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**SARATOGA FIRE PROTECTION DISTRICT**  
**AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2017**

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**SARATOGA FIRE PROTECTION DISTRICT**  
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**JUNE 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Fire Commissioners of  
Saratoga Fire Protection District  
Saratoga, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Saratoga Fire Protection District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Saratoga Fire Protection District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and schedule of funding progress on pages 3 - 11, 33, and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 September 05, 2017, on our consideration of the Saratoga Fire Protection 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 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 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 Saratoga Fire Protection District's internal control over financial reporting and compliance.

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

**San Jose, California**  
**September 05, 2017**

**Management's Discussion and Analysis**  
**(Required Supplementary Information)**

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

This section of the Saratoga Fire Protection District (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded liabilities at the close of the 2016-2017 fiscal year by \$3,797,771 (*net position*). Of this amount, \$3,043,424 (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors and \$754,347 is net investment in capital assets.
- The District's total net position increased by \$320,864 mainly due to increased property taxes received.
- As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$3,659,575, an increase of \$333,754 in comparison with the prior year. Approximately 61% of the combined fund balances, \$2,222,573, is available to meet the District's current and future needs (*unassigned fund balance*).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,222,573 or 32% of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's 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, in a manner similar to a private-sector business.

The *statement of net position* presents information on all District assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

**SARATOGA FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

Both of these government-wide financial statements distinguish functions of the District that are principally supported by property taxes and assessments, and charges for services (*governmental activities*) from other functions that are intended to recover all or significant portion of costs through user fees and charges (*business-type activities*). The only governmental activity of the District is public protection. The business-type activity of the District is the Early Warning Alarm System (EWAS).

**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. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e. most of the District's basic services are reported in governmental funds. 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 future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type (general, special revenue, and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and debt service, which are considered to be major funds. Data from the remaining governmental fund is in a single presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds** are generally used to account for services for which the District charges customers—either outside customers, or internal units or departments of the District. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, the EWAS fund which is an enterprise fund.

**Notes to the Financial Statements**

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

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Required Supplementary Information (other than MD&A)**

The required supplementary information is presented concerning the District's budgetary comparison schedule. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, assets exceeded liabilities by \$3,797,771 at the close of the current fiscal year.

	Net Position						Variance (%)
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
<b>Assets:</b>							
Current assets	\$ 4,324,018	\$ 4,007,816	\$ (11,097)	\$ (4,253)	\$ 4,312,921	\$ 4,003,563	8 %
Capital assets, net	<u>5,658,531</u>	<u>5,746,730</u>	<u>-</u>	<u>-</u>	<u>5,658,531</u>	<u>5,746,730</u>	<u>(2)%</u>
Total assets	<u>9,982,549</u>	<u>9,754,546</u>	<u>(11,097)</u>	<u>(4,253)</u>	<u>9,971,452</u>	<u>9,750,293</u>	<u>2 %</u>
<b>Liabilities:</b>							
Current and other liabilities	1,067,832	1,177,344	957	1,178	1,068,789	1,178,522	(9)%
Long-term liabilities	<u>5,104,892</u>	<u>5,094,864</u>	<u>-</u>	<u>-</u>	<u>5,104,892</u>	<u>5,094,864</u>	<u>0.20 %</u>
Total liabilities	<u>6,172,724</u>	<u>6,272,208</u>	<u>957</u>	<u>1,178</u>	<u>6,173,681</u>	<u>6,273,386</u>	<u>(2)%</u>
<b>Net position:</b>							
Net investment in capital assets	754,347	565,243	-	-	754,347	565,243	33 %
Unrestricted	<u>3,055,478</u>	<u>2,917,095</u>	<u>(12,054)</u>	<u>(5,431)</u>	<u>3,043,424</u>	<u>2,911,664</u>	<u>5 %</u>
Total net position	<u>\$ 3,809,825</u>	<u>\$ 3,482,338</u>	<u>\$ (12,054)</u>	<u>\$ (5,431)</u>	<u>\$ 3,797,771</u>	<u>\$ 3,476,907</u>	<u>9 %</u>

**Analysis of Net Position**

The largest portion of the District's total net position, \$3,043,424 or 80% reflects its unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining balance of \$754,347 or 20% represents its net investment in capital assets (e.g. land, buildings, vehicles, equipment, and furniture and fixtures). Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

At the end of the current fiscal year, the District reported positive balances in all categories of net position.

