FECHTER & COMPANY
Certified Public Accountants

Los Altos Hills County Fire District
(A Component Unit of the County of Santa Clara)

Annual Financial Report
With
Independent Auditor's Report Thereon

JUNE 30, 2026

Los Altos Hills County Fire District
(A Component Unit of the County of Santa Clara)
Annual Financial Report
JUNE 30, 2026

TABLE OF CONTENTS

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4-18

Basic Financial Statements
- Statement of Net Position 19
- Statement of Activities 20
- Balance Sheet – Governmental Fund 21
- Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position 22
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund 23
- Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities 24
- Notes to the Basic Financial Statements 25-40

Required Supplementary Information
- Budgetary Comparison Schedule – General Fund 41-42

Other Reporting Required by Government Auditing Standards
- 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 43-44

Other Information
- Statistical Section (Unaudited) 45-51

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Los Altos Hills County Fire District
Los Altos, California

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Altos Hills County Fire District as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Los Altos Hills County Fire District 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 Los Altos Hills County Fire District, as of June 30, 2026, and the respective changes in financial position for the year ended June 30, 2026, 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 Los Altos Hills County Fire District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 Los Altos Hills County Fire 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 Los Altos Hills County Fire 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 and budgetary comparison information on pages 4-18 and 41-42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2026, on our consideration of the Los Altos Hills County Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Los Altos Hills County Fire District's internal control over financial reporting and compliance.

Other Information

Management is responsible for the statistical section included in the annual report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Fechter & Company
Certified Public Accountants



Sacramento, California
October 20, 2026

This section of the Los Altos Hills County Fire District (District) annual financial report presents a discussion and analysis of its financial performance for the fiscal year ended June 30, 2026 (FY25-26). The District's financial performance is analyzed in the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

Government-Wide View – Net Position

District assets exceed liabilities by $57,455,189 (net position) for the fiscal year. Of this amount, $4,941,742 denotes net investment in capital assets, and $52,513,447 represents unrestricted funds available to address disaster or wildfires, fund ongoing program services to the community, and foresee future facility/resource needs. The District's total net position increased by $3,868,864, or 7% mostly because of favorable operational fiscal results.

Revenue increase drivers include property tax growth and another year of gains in investment income. Total revenue, made up mostly of property tax, came in at 7% or $1.3M above the prior year. Overall expenditure levels for the District have experienced another year of growth coming in at 14% or $1.9M above the prior year. This aligns with the annual expected operational and contractual increase in fire and emergency medical services, County legal, support and general office costs. FY25-26 again displays growing momentum on fire mitigation/preparedness jurisdictional projects and the first full year realization of employee health and deferred compensation benefits with near full staffing levels. Budgetary expenditure savings, discussed further below, result mostly from unexpended (subject to rollover) allocations for the multi-year Interstate 280 (I-280) fuel break, future facility study and design, and the district-wide Programmatic Environmental Impact Report (PEIR). Other savings are found in fire safety contingencies including fire hand crews, extra fire season staffing, open space fuel breaks, fire and emergency access roads, and overall project contingencies. The District continues to refine its service delivery model as major infrastructure needs are being realized and major initiatives, such as the I-280 fuel break, are in motion.

Governmental Fund View - Fund Balances

As of June 30, 2026, the District's General Fund reported an ending fund balance of $52,698,196. Approximately 65% of this total amount, $34,441,483, is unassigned and available for spending in the event of crisis or emergency from earthquake, wildfire, and other disasters. The remaining $18,256,713, or 35% is committed for a variety of purposes consistent with the adopted budget and prior year fiscal audit. This year an increase in fire apparatus commitments was realized with the execution of contract obligations to reimburse Santa Clara County Central Fire.

Positive fiscal results have contributed to an accumulated fund balance that supports continuing core contract services for fire suppression, emergency medical rescue, fire mitigation, and planning for emergency contingencies. The District's fiscal posture fortifies life & property safety programs and projects, with expenditures in these services growing 152% over the past five years. These programs and projects are vital to community safety and the District's mission to enhance fire protection, prevention, and preparedness. The aim is to build a community that is resilient in responding to and recovering from disaster and wildfire events. The District's consistent revenue stream and prudent fiscal management allow it to adapt and prepare for disaster

response unknowns, recovery, economic uncertainty, and operationally challenged times. It also allows the District to address enhanced resources, fire safety demands, and infrastructure needs in the near and long-term.

The District continues to make advances in actively addressing the staffing, resource gaps, equipment needs, recruitment, staff development, and the realization of long planned major infrastructure and regional safety projects. With operations normalized, resources reinforced, and long-term projections hardened, the District's output and cadence have gained momentum to deliver on its Strategic Plan and Service Area Workplans. Key operational highlights include:

- The District strengthened operational stability in setting expenditure projections with the signing of a new 10-year fire and EMS services agreement resulting in the implementation of a 10-year financial forecast laying a fiscal foundation for future major projects and feasibility of a new fire facility and refurbishment of the current legacy 1996 fire station.
- Continuing to update the core community-based policy documents founded upon the 2023-2027 Strategic Plan and aligned with the Community Wildfire Protection Plan (CWPP) Annex 4, including the Annual Budget, Workplans and Chart-of-Services.
- Gaining County approval of key fire apparatus budget roll-forwards pursuant to the prior year execution of contracts, approximating $4.3M, with Santa Clara County Central Fire to fund one fire truck and two fire engines and associated equipment, new and replacement, for the benefit of the community and use in the high hazard brush and Wildfire Urban Interface (WUI) fire areas.
- Accepting delivery in August 2026 of a previously funded Water Tender for $420K as a key additional firefighting apparatus to the Santa Clara County Central Fire Protection District (SCCCFPD) for the Jurisdiction.
- Continued collaboration with the City of Palo Alto and the Santa Clara County Central Fire to fund augmented engine company personnel at the Palo Alto Foothills Park Fire Station #8. This high-fire season readiness measure came in at $468K and no additional month of coverage was required this year.
- Continued momentum, impact, and expansion of the Integrated Hazardous Fuel Reduction (IHFR) Defensible Space Brush Chipping (DSBC) & Debris Removal program, a year-round life and property safety service to residents. Expenditure levels in this area came in at $1.03M compared to $873K last year. This DSBC program year reflects a 123% increase over the past five years.
- Continued momentum, impact and expansion in the planning, implementation, and completion of IHFR evacuation route and vegetation management projects along key roadways totaling $948K compared to $752K last year, a 26% increase over last year and a 247% increase over the past five years. Six evacuation routes were completed, including Elena Fremont, Altamont, Black Mountain Purissima, Page Mill offramp, Mora Summerhill, and Robleda Burke.
- This was a banner year for the expanding momentum in the Home Ignition Zone (HIZ) program with expenditure levels reaching $198K compared to $122K last year, a year-to-year 63% increase and a 1100% increase over the past five years with the largest gain taking place in FY25-26.
- A robust year of improvements to the District's essential fire hydrant infrastructure including a major joint hydrant addition and replacement project with Purissima Hills Water District for total governmental fund expenditures of $210K. This infrastructure area is subject to cyclical infrastructure demands and random hydrant maintenance needs.

- Costs associated with the first full year of employee benefits, including a Health Reimbursement Account (HRA) and deferred compensation plans (457b and 401a), amounted to $201K compared to $109K last year. When factoring in existing employee leave and stipends, the total cost of benefits this year totals $374K.
- Hiring a part-time Community Education & Risk Reduction (CERR) Specialist to bolster the fast-expanding HIZ and Firewise program areas.
- Hiring a part-time Finance Program Specialist to support the evolving needs within Finance as staffing levels and process innovations are reviewed and enhanced.
- Hiring a part time Integrated Hazardous Fuel Reduction (IHFR) Specialist to provide administrative, operational, and data systems support now that IHFR programs are in full force.
- Funding one new and final planned addition to the District vehicle fleet at a cost of $44K to support CERR operations
- Funding District-owned information technology equipment for all existing and newly hired staff, including laptops, communications equipment, portable field technology, and peripherals.

In recent years, District staff have made considerable efforts into developing multi-year Workplans to measure funding and budget allocations for staffing, services, and infrastructure. The aim was to identify resource allocations and facilitate accountability by service area managers as they navigate life and property program deliverables, community readiness, and outreach services. A service area-based budget is now a standard part of the annual budgetary and Workplan development process with a plan to incorporate this into the formal general ledger systems in this next fiscal year.

As integrated within the newly created forecast model noted above, the FY25-26 executed ten-year extension of the contract with Santa Clara County Central Fire Protection District (SCCCFPD) represents the single largest factor in continuing a predictable and solid fiscal model. This contract renewal ensures stability as the District advances its core programs, fire safety initiatives, and plans for future infrastructure. The realization of this contract renewal, along with the Palo Alto Station #8 contract renewal, were mission critical achievements.

The District's largest expenditure was $6.3M for contracted fire suppression and emergency medical services with SCCCFPD, representing 41% of total expenditures. The District also funded and sponsored fire service programs including Battalion Chief services and high-fire seasonal staffing for Palo Alto Station #8 in the amount of $1.98M or 13% of all expenditures. When adding in District directed fire, life, and property safety projects, education, and outreach programs of $3.05M, or 20%, core fire suppression, prevention and readiness services account for two-thirds of all use of special district taxpayer funds. The remaining 26%, or $3.93M, is used for professional and specialized services, staffing, insurance, and administration to support fire risk mitigation programs in coordination with surrounding government agencies. Total governmental expenditures equaled $15,216,789, an increase of $1.9M, or 14%, over the prior year and $5.8M, or 60% over the past five years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances.

Understanding This Report. This report presents the District's finances in two ways. The government-wide statements — the Statement of Net Position and the Statement of Activities — look at the District as a whole over the long term, much like a private business: they count all of what the District owns and owes, including capital assets such as fire hydrants and equipment, and they spread the cost of those assets over the years the District uses them. The fund statement — the District operates a single General Fund — takes a shorter-term view, showing the cash and other resources available to spend in the near future, which is how the District builds and monitors its budget.

