 32 square miles including the City of Hercules with a populations of about 25,500 and the Town of Rodeo with a population of about 8,500 in the unincorporated area of Contra Costa County.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of the respective governing board. The governing board has decision making authority, the power to designate management, and the ability to significantly influence operations and primary accountability for fiscal matters.

The District maintains its headquarters at 1680 Refugio Valley Road, Hercules, California 94547.

B. Basis of Presentation

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. District expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District has elected to report all of its funds as major governmental funds in the accompanying financial statements:

General Fund - is the general operating fund of the Rodeo-Hercules Fire Protection District. It is used to account for all financial resources. The major revenue sources are property taxes and benefit assessments. Expenditures are made for public safety and other operating expenditures.

Hercules Fire Impact Fee Special Revenue Fund - is used to receive fees collected from the City of Hercules.

Rodeo Fire Impact Fee Special Revenue Fund - is used to receive fees collected from the Town of Rodeo.

Measure O Parcel Tax Revenue Fund - is used to receive and to account for the proceeds of Measure "O" special tax funding.

Capital Projects #1 Fund - is used to account for the District's Rodeo - Hercules Fire Protection District capital budget.

Debt Service Fund - is used to account for the proceeds from a line of credit and payments made to vendors related to authorized capital projects.

D. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the full 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.

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 all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The District may fund programs with a combination of cost-reimbursement grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. Budgets and Budgetary Accounting

The Board of Directors follow the following procedures establishing the budgetary data reflected on the financial statement:

(1) Proposed budget is received by Chief of the District and Board Members.

(2) Public hearings are conducted to obtain taxpayer comment.

(3) Formal budgetary integration is employed as a management control device during the year for the General Fund.

(4) There is no formal budget of revenue as the revenue amount to be received is the previous year's fund balance, plus property tax revenues to be received, less the expense budget.

(5) The budgets for the General Fund and the Capital Projects #1 Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(6) The Board of Directors requires the adoption of a summary budget for the General Fund.

(7) Appropriations lapse at the end of each fiscal year.

F. Property Taxes and Special Assessment Revenue

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessment for the District; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 01 of the preceding fiscal year.

Secured property tax is due in two installments, on November 01 and February 01, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 01 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County distributes property tax (termed "settlements") under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The County retains any collections of interest, penalties and delinquencies under this plan. A settlement apportionment for 87% of unsecured property taxes is received in September, with the remainder distributed in May. Secured property taxes are received majorly in December.

G. Compensated Absences

Compensated absences comprise unpaid vacation leave and compensated time off. The District's liability for compensated absences is recorded in the Statement of Net Position. The liability for compensated absences is determined annually and is primarily liquidated in the General Fund. District employees may accrue up to 72 hours of unpaid overtime and may sell up to 24 hours of unpaid overtime and up to 48 hours of vacation time to the District. The following is a summary of changes in compensated absences for the fiscal year ended June 30, 2023:

Balance July 01, 2022	Additions	Retirements	Balance June 30, 2023	Amounts Due Within One Year
$ 234,223	$ 229,361	$ (198,765)	$ 264,819	$ 81,151

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a minimum value of $5,000 and a useful life of at least one year can be recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Description	Years	Description	Years
Grounds Improvement	20	Communication Equipment	10
Buildings	50	Computer Hardware	5
Machinery & Tools	15	Audio Visual Equipment	10
Custodial Equipment	15	Athletic Equipment	10
Furniture & Accessories	20	Fire Trucks	15
Business Machines	10	Vehicles	15
Copiers	5		

I. Leases

Lessee: At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

I. Leases - Cont'd

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

J. Lease Liabilities

On July 1, 2021, the District adopted GASB 87 - Leases and adopted the changes to conform to the provisions of GASB 87 Implementation Guide. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the District uses its incremental borrowing rate at commencement date to determine the present value of future payments.

The District examined the guidance for the current year and concluded that the adoption of GASB 87 - leases, had no impact on the financial statements.

K. Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

L. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheets reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources of $16,641,430 related to Pension and $277,916 related to OPEB.

In addition to liabilities, the statement of net position and balance sheets reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents-an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has deferred inflows of resources of $7,856,178 related to Pension and $733,540 related to OPEB.