	Changes in Net Position						Variance (%)
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Revenues							
Program revenues							
Charges for services	\$ -	\$ -	\$ 124,170	\$ 142,410	\$ 124,170	\$ 142,410	(13)%
General revenues							
Property taxes and assessments	7,642,872	7,356,093	-	-	7,642,872	7,356,093	4 %
Interest	31,826	20,502	23	25	31,849	20,527	55 %
Rental income	11,460	30,180	-	-	11,460	30,180	(62)%
Miscellaneous	-	4,273	-	-	-	4,273	(100)%
Total revenues	<u>7,686,158</u>	<u>7,411,048</u>	<u>124,193</u>	<u>142,435</u>	<u>7,810,351</u>	<u>7,553,483</u>	<u>3 %</u>
Expenses							
Public protection	6,817,755	6,589,684	-	-	6,817,755	6,589,684	3 %
Interest on long-term debt	540,916	348,348	-	-	540,916	348,348	55 %
Early Warning Alarm Systems	-	-	130,816	188,812	130,816	188,812	(31)%
Total expenses	<u>7,358,671</u>	<u>6,938,032</u>	<u>130,816</u>	<u>188,812</u>	<u>7,489,487</u>	<u>7,126,844</u>	<u>5 %</u>
Change in net position	327,487	473,016	(6,623)	(46,377)	320,864	426,639	(25)%
Net position, beginning	<u>3,482,338</u>	<u>3,009,322</u>	<u>(5,431)</u>	<u>40,946</u>	<u>3,476,907</u>	<u>3,050,268</u>	<u>14 %</u>
Net position, ending	<u>\$ 3,809,825</u>	<u>\$ 3,482,338</u>	<u>\$ (12,054)</u>	<u>\$ (5,431)</u>	<u>\$ 3,797,771</u>	<u>\$ 3,476,907</u>	<u>9 %</u>

**Analysis of Changes in Net Position**

The District's net position increased by \$320,864 during the current fiscal year. These increases are explained in the government and business-type activities discussion below.

**Governmental activities.** Governmental activities increased the District's net position by \$327,487 thereby accounting for 102% of the total growth in the net position of the District. Key elements of this increase are as follows:

- Property taxes increased by \$286,779 or 4% due to the increasing prices of homes being sold in the district resulting in an increase in the assessed valuation of the property sold.
- Interest income increased \$11,324 or 55% due to higher balances in the District's accounts.
- Public protection expenses increased \$228,071 or 3% because the contract for fire protection services with Santa Clara County Fire is based on a percentage of property taxes received. Property taxes increased causing an increase in public protection expenses.
- Interest on long-term debt increased by \$192,568 or 55% due to a greater portion of each lease payable payment being allocated to principal.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Business-type activities.** Business-type activities decreased the District's net position by \$6,623 thereby accounting for a negative 2% of the total increase in the net position of the District. The key elements of this decrease are the continuing effect of the changes in the ordinance that make certain alarm systems optional and allow for monitoring by private vendors for required systems.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental Funds**

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

At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$3,659,575 an increase of \$333,754 in comparison with the prior year. Approximately 61% of the combined ending fund balances, \$2,222,573, constitutes unassigned fund balance, which is available to meet the District's current and future needs.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. At June 30, 2017, unassigned fund balance of the general fund was \$2,222,573 which is 76% of the total general fund balance of \$2,943,012 and 32% of the total general fund expenditures of \$6,886,484.