Because the two views measure different things, their totals differ, and a reconciliation at the bottom of the fund statement bridges the two. For example, buying a fire truck reduces spendable resources in the fund statement in the year of purchase, but in the government-wide statements the truck is recorded as an asset, and its cost is recognized gradually over its useful life. The government-wide statements report the difference between what the District owns and owes as net position, in three parts: amounts tied up in capital assets, amounts restricted to specific uses by outside parties or law, and unrestricted net position, which is the portion available to fund District programs and respond to emergencies.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The only governmental activity of the District is public protection – fire district. The District does not currently have any business-type activities.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's one fund can be categorized as a governmental fund.

Governmental Fund – (General Fund) is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e., the District's basic services are reported in the governmental fund. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near term to finance the District's programs.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund 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 the government's near-term financial decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The District maintains only one individual governmental fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, which is considered a major fund. The District does not have any proprietary or fiduciary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The Required Supplementary Information is presented concerning the District's General Fund Budgetary Comparison Schedule. The District adopts, pursuant to approval by the County of Santa Clara Board of Supervisors, an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Government-Wide Financial Analysis

Net position over time serves as a useful indicator of a government's financial situation. Assets exceeded liabilities by $57,455,189 at the close of the fiscal year, an increase of 7% over the prior year. Liabilities increased from the prior year and consist primarily of short-term operational payables and accrued compensated absences. The following Condensed Statement of Net Position presents an overview of the District's net position.

Condensed Statement of Net Position
Governmental Activities

	2026	2025	$ Change	% Change
Assets				
Current assets	$ 53,560,151	$ 49,503,199	$ 4,056,952	8%
Capital assets, net	4,941,742	4,952,071	(10,329)	0%
Total assets	58,501,893	54,455,270	4,046,622	7%
Liabilities				
Current liabilities	1,046,703	868,945	177,758	20%
Net position				
Net invested in capital assets	4,941,742	4,952,071	(10,329)	0%
Unrestricted	52,513,447	48,634,254	3,879,193	8%
Total net position	$ 57,455,189	$ 53,586,325	$ 3,868,864	7%

The largest portion of net position, 91%, represents amounts not bearing restrictions imposed by creditors, grantors, other government regulations, or those imposed through legislative action. The remaining 9% represents the investment in capital assets, with a book value of $7,841,732 before accumulated depreciation of $2,899,990, (e.g., land, improvements, fire hydrants, furniture, and equipment). These capital assets, and future infrastructure purchase commitments described below, support vital services to citizens and are subject to maintenance and replacement by the District in future years. The District has no outstanding debt.

Current liabilities increased 20% from the prior year and consist primarily of short-term professional and specialized service vendor billings and accrued compensated absences. Fluctuations in liabilities can be expected with scheduling and payment cycle differences for the District's IHFR Defensible Space Brush Chipping & Debris Removal, Evacuation Route, and Vegetation Management Programs. Liabilities also include salary leave accruals, which have increased with nearly full staffing. The District has evaluated and complied with the requirements of the newly adopted Governmental Accounting Standards Board (GASB) 101 and 103 compiling this report. The District bears no pension liability or debt.

As noted in the Condensed Statement of Changes in Net Position below, the District reported a healthy increase in overall net position of $3,868,864. On a year-to-year basis, this reflects a 14% reduction from prior year results of $4,514,870.

Condensed Statement of Changes in Net Position
Governmental Activities

	2026	2025	$ Change	% Variance
Revenues				
Property taxes	$ 17,167,121	$ 16,241,084	$ 926,037	6%
Intergovernmental-state	38,783	38,686	97	0%
Investment income	1,974,581	1,604,675	369,906	23%
Other revenues	638	7,104	(6,466)	-91%
Total revenues	19,181,123	17,891,549	1,289,574	7%
Expenses				
Public protection	15,312,259	13,376,679	1,935,580	14%
Change in net position	3,868,864	4,514,870	(646,006)	-14%
Net position - beginning of year	53,586,325	49,071,455	4,514,870	9%
Net position - end of year	$ 57,455,189	$ 53,586,325	$ 3,868,864	7%

Analysis of Changes in Net Position & Activity Highlights

The primary reasons for the increase in net position are as follows:

- Total revenue came in at 7% above budget projections. Property taxes came in above expectations with an increase of $926K, or 6% growth, slightly higher than the 5% increase last fiscal year. The district continues to experience stable property valuations, turnover of existing single-family homes, and home price inflation.
- The financial statements reflect a 23% increase of approximately $370K in interest earnings with another year of solid end-of-year surplus, higher fund balances, and stable market rates beyond conservative projections.
- Expense savings and, consequently, budgetary savings, are mostly associated with professional service savings, fire supplemental contract services, projects and programs, and infrastructure.
- Overall expense levels increased by $1.94M, or 14%, marking a 59% increase over the past five years. These include a $225K increase in contracted fire & emergency response services agreement, additional Battalion Chief District funding of $55K, and a $971K increase in resources used for life and property safety programs. These increases in resource uses were partially offset by $152K in lower costs for Palo Alto Station #8 high-fire-season staffing given the prior year extended fire threat needs. Other costs increased by $494K for program supporting staffing, $124K for employee benefits and taxes, and $162K for insurance, County legal support costs, and general professional services.
- For the year, $1.03M was expended for IHFR Defensible Space Brush Chipping Program, $68K for monthly debris drop-off, $948K for evacuation routes and vegetation management, $198K for growing HIZ and Firewise programs, $210K for hydrant replacements and repairs, and $116K for community outreach.
- Although capitalized, this year saw the bolstering of staff equipment with purchases, approximating $193K, including new hydrants in the amount of $114K, an addition to the vehicle fleet of one hybrid SUV for $44K, power back up units and IT workstations for existing and new staff for $35K.

Even with this budget to actual savings, the overall rise in expenditure outlays of $1.9M highlights the prioritized focus on program service delivery and an accentuated use of resources, in line with maintaining momentum and advancing major projects budget theme with enhanced staffing recruitment, contract-based resources, and supporting funding allocations.

FUND FINANCIAL ANALYSIS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In contrast to the government-wide statements, the fund statements focus on a modified- accrual basis of accounting that is cash flow based and aligns with a governmental budgetary focus.

The general government functions are contained in the General Fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the District's financing requirements and budgetary execution. Resulting year-end unassigned and committed fund balances serve as a useful measure of a government's year-to-year fiscal performance and net resources available for use.

The District's governmental fund reported an ending fund balance of $52,698,196, an increase of $4.0M, or 8%. Approximately 65% of the ending fund balance, $34.4M, constitutes unassigned fund balance available to meet the District's current and future needs, and mitigate disaster, wildfires, or emergencies for public safety or loss of property. The remaining $18.3M, or 35%, of fund balance is committed for emergency operations, operations continuity, capital asset upgrades, and facility remodel and/or replacements in future years. This year the Balance Sheet – Governmental Fund reflects no additional fund commitment amounts and continues to include $4.3M for obligated fire apparatus pending delivery.

General Fund Balance

	2026	2025	$ Change	% Change
Committed				
Building improvements	$ 6,000,000	$ 6,000,000	$ -	0%
Fire hydrants	3,000,000	3,000,000	-	0%
Operations	2,000,000	2,000,000	-	0%
Emergency operations	2,000,000	2,000,000	-	0%
Wildfire protection and technology	1,000,000	1,000,000	-	0%
Fire apparatus	4,256,713	4,256,713	-	0%
Total committed	18,256,713	18,256,713	-	0%
Unassigned	34,441,483	30,477,149	3,964,334	13%
Total fund balance	$ 52,698,196	$ 48,733,862	$ 3,964,334	8%

General fund revenues totaled $19,181,123, an increase of $1,289,574, or 7%, from the prior year, given strong growth in property tax and interest income. Expenditures for governmental functions totaling $15,216,789, increased by approximately 14%. The excess of revenues over expenditures realized in FY25-26 accounts for an increase in fund balance.

The following table presents revenues from various sources as well as increases or decreases from the prior year and expenditures as compared to the prior year.

Governmental Fund Revenues and Expenditures by Source

	2026		2025		Increase/Decrease	
	Amount	% of Total	Amount	% of Total	$ Change	% Variance
Revenues						
Property taxes	$ 17,167,121	90%	$ 16,241,084	91%	$ 926,037	6%
Intergovernmental: state	38,783	0%	38,686	0%	97	0%
Interest and Investment Income	1,974,581	10%	1,604,675	9%	369,906	23%
Other Revenue	638	0%	7,104	0%	(6,466)	-91%
Total Revenues	$ 19,181,123	100%	$ 17,891,549	100%	$ 1,289,574	7%
Expenditures						
Services and Supplies	$ 12,301,298	81%	$ 11,037,451	83%	$ 1,263,847	11%
Salaries and Benefits	2,721,585	18%	2,133,965	16%	587,620	28%
Capital Outlay	193,906	1%	152,045	1%	41,861	28%
Total Expenditures	$ 15,216,789	100%	$ 13,323,461	100%	$ 1,893,327	14%
Net Change in Fund Balance	$ 3,964,334		$ 4,568,088		$ (603,754)	-13%

Capital Assets

The District's net investment in capital assets for governmental activities as of June 30, 2026, was $4,941,742 resulting from an asset cost of $7,841,732, net of accumulated depreciation of $2,899,990. This investment in capital assets includes land, improvements, fire hydrants, furniture, and equipment.

The primary operational increases in fixed assets this year had to do with the reimbursement funding for the addition of fire hydrants in coordination with Purissima Hills Water District system expansion and improvements projects, equipping staff with power back-up and technological equipment for both remote and in-the- field use. No material fixed asset dispositions were made in this year of reporting. The District also purchased one Hybrid SUV which was included in adopted and adjusted budget allocations for FY25-26. This is further discussed in Note 5 of the notes to the financial statements.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures resulting in the variance in fund balances when comparing government-wide to fund-based statements See Note 5 for additional information on capital assets.