N. Use of Estimates

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

O. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over the counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

O. Fair Value Measurements - Cont'd

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

P. Accounting Pronouncements

Current Accounting Pronouncements - The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

GASB Statement No. 91: Conduit Debt Obligations - The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 94: Public - Private and Public Public Partnerships and Availability Payments Arrangements - The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96: Subscription-Based Information Technology Arrangements - The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99: Omnibus 2022 - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022.

The District had no reportable impacts for the fiscal year 2022-23.

Future Accounting Pronouncements - GASB Statements listed below will be implemented in future financial statements:

GASB Statement No. 99: Omnibus 2022 - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100: Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62 - The provisions of this Statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101: Compensated Absences - The provisions of this Statement are effective for fiscal years beginning after December 15, 2023.

The District’s is currently evaluating these new standards to determine what impact they will have on the District.

NOTE 2 - CASH AND INVESTMENTS

A. Policies

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

B. Classification

The District's investments are carried at fair value as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value monthly, and it includes the effects of these adjustments in income for that fiscal year.

Cash and investments were as follows at June 30, 2023:

Cash deposits with the County	$ 5,896,197
Wells Fargo Bank	504
Petty cash	400
LAIF	2,196,218
Total cash and investments	$ 8,093,319

C. Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements in cash and cash equivalents 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 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.

D. Local Agency Investment Fund (LAIF)

As of June 30, 2023, the District had $2,196,218 invested in LAIF. The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with LAIF at June 30, 2023, include a portion of the pool funds invested in structured notes and asset-backed securities.

NOTE 2 - CASH AND INVESTMENTS - CONT'D

E. Fair Value Hierarchy

GASB Statement No. 72, fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). However, the investments in an external investment pool are not subject to reporting within the level hierarchy.

The California Local Agency Investment Fund is valued using the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

NOTE 3 - CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Balance June 30, 2023
Governmental Activities:			
Capital assets not being depreciated:			
Land	$ 7,437	$ -	$ 7,437
Total capital assets not being depreciated	7,437	-	7,437
Capital assets being depreciated:			
Structures and improvements	1,096,448	-	1,096,448
Equipment and vehicles	7,938,765	48,092	7,986,857
Total capital assets being depreciated	9,035,213	48,092	9,083,305
Less accumulated depreciation:			
Structures and improvements	(543,476)	(21,929)	(565,405)
Equipment and vehicles	(4,965,502)	(217,348)	(5,182,850)
Total accumulated depreciation	(5,508,978)	(239,277)	(5,748,255)
Total capital assets being depreciated, net	3,526,235	(191,185)	3,335,050
Total capital assets, net	$ 3,533,672	$ (191,185)	$ 3,342,487

Depreciation expense for the year ended June 30, 2023, was $239,277.

NOTE 4 - NET POSITION

Net Position is on the full accrual basis while Fund Balances are measured on the modified accrual basis.

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 5 - FUND BALANCES

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaid, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

NOTE 5 - FUND BALANCES - CONT'D

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; Nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects, and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 6 - PENSION PLAN

Plan Descriptions - The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et seq.), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. CCCERA is a cost-sharing multiple employer public employee retirement association whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Contra Costa. CCCERA also provides retirement benefits to the employee members for 16 other participating agencies which are members of CCCERA.

The management of CCCERA is vested with the CCCERA Board of Retirement. The Board consists of twelve trustees of the twelve members, three are alternates four trustees are appointed by the County Board of Supervisors; four trustees (including the Safety alternate) are elected by CCCERA's active members; two trustees (including one alternate) are elected by the retired membership. Board members serve three-year terms, with the exception of the County Treasurer who is elected by the general public and serves during his tenure in office.

Benefits Provided - Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with thirty years of service, regardless of age.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Services retirements are based on age, length of service, and final average salary. Employees may withdraw contributions, plus interest credited, or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

NOTE 6 - PENSION PLAN - CONT'D

The plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 01, 2013	On or after January 01, 2013
Benefit formula	2% @ 55	2.5% @ 67
Benefit vesting schedule	10 year's service	5 year's service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	14.39%	15.86%
Required employer contribution rates	29.79%	48.75%

	Safety	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 year's service	5 year's service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a% of eligible compensation	0% to 100%	0% to 100%
Required employee contribution rates	21.50%	19.90%
Required employer contribution rates	17.68%	33.62%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 01 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for miscellaneous and safety plan were as follows:

	Amount
Contributions - employer	$ 1,342,381

NOTE 6 - PENSION PLAN - CONT'D

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 148,934
Safety	12,516,690
Total net pension liability	$ 12,665,624

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is measured as of December 31, 2022, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each plan was as follows:

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll	Proportionate share of the Net Pension Liability as a percentage of covered payroll	Plan Fiduciary Net Pension as a percentage of the Total Pension Liability
2014	1.129%	$ 16,612,346	$ 1,766,704	940.30%	59.86%
2015	1.129%	13,499,212	2,069,510	652.29%	65.89%
2016	1.012%	15,252,152	2,342,844	651.01%	63.59%
2017	1.049%	14,693,106	2,241,786	655.42%	66.55%
2018	1.441%	11,693,174	2,194,605	532.81%	74.20%
2019	0.820%	11,716,980	2,346,256	499.39%	74.46%
2020	1.044%	9,024,195	2,358,500	382.62%	81.03%
2021	1.429%	6,595,503	2,499,171	263.91%	86.60%
2022	(1.553)%	3,772,966	2,686,925	140.42%	92.85%
2023	0.746%	$ 12,665,624	$ 2,443,181	518.41%	77.42%

NOTE 6 - PENSION PLAN - CONT'D

For the year ended June 30, 2023, the District recognized a pension expense/ (income) of $423,986. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,342,381	$ -
Differences between actual and expected experience in the total pension liability	713,276	24,809
Changes of assumptions or other inputs	927,097	43,582
Change in proportion and differences between the employer's contributions and proportionate share of contributions	6,150,129	7,787,787
Net differences between actual and projected earnings on pension plan investments	7,508,547	-
Total	$ 16,641,430	$ 7,856,178

$1,342,381 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2024	$ 199,233
2025	846,005
2026	2,524,959
2027	3,872,674
Total	$ 7,442,871

Actuarial Assumptions - The total pension liabilities as of December 31, 2022 that was measured by an actuarial valuation as of December 31, 2021, was re-valued as of December 31, 2021 (before roll forward) using the following actuarial assumptions that the Board has approved for use in the pension funding valuation as of December 31, 2022. This revalued total pension liability was then rolled forward to December 31, 2022 to determine the final total pension liability as of December 31, 2022. The updated actuarial assumptions were based on the results of an experience study for the period from January 01, 2018 through December 31, 2020, and were applied to all periods included in the measurement.

NOTE 6 - PENSION PLAN - CONT'D

	Miscellaneous	Safety
Valuation Date	December 31, 2021	December 31, 2021
Measurement Date	December 31, 2022	December 31, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation Rate	2.50%	2.50%
Administrative Expenses	1.13% of payroll (1)	1.13% of payroll (1)
Real Across the Board Salary Increase	0.50%	0.50%
Projected Salary Increase	3.50% - 14.00% (2)	4.00% -15.00% (2)
Investment Rate of Return	6.75% (3)	6.75% (3)
Mortality	RP-2014 Combined Healthy Mortality Table	

1) Payroll allocated to both the employer and member based on the components of the Normal Cost rates for the employer and member.

2) It includes inflation at 2.50% plus real across-the-board salary increases of 0.50% plus merit and promotion increases that vary by service.

3) Net of pension plan investment expenses, including inflation.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% as of December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed employer and employee contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer and employee contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022 and December 31, 2021.

Long-Term Expected rate of Return by Asset Class - The long-term expected rate of return on pension plan investments was determined in 2022 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2022, actuarial valuations. This information will be subject to change every three years based on the results of an actuarial experience study.

NOTE 6 - PENSION PLAN - CONT'D

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	10 %	5.40 %
Small Cap Equity	3 %	6.17 %
Developed International Equity	10 %	6.13 %
Emerging Markets Equity	9 %	8.17 %
Core Fixed	4 %	0.39 %
Short-Term Credit	14 %	(0.14)%
Cash and Equivalents	3 %	(0.73)%
Private Equity	15 %	10.83 %
Private Credit	13 %	5.93 %
Infrastructure	3 %	6.30 %
Value Add Real Estate	5 %	7.20 %
Opportunistic Real Estate	5 %	8.50 %
Risk Parity	3 %	3.80 %
Hedge Funds	3 %	2.40 %
Total	100 %	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for each Plan, as of December 31, 2022, calculated using the discount rate of 6.75% for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Miscellaneous	Safety
1% Decrease	5.75 %	5.75 %
Net Pension Liability	$ 237,297	$ 19,942,909
Current Discount Rate	6.75 %	6.75 %
Net Pension Liability	$ 148,934	$ 12,516,690
1% Increase	7.75 %	7.75 %
Net Pension Liability	$ 76,535	$ 6,432,157