Revenues for governmental functions totaled \$7,686,158 in fiscal year 2016-2017, which represents an increase of \$275,110 or 4% from the previous fiscal year. Expenditures for governmental functions, totaling \$7,352,404, increased by \$275,775 or 4% from the previous fiscal year. In the fiscal year 2016-2017, revenues for governmental functions exceeded expenditures by \$333,754.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

**Revenues Classified by Source  
Governmental Funds**

	<u>FY 2017</u>		<u>FY 2016</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Revenues by source						
Property taxes	\$ 7,642,872	99 %	\$ 7,356,093	99 %	\$ 286,779	4 %
Use of money and property	43,286	1 %	50,682	1 %	(7,396)	(15)%
Miscellaneous revenues	-	- %	4,273	- %	(4,273)	(100)%
Total	<u>\$ 7,686,158</u>	<u>100 %</u>	<u>\$ 7,411,048</u>	<u>100 %</u>	<u>\$ 275,110</u>	<u>4 %</u>

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The following provides an explanation of revenues by source that changed significantly over the prior year.

- Property taxes – increased due to an increase in the assessed valuation of properties that have been sold.
- Use of money and property – decreased because Rural Metro ceased renting staff quarters in the fire station.

The following table presents expenditures by function compared to prior year amounts.

<u>Expenditures by Function</u> <u>Governmental Funds</u>						
<u>Expenditures by function</u>	<u>FY 2017</u>		<u>FY 2016</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Public protection	\$ 6,646,972	90 %	\$ 6,471,824	91 %	\$ 175,148	3 %
Capital outlay	27,556	1 %	1,929	-	25,627	1,329 %
Debt service - principal	285,600	4 %	271,812	4 %	13,788	5 %
Debt service - interest	392,276	5 %	331,064	5 %	61,212	18 %
Total	<u>\$ 7,352,404</u>	<u>100 %</u>	<u>\$ 7,076,629</u>	<u>100 %</u>	<u>\$ 275,775</u>	<u>4 %</u>

The following provides an explanation of expenditures by function that changed significantly over the prior year.

- Public protection – increased because the contract for fire protection services with Santa Clara County Fire is based on a percentage of property taxes received. Property taxes increased causing an increase in public protection expenses.
- Capital outlay – increased due to the painting of the exterior of the building and the purchase of a printer/copier.
- Debt service-principal – increased because a larger portion of each lease payable payment was allocated to principal.
- Debt service-interest – increase because a larger portion of each lease payable payment was allocated to interest.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The current year excess of revenues and other financing sources over expenditures and other financing uses is presented below:

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	
Revenues	\$ 7,174,303	\$ 510,078	\$ 1,777	\$ 7,686,158
Expenditures	<u>(6,886,484)</u>	<u>(465,920)</u>	<u>-</u>	<u>(7,352,404)</u>
Net change in fund balances	287,819	44,158	1,777	333,754
Fund balances, beginning	<u>2,655,193</u>	<u>491,150</u>	<u>179,478</u>	<u>3,325,821</u>
Fund balances, ending	<u>\$ 2,943,012</u>	<u>\$ 535,308</u>	<u>\$ 181,255</u>	<u>\$ 3,659,575</u>

The fund balance in the District's general fund increased by \$287,819 during the fiscal year due to increase in property tax revenue.

**Proprietary Funds**

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The EWAS fund had unrestricted net position of negative \$12,054 at June 30, 2017. The total decrease in net position for the EWAS fund is \$6,623 because of the continuing effect of the changes in the ordinance that make certain alarm systems optional and allow for monitoring by private vendors for required systems.

The following table shows actual revenues, expenses and results of operations for the current fiscal year and in comparison to the prior year:

	<u>Early Warning Alarm System</u>		
	<u>2017</u>	<u>2016</u>	<u>Increase / (Decrease)</u>
Operating revenues	\$ 124,193	\$ 142,435	(13)%
Operating expenses	<u>(130,816)</u>	<u>(188,812)</u>	<u>31 %</u>
Change in net position	<u>\$ (6,623)</u>	<u>\$ (46,377)</u>	<u>86 %</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual amounts available for appropriations were less than budgetary estimates by \$48,497. The majority of this amount is the negative variance of \$43,752 in property taxes due to the lack of inventory available. Actual charges to appropriations were less than budgetary estimates by \$291,992. The majority of this amount is the positive variance of \$146,870 services and supplies due to lower public protection costs. The net effect of under realization of revenues and under-utilization of expenditures resulted in a positive variance of \$243,495, thus eliminating the need to draw from existing fund balance.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$5,658,531 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and furniture and fixtures. The total decrease in the District's investment in capital assets for the current period was \$88,199 or 2%.