A summary of the District's investment in capital assets for the governmental activities is presented below to illustrate changes from the prior year:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Non depreciating assets				
Land	$ 4,688	$ -	$ -	$ 4,688
Depreciating assets				
Buildings- improvements	2,600,424	-	-	2,600,424
Fire hydrants	4,784,756	114,300	-	4,899,056
Furniture and equipment	123,895	35,470	-	159,365
Vehicles	134,064	44,136	-	178,200
Depreciating assets, at cost	7,643,139	193,906	-	7,837,044
Accumulated depreciation				
Buildings- improvements	(1,484,213)	(52,009)	-	(1,536,222)
Fire hydrants	(1,095,064)	(97,981)	-	(1,193,045)
Furniture and equipment	(89,666)	(35,640)	-	(125,306)
Vehicles	(26,813)	(18,604)	-	(45,417)
Total accumulated depreciation	(2,695,756)	(204,235)	-	(2,899,990)
Net depreciating assets	4,947,383	(10,329)	-	4,937,054
Net capital assets	$ 4,952,071	$ (10,329)	$ -	$ 4,941,742

General Fund Budgetary Highlights

Revenues exceeded budgetary estimates by $965,298 primarily due to positive variances in property taxes of $630K, and a favorable interest and investment income of $335K. Savings in original adopted budget expenditure allocations are mostly attributable to; I-280 unexpended project funds now under contract, unused HIZ and Open Space Fuel Break allocations $3.7M; Professional service allocations subject to rollover in future years $1.4M, salary and benefits savings of $444K; and Fire contract contingency savings of $741K allocations and project contingencies. Supporting professional services expenditures were also impacted by project variances. A discussion of these budget-to actual variances follows:

- The budget includes allocations for a hazardous fuel reduction project along I-280 which is internally financed to expedite implementation, delivery, and completion. The unused $2.3M allocation for this project is the year one and two starting point in this approved and contracted multi-year $6M project, as

noted in the FY25-26 and 26-27 budget projections.

- The District continues to meet with regional and local fire service agencies to explore opportunities to collaborate on community open space strategic fuel breaks and is evaluating assisting with emergency access roads in coordination with County guidance. Unused allocations in this area amounted to $116K at year end. Recent attainment of state level emergency proclamations will accelerate progress in this initiative.
- Fire response contingencies, a critical allocation to address disaster unknowns, made up of hand-fire-crews, extra-fire seasonal patrols, and a general emergency allowance were unspent at year end in the amount of $405K. Palo Alto Station #8 costs were below budget by $156K given the absence of need for an extended month of staffing this fire season as compared to the prior year.
- Savings of $1.4M resulted from unspent professional services made up mostly of the $715K study for a new fire facility, $250K for the District-Wide Programmatic Environmental Impact Report, two multi-year projects that have been rolled over into the upcoming budget, and unexpended contingency dollars.
- As noted above, several life and property safety projects and programs continue in their strong trends including:
    - IHFR defensible space chipping program with expenditures of $1.03M coming in above the prior year's strong performance
    - Another strong evacuation route clearing year with expenditures amounting to $948K, or $196K over the prior year
    - The HIZ program, with a budget of $300,000, is again trending upward with vigor, at $198K, and remains a key focus of implementation in the coming year.
    - In the area of equipment, the District purchased one hybrid SUV for $44K and $35K in IT equipment with savings of $175K for El Monte building repair contingencies.

The budgetary comparison schedule reflects approved mid-year budget adjustments and prior year budget rollovers. The material amounts listed below provide for key major infrastructure, obligated fire apparatus reimbursements and pending equipment and software developments.

	APPROVED BY COUNTY FY25-26		
Regional New Fire Facility Study**	350,000		350,000
Regional PEIR	100,000		100,000
Regional Contracted 3 Fire Apparatus **	1,959,134	2,300,000	4,259,134
Regional I-280-Fuel Break Yr 1,2,3 ***	1,000,000		1,000,000
Regional AI Fire Detection Tech	250,000		250,000
IT Equipment & Upgrades	75,000		75,000
Vehicles- Small SUV	47,500		47,500
Total	**3,781,634**	**2,300,000**	**6,081,634**

A Budgetary Comparison Schedule, with the original adopted and final adjusted budget, may be found on page 41.

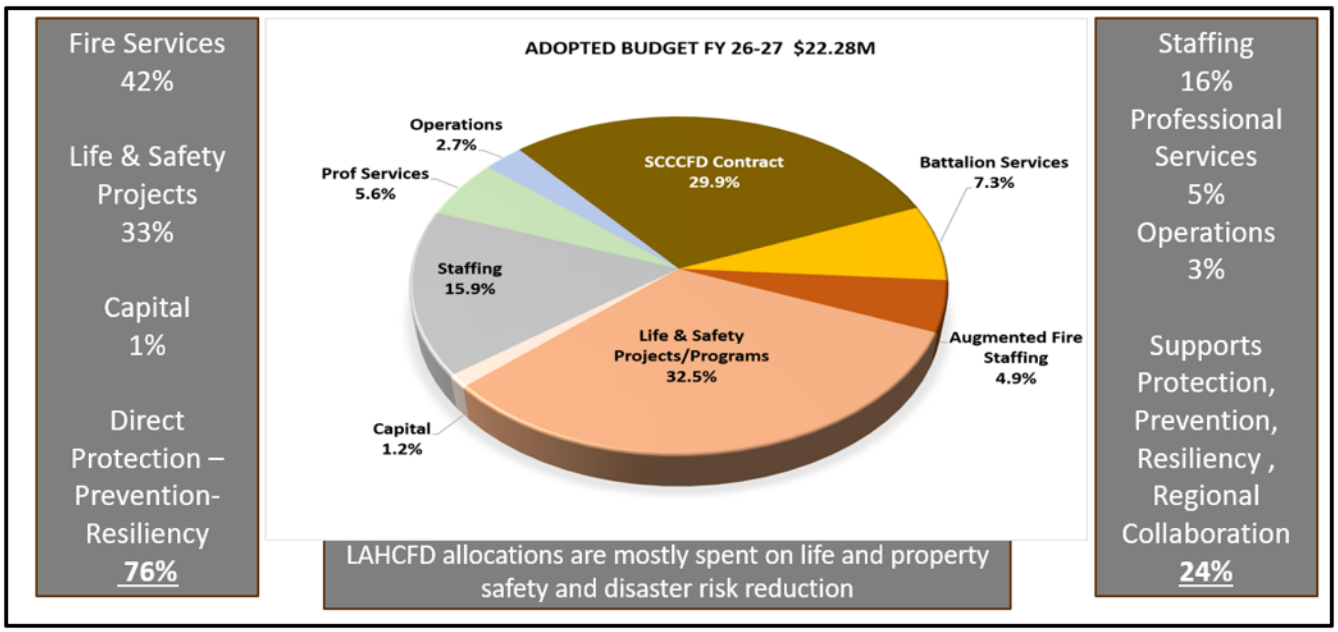
Economic Factors and Next Year's Budget

The District's continued strong fiscal standing allows it to advance essential fire prevention projects, including IHFR programs supported in partnership with SCCFSC to bring effective vegetation mitigation to residents and community projects. These services are grounded in fire science and the CWPP Annex 4 and include HIZ assessments, monthly defensible space brush chipping and debris removal, shaded fuel breaks for defensible space and evacuation route hardening. Planning for the regional multi-year I-280 Fuel Break Project highly impacted the upcoming budget as this regional project enters its engineering evaluation, vendor solicitation, and implementation phases. Furthermore, maintaining the momentum on evacuation routes, brush chipping, Firewise USA and HIZ Programs, is a catalyst for the FY26-27 budget requests.

The devastating 2025 Southern California fires, in the greater Los Angeles area, underscore the importance of sustaining, and building upon the District's growing life and property efforts. $1.065M has been allocated in recent years to conduct and complete a comprehensive study and assessment for a potential additional fire facility within the District to improve overall emergency response and readiness. Rollover funding approval for this initiative has been attained from the County. The District also earmarked funding to assess improvements to regional data communication networks and early fire detection warning systems in cooperation with the County. The District continues to evaluate its technological needs, the potential upgrade of the El Monte Fire Station, and the feasibility of a potential new fire facility to address population growth and response-time opportunities as noted in the recent LAFCO report.

Total revenues are projected at $19.18M, an increase of 5.30% or $965K, over the prior year budget. Property taxes, the primary source representing 92% of total revenues, are expected to increase by $1.06M, or 6.39%, to approximately $17.64M compared to the prior year budget of $16.58M. This budget includes County generated property tax projections through December 2025. The last three years displayed similar increases for property tax revenues. Interest income is projected to decrease over the prior year Budget by 6%, or approximately $100K, to $1.54M based on the assumption that rates will be lower and that large fund balance payouts will occur during FY26-27.

Total expenditure allocations are expected to be level at $22,282,786 an increase of $116K, or a fraction of 1%, compared to the current year budget. Adjusted for one-time allocations overall expenditure allocations increased by $681K or 3.69% made up mostly of fire contract COLA increases, enhanced fire mitigation projects and programs, normal annual salary and benefit increases, insurance costs, and expanded consulting services. The budget projects the use of available fund balances of $3.10M, an amount comparable to the prior year. Healthy beginning fund balances are again projected to fund future major infrastructure improvements and fire service enhancements while emergency commitments are preserved.



The budget includes an increase of $400K for year three of the I-280 Fuel Break Project for a total FY26-27 allocation of $3.15M. The budget also increases allocations for defensible space chipping and debris removal, evacuation routes and reinforces the rapidly growing HIZ program, including the proposed rebate enhancement noted above, by $300K, for a total of $600K.