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

NOTE 7 - EMPLOYEE BENEFIT PLANS

A. Deferred Compensation Plan

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets require plan assets to be held in a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

B. Other Post-Employment Benefits (OPEB)

At June 30, 2023, net OPEB liability and related deferred outflows/inflows of resources are as follows:

Deferred outflows of resources	$	277,916
Net OPEB liability	$	2,534,758
Deferred inflows of resources	$	733,540

- **Plan Description**

The District provides 50% of postretirement health care benefits to full time employees who retire directly from the District after attaining the age of 50 with 10 years of service, with an increase of 5% for every year of service exceeding 10 years of service. After 20 years of service the District provides 100% of postretirement health care benefits.

The District is a participant of the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single employer plans. This trust is not considered a component unit of the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

- **Eligibility**

In order to qualify for postemployment medical benefits, an employee must retire from the District and maintain enrollment in one of District's eligible health plans. The District pays 100% of the medical premium for the retiree, spouse and dependents. At age 65, the District pays the Senior Advantage (Medicare eligible) or Medicare (Non-Medicare eligible) costs, and for those retirees out of the Kaiser area, the District pays up to what it would have paid capped at the actual premium.

- **Description of Retiree Benefits**

	Safety	Miscellaneous
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	Retirement	Retirement
Minimum Age	Retirement	Retirement
Dependent Coverage	All eligible	All eligible
District Contribution %	100%	100%
District Cap	Kaiser Bay Area Basic Rate	Kaiser Bay Area Basic Rate

NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D

B. Other Post-Employment Benefits (OPEB) - Cont'd

Membership of the District as of the valuation date consisted of the following:

Inactive Employees Receiving Benefit Payments	24
Participating Active Employees	21
Total Number of Participants	45

- **Funding Policy and Actuarial Assumptions**

The District's policy, according to Ordinance No. 2-08, is to fund the Annual Required Contribution (ARC) of these benefits by accumulating assets with CERBT discussed above pursuant to the District's annual budget approved by Board. Effective October 01, 2011, represented employees were to make non-refundable contributions to CERBT equivalent to 3.75% of the base salary. The annual required contribution (ARC) was determined as part of a June 30, 2017 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

- **Additional Information**

The District’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

- **Actuarial Assumptions**

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

Actuarial method	Entry age actuarial cost method
Discount rate	6.75%
Inflation	2.50% per year used for pension purposes.
Payroll increase	2.75% per year.
Investment rate of return	6.75% per year, net of expenses.
Mortality rates	2017 CalPERS Mortality for Miscellaneous Employees, Retired Safety Employees, Active Safety Employees
Healthcare cost trend rate	4.00% per year for medical benefits

- **Discount Rate**

The discount rate used to measure the total OPEB Liability was 6.75%. Based on historic 32 year real rates of return for each asset class along with assumed long-term inflation assumption was used to set the discount rate. The expected investment return was offset by investment expenses of 50 basis points.

NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D

B. Other Post-Employment Benefits (OPEB) - Cont'd

The assumed asset allocation and assumed rate of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59 %	7.545 %
All Fixed Income	25 %	4.250 %
Real Estate Investment Trusts	8 %	7.250 %
All Commodities	3 %	7.545 %
Treasury Inflation Protected Securities	5 %	3.000 %

- **Change in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2021 measurement date	$ 5,079,767	$ 3,007,401	$ 2,072,366
Changes recognized for year:			
Service cost	106,585	-	106,585
Interest on Total OPEB liability/ return on FNP	335,632	(414,585)	750,217
Employer contributions	-	395,182	(395,182)
Administrative expense	-	(772)	772
Benefit payments	(321,473)	(321,473)	-
Net changes	120,744	(341,648)	462,392
Balance at June 30, 2022 measurement date	$ 5,200,511	$ 2,665,753	$ 2,534,758

- **Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Plan's Net OPEB Liability		
Discount Rate - 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
$ 3,118,285	$ 2,534,758	$ 2,045,191

NOTE 7 - EMPLOYEE BENEFIT PLANS - CONT'D

B. Other Post-Employment Benefits (OPEB) - Cont'd

- **Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates:

Plan's Net OPEB Liability		
Trend Rate - 1% (3.00%)	Current Trend Rate (4.00%)	Trend Rate +1% (5.00%)
$ 1,932,882	$ 2,534,758	$ 3,268,356

- **OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of $236,890. At June 30, 2023, the District reported deferred inflows of resources of $733,540 and deferred outflows of resources of $277,916 from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the total OPEB liability	$ 26,478	$ (703,313)
Difference between projected and actual earnings on OPEB plan investments	251,438	-
Changes in assumptions	-	(30,227)
Total	$ 277,916	$ (733,540)

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 62,645	$ (138,405)
2025	59,489	(138,405)
2026	31,776	(138,405)
2027	124,006	(138,405)
2028	-	(138,405)
Thereafter	-	(41,515)
	$ 277,916	$ (733,540)

NOTE 8 - RISK MANAGEMENT

The Contra Costa County Fire District Insurance Pool arranges for and provides public liability, property damage, and self-insurance between the county, its special districts and independent county fire protection districts. A summary of the District's insurance is as follows:

Coverage	Insurance Company/ Risk Pool	Limit of Liability	Deductible/ Self Insured Retention
Workers' compensation	FASIS	$5,000,000	$ 0
Excess worker compensation	FASIS	5,000,000	500,000
		550,000,000 (flood)	100,000 (flood)
All risk property	CSAC	600,000,000 (property)	500 disappearing (aop)
			2% per "unit"
Earthquake	CSAC	715,000,000	$100,000 minimum
Boiler & Machinery	CSAC	100,000,000	5,000
Sabotage & Terrorism	CSAC	200,000,000	500,000
General & Automobile liability	CSAC	50,000,000	None
Pollution liability	CSAC	10,000,000	500,000
Crime - Forgery or alteration	Fidelity	250,000	2,500
Crime - all other	Fidelity	5,000,000	2,500

California State Associations of Counties (CSAC) is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of CSAC, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Fire Agencies Self Insurance System (FASIS) arranges for and provides worker's compensation insurance for independent fire protection districts.

The District did not have any claim settlements that exceed the insurance coverage in the last three years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The District is named as a real party in interest in the Contra Costa County Deputy Sheriffs Association v. Contra Costa County Employees' Retirement Association, et al., Contra Costa County Superior Court, Case No. N12-1870. As one of several employers of employees who are members of the Contra Costa County Employees' Retirement Association (CCCERA), the District's interests are aligned with the other public entity defendants who have employee members in the case, such that the District is waiting for a decision as to how, when and where to pay (or not) retiree benefits. The California Attorney General on behalf of the State has intervened in the case and is defending the constitutionality of the Public Employee Pension Reform Act (PEPRA), which amongst other legislation curtailed the ability of employees to spike their pensions through accumulation of sick and leave time, which the District must by law pay anyway. Because of the State's intervention, the District is not taking an active role in the defense of the case because the issues hinge primarily on the constitutionality of the Act, preferring instead to monitor the litigation as the constitutionality of the Act comes into issue before determining what effects, if any, a decision or order will have on its affected CCCERA member employees. The case is currently up on an appeal brought by the petitioners.

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONT'D

The District is not joining in, nor will it file its own response to the appeal. The District continues to take a wait and see approach to see how the case is decided at the appellate level, especially since, as a real party in interest, it will be bound similarly to most of the other real parties in interest who have employees that are members of CCCERA. At this point, the likelihood of an unfavorable outcome is uncertain, and the amount that is at risk of loss is uncertain.

- Contingencies and Settlement

International Association of Fire Fighters ("IAFF") Local 1230 alleged that the District may have failed to properly calculate employees' overtime compensation, potentially under compensating them due to the omission of paramedic premium pay and holiday-in-lieu pay in the overtime rate calculation. This raised concerns regarding Fair Labor Standards Act (FLSA) compliance.

After thorough analysis, the District recognized a potential liability of approximately $185,000 for backpay, liquidated damages, and attorneys' fees associated with the alleged FLSA violations. Accordingly, a provision was recorded in the financial statements for the fiscal year 2022.