As it relates to the I-280 Community Fuel Break Project, it is key to note that the original grant-based cost estimate, updated for inflation in the upcoming budget to $6.9M, has undergone detailed engineering review as final vendor selection and awards were finalized. This process was completed in the subsequent period with contract dollars remaining within budget estimates. Additionally, fund balance projections assume the full payout from reserves in FY26-27 of $1.9M for the contract obligated funding of two fire engines. A remaining committed reserve balance $2.3M for the one contract obligated fire truck is scheduled for delivery and payment in FY27-28.

As in the prior year, and in recognition of fiscal challenges at the Federal, State and County levels, the FY26-27 budget moderated expenditure allocations where practical.

As compared to the prior year, the overall FY26-27 budget allocations are flat, increasing by a net of $115,752 (or .52%) with the most significant one-time, ongoing requests, and prior-year one-time adjustments outlined below:

Prior Year One-Time Items Not Repeated This Year (Subject to Roll Forward*)

- ($715,000) Ops & Admin - Dedicated professional services for the assessment, vendor selection, architecture, design, and project oversight of a new Fire Facility - second year allocation*
- ($250,000) PPG-Updated costing for the District wide PEIR to $350,000 - second year allocation*
- ($55,000) Finance & Technology- Web site upgrade and Finance transparency portal systems *
- ($76,800) Infrastructure - Reflects the allocation of communications and printers in FY25-26
- ($35,000) Finance & Technology - Prior year projected contract services mitigated by staffing hires

FY25-26 Base Budget Adjustments

- $411,000 Fire - Contractual Fire Services Agreement COLA: Assumed December level renewal
- $163,000 All Service Areas - Overall existing salary, wages, taxes: with full benefits now included
- $57,000 Operations & Admin- Increases in Liability Insurance (FAIRA) and Workers' Compensation insurance costs given full staffing and major field project deliverables
- ($75,000) CERR- Moderate/eliminate Temporary Refuge Area allocations pending further jurisdictional analysis with County
- ($54,000) Infrastructure - Moderate/reduce Hydrant/Infrastructure Repair and Maintenance allocations based on actual trends
- ($89,000) PPG- Moderate/reduce Open Space Fuel Break Program allocations for study and analysis instead of field work, due to multi-jurisdictional considerations

FY26-27 One-Time Requests (Subject to future Roll Forward*)

- $400,000 PPG- Additional I-280 Internal funding – final phase year 3 ($3.15M vs. $2.75M FY25-26) *
- $45,000 Finance & Technology - Additional Web Site Upgrades and Searchable doc. remediation *
- For County purposes, the entire FY26-27 year 3 allocation of $3.15M is considered a one-time request with the prior year amounts of $1M and $2.75M managed as rollovers.

FY26-27 On-Going Requests

- $191,000 CERR - Additional funding with growth in the HIZ rebate program fire mitigation for local and regional benefit
- $109,000 CERR - Additional placeholder funding for a proposed enhanced HIZ rebate program to consider supplementing the program to address hazard trees within the HIZ fire safety zones
- $172,000 - PPG- Demand growth in evacuation route mitigation and to fully implement the prior year pilot Flashy Fuels fire mitigation program in coordination with the Town. Now absorbed into the annual Evacuation Route Program
- ($175,000) PPG- Reassignment from programs and projects contingencies to reflect the classification of the pilot Flashy Fuels costs to the Evacuation Route Program line item
- $62,000 All Service Areas - Independent Contractor-Consultants services increased to assist in peak periods for anticipated large project deliverables and flexibility with staffing levels at full capacity

- $31,000 Finance/ IT - Increase in contract accounting support services given, contract changes, higher demand requirements, full staffing, and systems development
- $17,500 Operations & Admin - Increases in County Legal Services and supporting internal operational cost allocations

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Los Altos Hills County Fire District
P.O. Box 1766
Los Altos, California 94023-1766

Basic Financial Statements

LOS ALTOS HILLS COUNTY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 53,039,017
Interest receivable	521,134
Capital assets	
Land	4,688
Building improvements	2,600,424
Fire hydrants	4,899,056
Furniture and equipment	159,364
Vehicles	178,201
Accumulated depreciation	(2,899,990)
Net capital assets	4,941,742
Total assets	58,501,893
Liabilities	
Accounts payable and accrued liabilities	861,955
Compensated absences	184,748
Total liabilities	1,046,703
Net Position	
Net investment in capital assets	4,941,742
Net position-unrestricted	52,513,447
Total net position	$ 57,455,189

The accompanying notes are integral to the financial statements.

LOS ALTOS HILLS COUNTY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2026

Functions	Expenses	Revenues	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities			
Public protection	$ 15,312,259	$ -	$ (15,312,259)
Total governmental activities	$ 15,312,259	$ -	(15,312,259)
General Revenue			
Property taxes			17,167,121
Intergovernmental-state			38,783
Investment income			1,974,581
Other revenues			638
Total general revenue			19,181,123
Change in net position			3,868,864
Net position, beginning of year			53,586,325
Net position, end of year			$ 57,455,189

The accompanying notes are integral to the financial statements.

LOS ALTOS HILLS COUNTY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2026

	General Fund
Assets	
Cash and investments	$ 53,039,017
Interest receivable	521,134
Total assets	$ 53,560,151
Liabilities	
Accounts payable and accrued liabilities	$ 861,955
Total liabilities	861,955
Fund Balance	
Committed	
Building improvements	6,000,000
Fire hydrants	3,000,000
Operations	2,000,000
Emergency operations	2,000,000
Wildfire protection and technology	1,000,000
Fire apparatus	4,256,713
Unassigned	34,441,483
Total fund balance	52,698,196
Total liabilities and fund balance	$ 53,560,151

The accompanying notes are integral to the financial statements.

LOS ALTOS HILLS COUNTY FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total fund balance - governmental fund	$	52,698,196
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are capitalized and depreciated over their useful lives in the government wide statements, but are recorded as an expenditure in the fund financial statements.		4,941,742
Accrued compensated absences are assumed to not use current resources and are therefore excluded from the Governmental Fund Balance Sheet.		(184,748)
Net position of governmental activities	$	57,455,189

The accompanying notes are integral to the financial statements.

LOS ALTOS HILLS COUNTY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED
JUNE 30, 2026

	General Fund
Revenues	
Property taxes	$ 17,167,121
Intergovernmental - State	38,783
Interest and investment income	1,974,581
Other revenue	638
Total revenues	19,181,123
Expenditures - Public Protection	
Services and supplies	12,301,298
Salaries and benefits	2,721,585
Capital outlay	193,906
Total expenditures - public protection	15,216,789
Net change in fund balance	3,964,334
Fund Balance	
Fund balance - beginning of year	48,733,862
Fund balance - end of year	$ 52,698,196

The accompanying notes are integral to the financial statements.

LOS ALTOS HILLS COUNTY FIRE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2026

Net change in fund balance - total governmental fund	$	3,964,334
Amounts reported for governmental activities in the Statement of Activities are different because:		
Current year depreciation expense		(204,235)
Capital assets purchased are reported as expenditures in the fund financial statements and capitalized in the government wide statements.		193,906
Compensated absences are considered long term and therefore not recognized as part of current use of resources.		(85,141)
Changes in net position of governmental activities	$	3,868,864

The accompanying notes are integral to the financial statements.

NOTE 1 - GENERAL INFORMATION

Organization

The Los Altos Hills County Fire District (District) was organized on October 23, 1939, and operates in conformity with the provisions of Part 2.7 of Division 12 of the California Health and Safety Code. The District includes the Town of Los Altos Hills and the unincorporated areas generally referred to as Loyola, Los Trancos, and San Antonio Hills. The District comprises an area of about 12.03 square miles.

In addition to contracting fire suppression, emergency medical rescue and traditional fire services, the District has provided fire risk-reduction, protection, prevention, and building resiliency for its residents over the years through the following initiatives:

1. Continuing regional partnership with the City of Palo Alto and Santa Clara County Central Fire Protection District (SCCCFPD) to fund fire crew staffing at Palo Alto Fire Station #8 throughout the high fire season.
2. Completed multiple evacuation routes and road hardening projects along Page Mill Road, Phase 1 and II, Moody/El Monte Roads, Altamont Road, Mora Drive, Ravensbury Avenue, and Arastradero Road.
3. Funded specialized fire apparatus equipment for use in the high hazard brush and wildland-urban interface fire areas.
4. Funded new rescue apparatus units: 1 water tender in recent years, 1 fire truck this year, and 2 fire engines planned for next year for SCCCFPD prior to the end of their expected useful lives, with future replacements planned in the upcoming budget.
5. Funded the evaluation of a potential new fire response facility to enhance presence and response time to fire and medical response events.
6. Funding the assessment of AI fire detection mitigation technology as an emerging prevention and mitigation tool.
7. Funded a variety of specialized rescue tools and addressed El Monte Fire Station improvements, including new safety flooring.
8. Engineering, construction, and replacement of 552 District fire hydrants with new state-of-the-art fire hydrants, gate-valves, and laterals for firefighting reliability.
9. Funded two CERT emergency supply trailers (SCCCFPD has title) and one emergency storage container at the Area Resource Kit (ARK) facility.
10. Funded mobile satellite in-field communications capabilities and mobile technology.
11. Equipped all staff with remote information technology workstations, tablets, and cellular phones.

On an ongoing basis the District also provides the following programs for its residents:

- Replacement and relocation of District owned fire hydrants, undersized water pipes, gate-valves and laterals as needed during capital improvement projects.
- Additional firefighter staffing during summer fire season.
- A monthly defensible space brush chipping and debris removal program for residents living in the designated chipping area of the District, supplemented by monthly qualified on-call brush chipping services for all District residents.
- A defensible space brush debris drop-off program is funded by the District and operated by the waste hauling company, which allows residents to drop-off brush, tree limb debris, and other combustible vegetation once a month at a central drop-off area.

NOTE 1 - GENERAL INFORMATION (continued)

Organization (continued)

- Construction of evacuation routes and shaded fuel breaks along roadways by mitigating vegetation so as to create defensible locations that can help reduce a wildfire's progress and create defensive areas for firefighters to organize, stage, and suppress.
- Adopted budget allocations, engineering firm selection and contractor award for the Interstate 280 (I-280) corridor north and south bound and the center divider that is a vital transportation corridor for Bay Area commerce and public transportation. The I-280 corridor, once mitigated, will serve as a jurisdiction-wide and regional fire break between the WUI area in the District and the surrounding cities.
- Annual Home Ignition Zone (HIZ) hardening that involves outreach, education, and a coordinated rebate program. HIZ assessments for homeowners to meet with assessors, review defensible space, and receive recommendations for protecting their home from hazardous ignition and fire fuel mitigation.
- Community education programs with a focus on promoting Firewise Communities across the region as a core risk reduction and resiliency measure.
- A community outreach program to inform all District residents via multiple mailings of fire prevention and emergency preparedness information.

District Officials

The District is a dependent district of the County of Santa Clara (County). The County Board of Supervisors (County Board) delegated its authority for governance to a seven-member Board of Commissioners (Commission), appointed by the County Board for four-year terms, pursuant to the provisions of the Health and Safety Code Section 13884. Appointments to the Commission provide representation for residents of incorporated and unincorporated territories. A Commissioner must be a resident of the District. Commissioners are subject to removal for cause. The County Board delegates all its powers to the Commission to manage the affairs of the District; provided, however, that the Commission shall not initiate litigation without the prior approval of the County Board.

The District is considered a component unit of the County, and the District's financial statements are blended into the County's financial statements. The Commission is composed of the following members as of June 30, 2026:

Terms expire December 31 of the year noted:

Roger Spreen	President	2028
Toby McDonell	Vice President	2026
Jim Basiji	Member	2029
Indu Kadambi	Member	2028
Kavita Tankha	Member	2028
George K. Tyson	Member	2026
Mark Warren	Member	2028

NOTE 1 - GENERAL INFORMATION (continued)

Accounts and Records

The basic financial records are maintained in the office of the County's Auditor-Controller. The District maintains supporting vouchers and other records. Minutes are recorded and contain approvals for disbursements.

Budgetary Procedures

The District is required by state law to adopt a budget for the General Fund. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The annual budget is prepared, approved, and submitted by the Commission to the County Board for final adoption. Once the budget is adopted, it can be amended at the Function and Fund level only by the majority approval of the Commission. Such amendments are presented to the Commission at their regular meetings. All amendments are made before the fact and are reflected in the official minutes of the Commission. Finally, all amendments are subsequently submitted to the County Board. Budget appropriations lapse at fiscal year-end but are subject to year-to-year rollover with the approval of the County. Rollovers are typically applied to large-dollar equipment, project-based procurements and contract commitments that entail subsequent year payment. Encumbrance accounting is not used.

Appropriations Limit

The County Board computes the appropriations limit for special districts within their governance at the time of budget adoption each year. The County's auditors review these annual calculations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's most significant accounting policies are described below.

Basis of Presentation

Government-Wide Financial Statements
The Statement of Net Position and Statement of Activities display information about the District. These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues would include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including various taxes, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Fund Financial Statements
Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows, deferred outflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District, however, only reports governmental funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District has only one fund, the General Fund.

Governmental Fund
The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not required to be accounted for through other funds. For the District, the General Fund's primary activity is public protection.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The basis of accounting indicates when transactions are recorded, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The District has no proprietary or fiduciary funds.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic assets used. Revenues, expenses, gains, losses, assets, deferred outflows, deferred inflows, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District gives (or receives) value without

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year ends. Expenditures (including capital outlay) are generally recorded when the related liability is incurred.

Property Tax Levy, Collection, and Maximum Rate

The State of California's Constitution, Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and redemption charges on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State Legislature has determined the method of distribution among the counties, cities, school districts, and other districts of receipts from the 1% property tax levy.

The County assesses properties, bills for, and collects property taxes as follows:

	Secured	Unsecured
Lien dates	January 1	January 1
Levy dates	October 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent after	December 10 (for November) April 10 (for February)	August 31

These taxes are secured by liens on the property being taxed. The County Board annually sets the rates of the County and District taxes, and levies State, County, and District taxes as provided by law. The term "secured" refers to taxes on land and buildings, while "unsecured" refers to taxes on personal property other than land and buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Levy, Collection, and Maximum Rate (continued)

The County bills and collects property taxes and remits them to the District under the State-authorized method of apportioning taxes whereby all local agencies, including special districts, receive from the County their respective shares of the amounts of ad valorem taxes collected.

In 1981, the District passed an ordinance to impose a special tax pursuant to the provisions of the California Government Code Section 53978 on real property within the District for fire protection and related services. The District has not imposed this tax since 1986. The maximum annual special tax assessment that a parcel can be charged is as follows:

- Unimproved parcels - $15 per 5 acres or fraction thereof, with a maximum of $60.
- Improved residential parcels - $50.
- Improved commercial parcels - $75.

Capital Assets

In the government-wide financial statements, capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. The District generally capitalizes assets with an individual cost of $5,000 or more: however, certain items below that threshold may be capitalized when purchased in groups or quantities that are significant in total. For purposes of capitalization some category of purchases, such as IT devices, may be bundled and capitalized annually as a basis for tracking and internal controls, Donated capital assets are valued at their estimated acquisition cost on the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation expense is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Improvements	50 years
Fire hydrants	50 years
Furniture and equipment	3 to 5 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Upon sale of capital assets, the proceeds from sale of capital assets are included in the results of operations as other financing sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

In the government-wide financial statements, equity is classified as net position and divided into three components:

Investment in capital assets — This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted — This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted — This category represents the net position of the District, not restricted for any project or other purpose.

Governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for how the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable fund balance — includes amounts that are (a) not in spendable form—such as inventory, prepaid amounts, or long-term notes receivable, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted fund balance — constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance — amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Commission. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally. On June 16, 2020, the Commission adopted Resolution 20-23 which established a $14 million committed fund balance. The reserve may be used for emergency operations, general operations, and upgrades to the District's capital assets in periods where minimal property tax revenue is forthcoming, or in the event of a declaration of an emergency or natural disaster.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications (continued)

Assigned fund balance — comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Commission or (b) a body (e.g., a budget or finance committee) or official to which the Commission has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Except for the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance — the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

Spending Policy

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Estimates

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

New Accounting Standard

The District adopted GASB No. 103, *Financial Reporting Model Improvements*, which establishes or modifies financial reporting requirements related to management's discussion and analysis, unusual or infrequent items, budgetary comparisons and statistical trends information. The adoption did not result in a material impact to the District.

The District adopted GASB No. 104, Disclosure of Certain Capital Assets, which requires separate disclosure of certain capital assets, including lease assets, subscription assets, and capital assets held for sale. The adoption did not result in a material impact to the District.

The District early adopted GASB No. 105, *Subsequent Events*, for the fiscal year ended June 30, 2026, which improves the financial reporting requirements for subsequent events. GASB No. 105 is effective for fiscal years beginning after June 15, 2026, and earlier application is encouraged. The adoption did not result in a material impact to the District.

NOTE 3 - CASH AND INVESTMENTS

Available cash balances of the District are invested in the County Treasury Pool (Pool) for the purpose of increasing earnings through investment activities. The County's commingled Pool consists of cash in the bank, U.S. government and agency securities, corporate bonds, negotiable certificates of deposit, commercial paper, and deposits in the State's Local Agency Investment Fund. The County's pooled deposits and investments are regulated by California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee and the County Board of Supervisors. The pooled investments' fair value is

based on quoted market prices. The County allocates interest to the District based on the District's average daily cash balance relative to the entire Pool. The value of the participants' Pool shares that may be withdrawn is determined on an amortized basis, which is different than the fair value of the participants' positions in the Pool. In addition, the County's Pool is not rated by any of the credit rating agencies. Additional information regarding the County's investment policy and cash and investments, including interest rate risk, credit risk, custodial credit risk categories, and maturities of the different categories of investments can be found in the County's Notes to the Basic Financial Statements.

The District's cash is held in County managed bank accounts, and operations are funded on a Zero Balance Account (ZBA) basis with receipts and disbursements drawn to and from Pool as transactions are processed.

Additional information about the County Pool's investments can be obtained from the County's Controller-Treasurer Department located at 70 West Hedding Street, 2nd Floor, East Wing, San Jose, California 95110.

As of June 30, 2026, the District had $53,039,017 with the County Treasury Pool.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District can 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.

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 reasonable 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.

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Uncategorized - Investments in the Pool are not categorized using the levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 5 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Non depreciating assets				
Land	$ 4,688	$ -	$ -	$ 4,688
Depreciating assets				
Buildings- improvements	2,600,424	-	-	2,600,424
Fire hydrants	4,784,756	114,300	-	4,899,056
Furniture and equipment	123,895	35,470	-	159,365
Vehicles	134,064	44,136	-	178,200
Depreciating assets, at cost	7,643,139	193,906	-	7,837,044
Accumulated depreciation				
Buildings- improvements	(1,484,213)	(52,009)	-	(1,536,222)
Fire hydrants	(1,095,064)	(97,981)	-	(1,193,045)
Furniture and equipment	(89,666)	(35,640)	-	(125,306)
Vehicles	(26,813)	(18,604)	-	(45,417)
Total accumulated depreciation	(2,695,756)	(204,235)	-	(2,899,990)
Net depreciating assets	4,947,383	(10,329)	-	4,937,054
Net capital assets	$ 4,952,071	$ (10,329)	$ -	$ 4,941,742

For the year ended June 30, 2026, depreciation expense charged to public protection under governmental activities was $204,235.