Subsequently, on July 30, 2023, the District, IAFF Local 1230, and affected employees reached a Settlement Agreement and General Release of Claims. The agreement resolves any FLSA or labor contract claim related to the alleged miscalculation of overtime compensation. The District agreed to pay a total settlement of $274,681, covering back payments to affected employees and attorneys' fees. This settlement amount has been recorded as a current liability in the financial statements for the fiscal year ended June 30, 2023.

This settlement marks the resolution of the dispute, ensuring fair compensation for affected employees and mitigating potential legal risks for the District.

NOTE 10 - LONG-TERM DEBT

On July 06, 2020, the District entered into an installment sale agreement with West America Bank as assignee of Municipal Finance Corporation. On September 03, 2020, West America Bank provided financing in the initial amount of $2,220,588 to pay for the cost of the Fire Truck. On July 15, 2021, West America Bank provided supplemental financing of $125,454. The annual payments (principal and interest) are $199,087 with interest accruing at 3.20%. The repayment begins on September 03, 2021 and matures on September 03, 2035.

The District's debt issuances and transactions are summarized below:

Balance July 01, 2022	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2023	Due Within One Year
$ 2,218,548	$ -	$ (128,094)	$ 2,090,454	$ 132,193

NOTE 10 - LONG-TERM DEBT - CONT'D

The District's debt service requirements are presented below:

Year ending June 30,	Principal	Interest	Total
2024	132,193	66,894	199,087
2025	136,423	62,664	199,087
2026	140,788	58,299	199,087
2027	145,293	53,794	199,087
2028	149,943	49,144	199,087
2029-2033	824,833	170,603	995,436
2034-2036	560,981	36,280	597,261
	$ 2,090,454	$ 497,678	$ 2,588,132

NOTE 11 - RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2023, the District determined that changes to the beginning of year Debt Service fund balance were necessary due to incorrect restricted cash in the prior year. As a result, prior year financial statements have been restated to show the effects of the change,

Consequently, the accompanying financial statements have been restated to reflect these corrections as summarized below.

Deb Service Fund and Government-Wide:

	Governmental Activities
Net position - Beginning, as previously reported	$ 1,040,964
Restatement - Decrease in restricted cash	(88,173)
Net position - Beginning, as *restated*	$ 952,791

	Debt Service Fund
Fund Balance - Beginning, as previously reported	$ 88,173
Restatement - Decrease in restricted cash	(88,173)
Fund Balance - Beginning, as *restated*	$ -

NOTE 12 - SUBSEQUENT EVENTS

The management of the District reviewed the results of operations for the period of time from its year end June 30, 2023, through March 07, 2024, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred other than already mentioned, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Service cost	$ 1,973,185	$ (3,878,202)	$ 3,450,254	$ 2,439,330	$ 1,894,884	$ 3,083,283
Interest on the total pension liability	5,642,677	(11,273,990)	10,169,614	7,099,900	5,321,373	8,888,146
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	1,662,438	(3,140,236)	275,751	50,959	(1,389,022)	520,596
Expensed portion of current-period difference between expected and actual experience in the total pension liability	169,719	(23,182)	(32,486)	278,874	94,824	(94,543)
Expensed portion of current-period changes of assumptions or other inputs	-	(766,464)	(57,067)	-	(167,185)	-
Member contributions	(918,921)	1,802,625	(1,641,387)	(1,143,288)	(856,396)	(1,401,275)
Projected earnings on plan investments	(5,750,008)	10,789,349	(9,282,342)	(5,952,454)	(4,812,359)	(7,491,678)
Expensed portion of current-period differences between actual and projected earnings on plan investments	3,066,526	2,155,435	(681,478)	(1,256,254)	1,282,993	(1,349,724)
Administrative expense	86,688	(173,110)	155,464	107,497	77,227	132,858
Other expenses	27,951	(19,135)	16,421	11,696	30,038	17,675
Recognition of beginning of year deferred outflows of resources as pension expense	1,798,533	(2,973,836)	2,791,886	2,742,951	838,375	1,472,409
Recognition of beginning of year deferred inflows of resources as pension expense	(2,434,057)	4,458,538	(3,509,465)	(1,396,140)	-	-
Net amortization of deferred amounts from changes in proportion and differences between employer's contribution and proportionate share of contribution	(3,605,267)	(760,367)	(896,132)	(1,313,432)	(514,333)	(1,239,294)
Net change in total pension liability	$ 1,719,464	$ (3,802,575)	$ 759,033	$ 1,669,639	$ 1,800,419	$ 2,538,453