NOTE 6 - LEASE

The District leases the land for the El Monte Fire Station, completed in 1996, and situated on the Foothill Community College Campus, under the terms of a 99-year lease, at a rental of $1 per year (prepaid), expiring February 2092.

NOTE 7 - CONTRACT FIRE PROTECTION SERVICES

SCCCFPD Fire & Emergency Medical Services

The District and the City of Los Altos (City) contracted with SCCCFPD for fire and Emergency Medical Services (EMS) pursuant to the terms of the 1996 Agreement, effective January 1997. In December 2016, SCCCFPD, the City, and the District entered into an amended and restated Agreement for these services, with the District entering into three additional agreements providing for Battalion Chief, CERT Program Coordinator (contract discontinued and is now a regular full-time Emergency Services Manager) and additional Fire Season Staffing services.

On February 17, 2026, the District Commission approved a ten-year extension to this contract to take effect on January 1, 2027, per the 2027-2036 Fire and Emergency Medical Services Agreement, Memorandums of Agreement and Supplemental Agreements with Santa Clara County Central Fire Protection District. At this time all of the associated supplemental agreements within the realm of this master agreement were also updated and extended to align with the new ten-year term.

Term: The term of the Agreement in place in FY25-26 was entered in December 2016 for a period of ten years from January 1, 2017 until December 31, 2026. During the current fiscal year, the District Board approved a renewal of the Agreement for an additional 10 year term, commencing January 1, 2027 and expiring December 31, 2036.

Real Property and Equipment: A description of obligations of the District and the SCCCFPD pursuant to Real Property and Equipment can be found in the 2016 Fire and EMS Agreement, Article 6 and 7, between the City, the District, and SCCCFPD entered on December 13, 2016. These same conditions apply to the successor agreement noted above.

Compensation: SCCCFPD will invoice the City and the District monthly, and payments shall be made within 15 days of receipt of the invoice. Payment is made by automatic transfer through the County of Santa Clara.

Each calendar year commencing on January 1, 2017, and each January thereafter, the District shall owe to SCCCFPD the annual operating costs calculated from a December 2016 base amount of $4,250,813. The compensation is increased annually as follows:

- The parties agree that annual increases in compensation to the SCCCFPD for fire and EMS costs shall be limited to the weighted average of the percentage growth of the following three indices:
  - 50% Consumer Price Index defined as the second most prior February to the February immediately prior to the January being considered for increase, San Francisco-Oakland- San Jose, All Urban, All Items Consumer Price Index; and

NOTE 7 - CONTRACT FIRE PROTECTION SERVICES (continued)

SCCCFPD Fire & Emergency Medical Services (continued)

  - 25% Assessed Valuation defined as the total Local Secured Values for the total parcels in the District as reported by the County of Santa Clara Controller's Office each July; and
  - 25% COLA following a calculation formula – the average annual cost of living increase in total compensation provided to firefighters of the SCCCFPD.
- The value of that index (indices) will be zero for the purposes of computing the weighted average for that calendar year.
- The annual weighted average increase shall not be less than 2% or greater than 5% of the base rate.

These same annual fee methodology, billing and payment conditions apply to the January 1, 2027, successor agreement noted above. When in effect the base amount for LAHCFD's annual operating costs is set at $6,355,020 subject to any deductions or offsets provided for in the Agreement.

As part of the Master Agreement update described above, the District renewed the Battalion Chief contract to extend through 2036, the same term as Fire Protection Services described above. Under the agreement, the District contracts with SCCCFPD for round the clock, seven days per week Battalion Chief stationed at El Monte Fire Station, at an annual base amount of $1,649,520. The agreement also provides for additional fire-season staffing at a rate of 1.5 times top step for Captain and each Firefighter/Engineer, and for the use of Wildland Interface Engine on Red Flag warning days at the published Governor's Office of Emergency Services rate for each day the engine is in service. The agreement may not be terminated before December 31, 2032. After December 30, 2031, either party may provide notice of termination without cause with the requirement of one year notice.

Palo Alto Station No. 8 Fire and Emergency Medical Services

On June 8, 2021, the Santa Clara County Central Fire Protection District, the Los Altos Hills County Fire District and the City of Palo Alto, entered into the Agreement for the operations and funding of Fire Station No.8 allowing the parties to work in partnership to staff and utilize this facility primarily to improve the wildland firefighting capabilities in their respective jurisdictions and bolster regional mutual aid.

The services in the 2021 Agreement provide enhanced protection during high fire seasons. The terms of the Agreement provide the flexibility for the Parties to adapt to a variety of weather conditions and staffing demands during the five-year term of the Agreement that terminates on December 31, 2025.

In FY25-26 the District Commission approved Amendment No 1 to the agreement extending the Initial expiration date to December 31, 2026, with the provision that the Agreement shall automatically renew annually for up to four additional one-year terms, commencing on January 1 and ending on December 31 of each such year, unless any Party provides written notice of non-renewal to the other Parties prior to December 1 of each year. Notice of non-renewal shall be approved by the respective legislative bodies of the party issuing the notice of non-renewal.

NOTE 7 - CONTRACT FIRE PROTECTION SERVICES (continued)

Palo Alto Station No. 8 Fire and Emergency Medical Services (continued)

Under the conditions of Amendment No 1 the total amount to be funded by LAHCFD for the full term of the Agreement shall not exceed $3,200,000 including any automatic one-year renewals. Funding for January 1, 2026 to December 31, 2026 term of the Agreement shall not exceed $640,000. Funding for each subsequent automatic one-year renewal term shall be allocated calculated pursuant to the established contract methodology such that, in the aggregate, total payments under this Agreement do not exceed $3,200,000 for the full term of the Agreement.

Payments for Fire Protection Services

Total amounts paid by the District to SCCCFPD (including fire and EMS services, Battalion Chief services, rental of a Type 3 engine, a portion of additional staffing for Palo Alto Station #8, and additional seasonal fire patrol) were as follows for the fiscal years ended June 30:

2026	$ 7,947,797
2025	$ 7,836,649
2024	$ 7,381,668
2023	$ 7,037,172
2022	$ 6,767,060
2021	$ 6,444,045
2020	$ 6,152,354
2019	$ 6,228,726
2018	$ 6,102,147

In FY25-26 the District paid the City of Palo Alto the additional engine company personnel costs for Palo Alto Station #8 in the amount of $286,738. The sum of all payments for Palo Alto Station #8 in FY25-26, including both SCCCFPD and Palo Alto, amounts to $467,945.

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The District provides compensated absence benefits to its employees. The increase in liability over the prior year results from the continued staffing increase trend into FY25-26, adjustments made for salary increases, and contract review updates.

NOTE 8 – ACCRUED COMPENSATED ABSENCES (continued)

The following table discloses the activity in compensated absences:

Balance at June 30, 2025	Current Year Accrual	Usage	Balance at June 30, 2026
$ 99,608	$ 154,799	$ 69,659	$ 184,748

The District adopted GASB No. 101, *Compensated Absences*, on July 1, 2024, which establishes a unified recognition and measurement framework for all types of compensated absences. The adoption of the standard did not result in a material impact to the District.

NOTE 9 – OTHER CONTRACT SERVICES

Integrated Hazardous Fuel Reduction Programs

The District contracts with the Santa Clara County FireSafe Council as an independent contractor to develop, manage, and implement various Integrated Hazardous Fuel Reduction (IHFR) Programs, including construction of shaded fuel breaks, defensible space brush chipping and debris removal service, and HIZ assessments. The District's total costs for this vendor in FY25-26 amounted to $2,168,937, an increase of $458,922 over the prior year.

The District also contracts with TRC Solutions for technical services and construction management services. The first project under the agreement is the I-280 Hazardous Fuel Reduction Project. The District's total costs for this vendor in FY25-26 amounted to $358,699.

Hydrant and Infrastructure Engineering Services

The District contracts with Freyer and Laureta Inc. for engineering services related to the District's fire hydrants and infrastructure. The District also contracts with C2R Engineering for the on-call repair and maintenance of fire hydrants, as well as building of new fire hydrants and retaining walls. The District's combined total costs for these vendors in FY25-26 amounted to $131,397, an increase of $30,648 from the prior year.

Consulting and Professional Services

The District contracts special project consulting and professional services in support of its many life and property safety projects and in support of core operations. For FY25-26, the District funded $53,033 in independent contractor costs and $308,469 for professional services involving technology management support, accounting services, organizational planning services, videography, printing, and mapping. This mix of staffing and contract services underpins the District's productivity model.

NOTE 9 – OTHER CONTRACT SERVICES (continued)

Legal Service

The District's Legal Counsel services are provided by the Santa Clara County Office of the County Counsel, which may engage outside law firms as necessary. Legal service payments made during the fiscal year to County Counsel and an outside law firm totaled $215,624.

NOTE 10 – FUND BALANCES & COMMITMENTS

The District's fund balances, from a governmental viewpoint, are listed below. There were no additional fund commitments in FY25-26.

	2026	2025	$ Change	% Change
Committed				
Building improvements	$ 6,000,000	$ 6,000,000	$ -	0%
Fire hydrants	3,000,000	3,000,000	-	0%
Operations	2,000,000	2,000,000	-	0%
Emergency operations	2,000,000	2,000,000	-	0%
Wildfire protection and technology	1,000,000	1,000,000	-	0%
Fire apparatus	4,256,713	4,256,713	-	0%
Total committed	18,256,713	18,256,713	-	0%
Unassigned	34,441,483	30,477,149	3,964,334	13%
Total fund balance	$ 52,698,196	$ 48,733,862	$ 3,964,334	8%

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2026, the date the financial statements were available to be issued.

On September 15, 2026, the Los Altos Hills County Fire District Commission received an authorized executed agreement with Bay Area Tree Specialists for the Community Shaded Fuel Break Connectivity Project in an amount not to exceed $3,033,425. The contract term begins no earlier than August 18, 2026 and ends no later than August 31, 2027.

On September 15, 2026, the Commission also received an authorized executed Amendment No. 2 to its professional services agreement with TRC Solutions, Inc. for technical and construction management services, increasing the maximum compensation under that agreement to a total not-to-exceed amount of $2,900,000.

These commitments, aggregating up to $5,933,425, were approved subsequent to June 30, 2026 and are expected to be funded from District resources in fiscal years ending June 30, 2027 and later. No amounts related to these agreements are reflected in the accompanying financial statements as of and for the year ended June 30, 2026.

Required Supplemental Information

LOS ALTOS HILLS COUNTY FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2026

	Original Budget	Variance: Original to Final	Final Budget	Actual	Variance: Final to Actual
REVENUES					
Property taxes	$ 16,537,000	$ -	$ 16,537,000	$ 17,167,121	$ 630,121
Intergovernmental: State	39,000	-	39,000	38,783	(217)
Interest and investment income	1,639,625	-	1,639,625	1,974,581	334,956
Other revenue	200	-	200	638	438
Total amounts available for appropriation	18,215,825	-	18,215,825	19,181,123	965,298
EXPENDITURES-PUBLIC PROTECTION					
Services and supplies	18,493,564	5,959,134	24,452,698	12,301,298.5	(12,151,399)
Salaries and benefits	3,345,420	-	3,345,420	2,721,585	(623,835)
Capital Outlay	328,050	122,500	450,550	193,906	(256,644)
Total charges to appropriations	22,167,034	6,081,634	28,248,668	15,216,789	(13,031,879)
Net change in fund balance	(3,951,209)	(6,081,634)	(10,032,843)	3,964,334	13,997,177
BUDGETARY FUND BALANCE					
Budgetary fund balance - beginning of year	48,733,862		48,733,862	48,733,862	
Budgetary fund balance - end of year	$ 44,782,653	$ (6,081,634)	$ 38,701,019	$ 52,698,196	$ 13,997,177

The accompanying notes are integral to the financial statements.

Explanation of Significant Budgetary Variations

In accordance with GASB Statement No. 103, the following explains the significant variations in the budgetary comparison schedule.

Original to final budget

Budgeted revenues were not amended. Appropriations increased $6,081,634, from $22,167,034 to $28,248,668, reflecting approved mid-year adjustments and the carryforward of prior-year appropriations for multi-year projects — principally the Interstate 280 (I-280) Fuel Break Project, the new fire facility study, and the District-wide Programmatic Environmental Impact Report.

Final budget to actual

Actual revenues of $19,181,123 exceeded the final budget of $18,215,825 by $965,298 (5.3%), due mainly to property taxes $630,121 over budget and interest and investment income $334,956 over budget.

Actual expenditures of $15,216,789 were $13,031,879 (46.1%) below the final appropriated budget of $28,248,668. The variance consists almost entirely of multi-year project and contingency appropriations that were budgeted but not expended in the current year and are expected to be carried forward to future budgets, rather than current-year operating savings. The principal unexpended amounts were:

- Approximately $2.3 million for the multi-year I-280 Fuel Break Project;
- Approximately $1.4 million of professional services subject to rollover, including the $715,000 fire facility study and the $250,000 Programmatic Environmental Impact Report;
- Approximately $405,000 of unspent fire-response contingencies and $156,000 of savings at Palo Alto Station #8; and
- $623,835 in salaries and benefits from the phasing of staffing during the year.

As a result, the final budget projected a $10,032,843 decrease in fund balance, while actual results produced a $3,964,334 increase — a favorable variance of $13,997,177 — because the appropriated multi-year project and contingency amounts were largely unspent.

Other Reporting Required by Government Auditing Standards

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*

Board of Commissioners
Los Altos Hills County Fire District
Los Altos, 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 Los Altos Hills County Fire District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Los Altos Hills County Fire District's basic financial statements, and have issued our report thereon dated October 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Los Altos Hills County Fire 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 Los Altos Hills County Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Los Altos Hills County Fire 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 entity'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Los Altos Hills County Fire 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*.

Board of Commissioners
Los Altos Hills County Fire District

Purpose of This Report

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

Fechter & Company
Certified Public Accountants



October 20, 2026

Exhibit 1

FY 2025-26

STATISTICAL SECTION

(UNAUDITED)

Los Altos Hills County Fire District
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Governmental activities										
Invested in capital assets, net of related debt	$ 2,254	$ 2,179	$ 2,108	$ 2,033	$ 1,961	$ 1,888	$ 1,830	$ 4,986	$ 4,952	$ 4,942
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted*	12,855	15,964	19,041	24,241	29,032	33,469	38,876	44,085	48,634	52,513
Total governmental activities net assets	15,109	18,143	21,149	26,274	30,993	35,357	40,706	49,071	53,587	57,456



Source:

Los Altos County Fire District Audited Financials

Note:

* Unrestricted based the County Level of Reporting (See Fund Balance Reserves for LAHCFD Board approved Commitments)

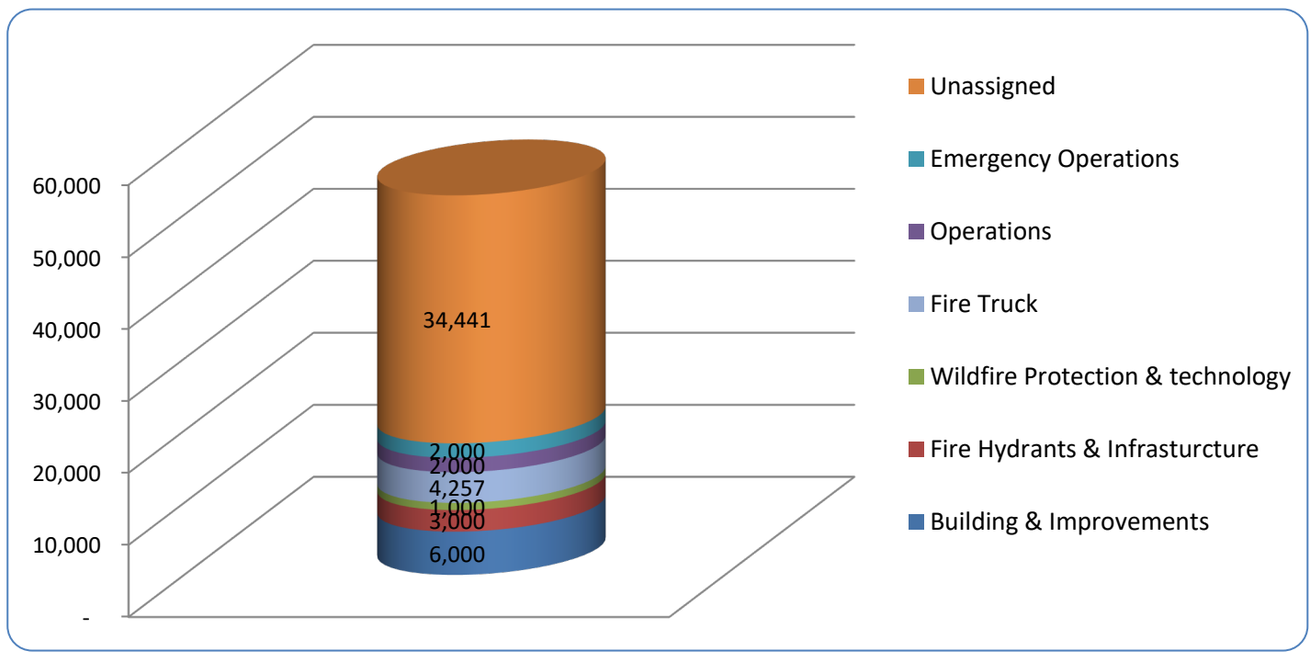
Los Altos Hills County Fire District
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Expenses										
Governmental activities:										
Public safety	$ 8,948	$ 8,255	$ 9,286	$ 7,766	$ 8,731	$ 9,619	$ 10,399	$ 11,838	$ 13,377	$ 15,312
Interest on Debt	-	-	-	-	-	-	-	-	-	-
Total primary governmental activities expenses	8,948	8,255	9,286	7,766	8,731	9,619	10,399	11,838	13,377	15,312
Revenues										
Property taxes	10,407	11,019	11,899	12,439	13,144	13,693	14,840	15,506	16,241	17,167
Intergovernmental: State	45	44	44	43	41	41	40	40	39	39
Interest and investment income	99	223	342	409	262	248	868	1,408	1,605	1,974
Property rental	11	3	7	-	-	-	-	-	-	-
Other revenue	0.5	-	-	-	3	1		4	7	1
Total primary governmental revenue	**10,563**	**11,289**	**12,292**	**12,891**	**13,450**	**13,983**	**15,748**	**16,958**	**17,892**	**19,181**
Change in Net Assets										
Governmental activities	1,615	3,034	3,006	5,125	4,719	4,364	5,349	5,120	4,515	3,869
Prior period Adj to Capital Assets								3,246		
Total primary government	**$ 1,615**	**$ 3,034**	**$ 3,006**	**$ 5,125**	**$ 4,719**	**$ 4,364**	**$ 5,349**	**$ 8,366**	**$ 4,515**	**$ 3,869**
Beginning net Assets	$ 13,494	$ 15,109	$ 18,143	$ 21,149	$ 26,274	$ 30,993	$ 35,357	$ 40,706	$ 49,072	$ 53,587
Ending net Assets	**$ 15,109**	**$ 18,143**	**$ 21,149**	**$ 26,274**	**$ 30,993**	**$ 35,357**	**$ 40,706**	**$ 49,072**	**$ 53,587**	**$ 57,456**

Source:
Los Altos County Fire District Audited Financials
Notes:
Impact of Pandemic in 19-20 and following two years noteworthy in project expenditures
FY23-24 Reflects Prior Period historical valuation update on District Hydrants
Ten Year extension of Fire & EMS Services contract through 2026 realized this FY