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2017	2016	2015
Service cost	$ 2,141,354	$ 1,952,386	$ 2,170,536
Interest on the total pension liability	6,253,767	5,893,314	6,336,010
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	(138,010)	(590,374)	(510,910)
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(46,136)	(139,078)	(450,621)
Expensed portion of current-period changes of assumptions or other inputs	-	161,621	(186)
Member contributions	(937,982)	(863,851)	(883,512)
Projected earnings on plan investments	(5,147,268)	(5,065,803)	(5,273,953)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(14,034)	864,172	(30,163)
Administrative expense	89,654	82,128	78,803
Other expenses	(94,310)	6,764	-
Recognition of beginning of year deferred outflows of resources as pension expense	(595,247)	(431,135)	-
Recognition of beginning of year deferred inflows of resources as pension expense	-	-	-
Net amortization of deferred amounts from changes in proportion and differences between employer's contribution and proportionate share of contribution	(1,101,284)	(510,910)	-
Net change in total pension liability	$ 410,504	$ 1,359,234	$ 1,436,004

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Reconciliation of net pension liability						
Beginning net pension liability	$ 3,772,996	$ 6,595,503	$ 9,024,195	$11,716,980	$11,693,174	$14,693,106
Pension expense	1,719,464	(3,802,575)	759,033	1,669,639	597,033	1,637,240
Employer contributions	(1,342,381)	(2,242,085)	(2,168,347)	(1,302,356)	(3,010,225)	(2,111,707)
Net deferred inflows/outflows	12,849,940	5,873,770	(3,036,659)	(4,046,167)	4,873,645	(5,737,357)
Net deferred inflows/outflows due to change in proportion	(4,334,395)	(2,651,617)	2,017,281	986,099	(2,436,647)	3,211,892
Net pension liability - ending	$12,665,624	$ 3,772,996	$ 6,595,503	$ 9,024,195	$11,716,980	$11,693,174
Plan fiduciary net position as a percentage of the total pension liability	77.42 %	92.85 %	81.06 %	81.06 %	74.20 %	74.20 %
Covered - employee payroll	$ 2,443,181	$ 2,686,925	$ 2,499,171	$ 2,358,500	$ 2,346,256	$ 2,194,605
Net pension liability as percentage of covered employee payroll	518.41 %	140.42 %	263.91 %	382.62 %	499.39 %	532.81 %

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2017	2016	2015
Reconciliation of net pension liability			
Beginning net pension liability	$15,252,152	$13,499,212	$16,612,346
Pension expense	1,481,331	1,359,234	1,436,004
Employer contributions	(2,058,096)	(2,186,912)	(966,307)
Net deferred inflows/outflows	(220,843)	3,536,036	(1,743,556)
Net deferred inflows/outflows due to change in proportion	238,562	(955,418)	(1,839,275)
Net pension liability - ending	$14,693,106	$15,252,152	$13,499,212
Plan fiduciary net position as a percentage of the total pension liability	66.55 %	63.59 %	65.89 %
Covered - employee payroll	$ 2,241,786	$ 2,342,844	$ 2,069,510
Net pension liability as percentage of covered employee payroll	655.42 %	651.01 %	652.29 %

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,342,381	$ 2,242,085	$ 2,168,347	$ 1,302,356	$ 2,152,307	$ 2,058,096
Contributions in relation to the actuarially determined contributions	1,342,381	2,242,085	2,168,347	1,302,356	2,152,307	2,058,096
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,443,181	$ 2,686,924	$ 2,499,171	$ 2,358,500	$ 2,346,256	$ 2,194,605
Contributions as a percentage of covered payroll	54.94 %	83.44 %	86.76 %	55.22 %	91.73 %	93.78 %

Notes to Schedule

Measurement date:	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	3 years**
Asset valuation method	5-year semi-annually
Inflation	2.50%
Salary increases	3.50-14.00
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Retirement age	50 years Classic, 52 years PEPRA
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality Table

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

** Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 2 years remaining as of December 31, 2020 and 3 years remaining as of December 31, 2019. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18 year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
Last 10 Fiscal Years*

	2017	2016	2015
Actuarially determined contribution	$ 2,058,096	$ 2,186,912	$ 966,307
Contributions in relation to the actuarially determined contributions	2,058,096	2,186,912	966,307
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 2,241,786	$ 2,342,844	$ 2,069,510
Contributions as a percentage of covered payroll	91.81 %	93.34 %	46.69 %

Notes to Schedule

Measurement date:	12/31/2016	12/31/2015	12/31/2014

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

Valuation Date	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Fiscal Year End Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Net OPEB Liability, beginning balance	$ 2,072,366	$ 3,698,812	$ 3,746,465	$ 3,689,016	$ 3,697,183	$ 3,434,798
Changes recognized for year:						
Service cost	106,585	83,127	80,902	108,352	105,452	102,630
Interest on total OPEB liability	335,632	407,152	397,342	380,908	369,599	349,483
Expected investment income	(205,461)	(162,229)	(148,017)	(132,686)	(119,183)	(162,001)
Administrative expense	772	860	1,024	407	3,152	1,355
Employee contributions	-	-	-	-	-	-
Employer contributions to trust	(73,709)	(133,725)	(122,979)	(82,665)	-	-
Employer contributions as benefit payments	(321,473)	(350,099)	(328,327)	(312,076)	(348,218)	(29,082)
Benefit payment from trust	-	-	-	-	-	-
Expected benefit payments from employer	-	-	-	-	-	-
Expected Balance at June 30	1,914,712	3,543,898	3,626,410	3,651,256	3,707,985	3,697,183
Experience (gains)/losses	-	(968,715)	-	79,438	-	-
Changes assumption	-	(41,635)	-	-	-	-
Changes in benefits terms	-	-	-	-	-	-
Expected investment income	-	-	-	-	-	-
Investment gains/ (losses)	620,046	(461,182)	72,402	15,771	(17,412)	-
Other	-	-	-	-	(1,557)	-
Net changes during the period	462,392	(1,626,446)	(47,653)	57,449	(8,167)	262,385
Net OPEB liability, ending balance	$ 2,534,758	$ 2,072,366	$ 3,698,812	$ 3,746,465	$ 3,689,016	$ 3,697,183

* GASB 75 requires presentation of the 10 year history of changes in the Net OPEB Liability. Fiscal year 2018 was the 1st year of implementation, therefore only six years are shown.

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial method	Entry age actuarial cost method
Discount rate	6.75%
Inflation	2.50% per year used for pension purposes.
Payroll increase	2.75% per year.
Investment rate of return	6.75% per year, net of expenses.
Mortality rates	2017 CalPERS Mortality for Miscellaneous Employees, Retired Safety Employees, Active Safety Employees
Healthcare cost trend rate	4.00% per year for medical benefits

RODEO - HERCULES FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property taxes	$ 4,159,511	$ 4,136,845	$ 4,490,699	$ 353,854
Home owner property tax relief	29,956	29,956	26,693	(3,263)
Intergovernmental revenue	375,000	523,503	555,796	32,293
Charges for services	122,161	109,161	230,068	120,907
Special tax/fire (Benefit assessment)	1,362,081	1,362,081	3,945,909	2,583,828
Use of money and property	6,000	6,000	54,261	48,261
Miscellaneous	23,000	23,000	9,261	(13,739)
Total revenues	6,077,709	6,190,546	9,312,687	3,122,141
EXPENDITURES:				
Current:				
Public safety-fire protection	8,612,966	8,771,238	8,335,934	435,304
Capital outlay	-	-	48,092	(48,092)
Debt service:				
Principal	-	-	128,094	(128,094)
Interest	-	-	128,373	(128,373)
Total Expenditures	8,612,966	8,771,238	8,640,493	130,745
Net change in fund balances	(2,535,257)	(2,580,692)	672,194	3,252,886
Fund balances, beginning of year	-	-	6,643,721	-
Restatement	-	-	(88,173)	-
Fund balances, beginning of year, *restated*	6,555,548	6,555,548	6,555,548	-
Fund balances, end of year	$ 4,020,291	$ 3,974,856	$ 7,227,742	$ 3,252,886

COMPLIANCE SECTION

HARSHWAL®
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Rodeo - Hercules Fire Protection District
Hercules, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Rodeo - Hercules 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 District's basic financial statements and have issued our report thereon dated March 07, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Harshwal & Company LLP

Oakland, California
March 07, 2024

RODEO - HERCULES FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the fiscal year ended June 30, 2023.

RODEO - HERCULES FIRE PROTECTION DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II - STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no findings reported in prior year.