Los Altos Hills County Fire District
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
General fund										
Committed for:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Building & Improvements	-	-	-	-	6,000	6,000	6,000	6,000	6,000	6,000
Fire Hydrants & Infrasturcture					3,000	3,000	3,000	3,000	3,000	3,000
Wildfire Protection & technology					1,000	1,000	1,000	1,000	1,000	1,000
Obligated Fire Appartus Funding	-	-	-	-	-	-	-	1,957	4,257	4,257
Operations	2,100	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Emergency Operations	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Unassigned	8,755	11,964	15,041	20,240	15,033	19,469	24,922	28,209	30,477	34,441
Total General fund	**$ 12,855**	**$ 15,964**	**$ 19,041**	**$ 24,240**	**$ 29,033**	**$ 33,469**	**$ 38,922**	**$ 44,166**	**$ 48,734**	**$ 52,698**



Source:
(Los Altos County Fire District Audited Financials
Notes:
Fire Apparatus Commitments reflect obligated contractual purchases of 2 engines and 1 fire truck for SCCCF

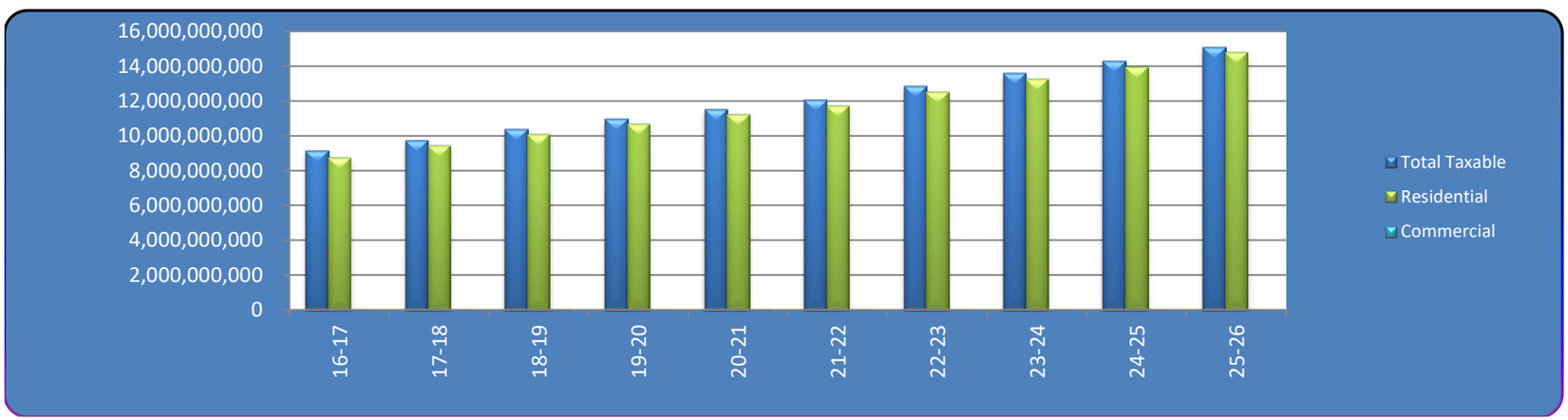
Los Altos Hills County Fire District
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Other	Net Unsecured	Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	% Change
2016-17	8,738,651,297	1,418,484	377,755,589	4,483,689	9,122,309,059	1%	6.76%
2017-18	9,391,355,495	1,498,627	311,010,818	4,961,602	9,708,826,542	1%	6.43%
2018-19	10,048,242,472	1,442,535	321,787,855	5,011,741	10,376,484,603	1%	6.88%
2019-20	10,638,347,853	1,561,743	326,810,956	4,994,241	10,971,714,793	1%	5.74%
2020-21	11,180,343,300	1,634,711	321,023,779	4,349,586	11,507,351,376	1%	4.88%
2021-22	11,702,117,188	1,551,299	319,483,039	4,029,142	12,027,180,668	1%	4.52%
2022-23	12,507,753,368	1,653,213	304,654,130	5,628,421	12,819,689,132	1%	6.59%
2023-24	13,262,680,824	814,631	305,906,250	7,349,619	13,576,751,324	1%	5.91%
2024-25	13,935,749,860	830,923	317,665,858	6,725,986	14,260,972,627	1%	5.04%
2025-26	14,748,250,811	847,540	308,451,496	7,231,236	15,064,781,083	1%	5.64%

Source:
HdL Coren & Cone

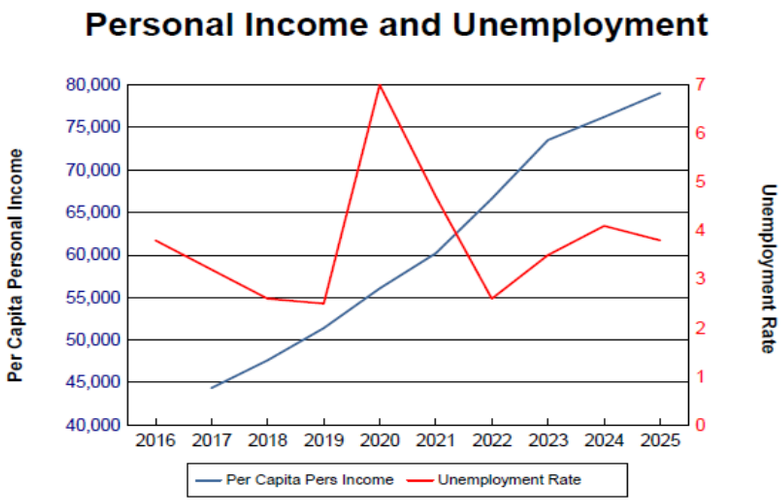
(1) - The California State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any property improvements of substantial value to the property. These values are considered to be full market values.

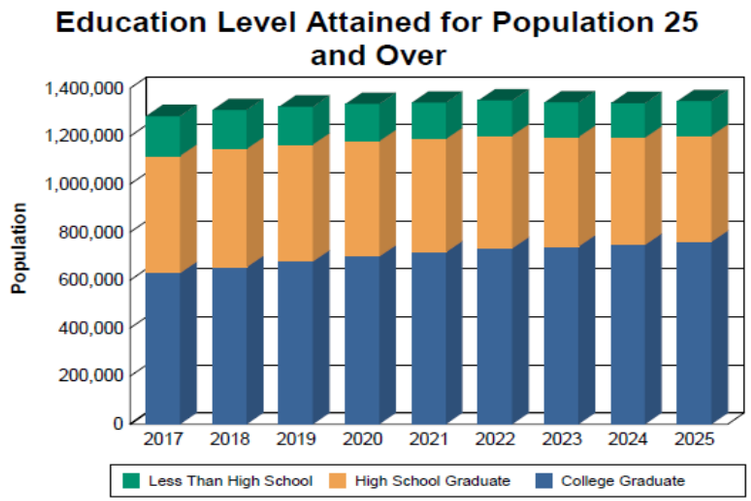
(2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the District's tax rate areas. The Fire District has 15 tax rate areas and receives of approximately 12% of that 1% rate.



Los Altos Hills County Fire District
Demographic Statistics
Last Ten Fiscal Years

Calendar Year	County Population (1)	Percentage Change	School Enrollment (2)	Percentage Change	Unemployment Rate (1)	Per Capita Personal Income (1)	Median Age (1)	% of H School Degree (1)	% of C School Degree (1)
2016	1,938,180	0.53%	7,530	0.52%	3.8%				
2017	1,956,598	0.95%	7,719	2.51%	3.2%	44,350	36.8	87.1%	49.1%
2018	1,954,286	-0.12%	7,778	0.76%	2.6%	47,616	37	87.6%	50.0%
2019	1,961,969	0.39%	7,890	1.44%	2.5%	51,388	37	88.1%	51.3%
2020	1,934,171	-1.42%	7,908	0.23%	1.7%	56,053	37.1	88.4%	52.4%
2021	1,894,783	-2.04%	7,966	0.73%	4.7%	60,223	37.2	88.7%	53.5%
2022	1,886,079	-0.46%	8,035	0.87%	2.6%	66,636	37.5	89.2%	54.4%
2023	1,903,198	0.91%	7,767	-3.34%	3.5%	73,539	37.7	89.3%	55.3%
2024	1,922,259	1.00%	7,920	1.97%	4.1%	76,258	37.9	89.3%	55.9%
2025	**1,932,468**	**0.53%**	**7,809**	**-1.40%**	**3.8%**	**79,047**	**38.1**	**89.3%**	**56.5%**





Sources:
(1) HdL Coren & Cone
(2) State of California Department of Education

Los Altos Hills County Fire District
Full-time Equivalent District Employees by Function/Service Area
Last Ten Fiscal Years

	Fiscal Year									
Function/Service Area	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Programs, Planning, Grants, Communication Outreach	-	-	0.00	0.00	0.00	1.50	1.50	3.40	5.15	3.61
Outreach/Emergency Prep/Disaster Coord/Volunteers *	-	-	0.00	0.50	1.00	1.00	1.00	1.65	1.90	-
Community Education & Media PIO/Risk Reduction	-	-	0.00	0.00	0.50	0.50	0.50	1.15	1.65	4.31
Hydrants & Appurtenance	-	-	-	-	-	-	-	-	-	-
Administration/Operations ** Strategic Planning Finance/Technology/ Fiscal Policy	-	-	0.50	1.50	2.50	2.50	2.50	3.80	4.80	5.59
Total	**0.00**	**0.00**	**0.50**	**2.00**	**4.00**	**5.50**	**5.50**	**10.00**	**13.50**	**13.50**

Source:
Los Altos Hills County Fire District
* Outreach reorganzed in FY25-26
** Admin & Operations Service Area re-titled in FY25-26