The main capital asset activity during the current fiscal year was

- Depreciation
- Acquisition of furniture and fixtures
- Building improvements

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.

Business-type activities have no capital assets. Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2017</u>	<u>2016</u>	% of Change
Land	\$ 1,440,543	\$ 1,440,543	- %
Buildings	5,216,523	5,194,670	0.4 %
Vehicles	151,195	151,195	- %
Equipment	21,758	21,758	- %
Furniture and fixtures	<u>146,123</u>	<u>140,420</u>	<u>4 %</u>
Total Cost	6,976,142	6,948,586	0.4 %
Less: accumulated depreciation	<u>(1,317,611)</u>	<u>(1,201,856)</u>	<u>10 %</u>
Capital assets, net	<u>\$ 5,658,531</u>	<u>\$ 5,746,730</u>	<u>(2)%</u>

**Long-term debt**

At June 30, 2017, the District had total long-term debt outstanding of \$5,104,892 as compared to \$5,372,167 from the prior year. This amount was comprised of \$3,146,174 of bonds payable (inclusive of \$195,315 due within one year), \$1,757,710 lease refunding payable (inclusive of \$94,163 due within one year), and \$200,708 of Net OPEB Obligation. During the year, payment of debt principal amounted to \$187,018 for bonds payable and \$90,285 for lease refunding payable; and an additional \$10,028 in Net OPEB Obligation was recognized.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The District anticipates property tax revenues to continue to increase slightly. While inventory will continue to be low, prices will continue to rise increasing assessed valuations and property taxes.
- Capital expenses anticipated in fiscal year 2017-18 include: painting the interior of the building, changing the placement of the fire bell, new landscaping, and new flooring.

All of these factors were considered in preparing the District's budget for fiscal year 2017-18.

**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 the Saratoga Fire Protection District, 14380 Saratoga Avenue, Saratoga, California, 95070.

**Basic Financial Statements –  
Government-wide Financial Statements**

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 4,230,579	\$ 41,230	\$ 4,271,809
Accounts receivable	-	22,670	22,670
Due from County funds - interest receivable	9,926	-	9,926
Internal balances	74,997	(74,997)	-
Prepaid expenses and deposits	8,516	-	8,516
Capital assets, net	5,658,531	-	5,658,531
Total Assets	9,982,549	(11,097)	9,971,452
<b>Liabilities</b>			
Accounts and warrants payable	664,443	957	665,400
Other liabilities	403,389	-	403,389
Lease Refunding payable, due within one year	94,163	-	94,163
Lease Refunding payable, due beyond one year	1,663,547	-	1,663,547
Bonds payable, due within one year	195,315	-	195,315
Bonds payable, due beyond one year	2,951,159	-	2,951,159
Net OPEB Obligation	200,708	-	200,708
Total Liabilities	6,172,724	957	6,173,681
<b>Net Position</b>			
Net investment in capital assets	754,347	-	754,347
Unrestricted	3,055,478	(12,054)	3,043,424
Total Net Position	\$ 3,809,825	\$ (12,054)	\$ 3,797,771

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>					
<b>Governmental Activities</b>					
Public protection	\$ 6,817,755	\$ -	\$ (6,817,755)	\$ -	\$ (6,817,755)
Interest on long-term debt	<u>540,916</u>	<u>-</u>	<u>(540,916)</u>	<u>-</u>	<u>(540,916)</u>
Total Governmental Activities	<u>7,358,671</u>	<u>-</u>	<u>(7,358,671)</u>	<u>-</u>	<u>(7,358,671)</u>
<b>Business-type Activities</b>					
Early Warning Alarm System	<u>130,816</u>	<u>124,170</u>	<u>-</u>	<u>(6,646)</u>	<u>(6,646)</u>
Total	<u>\$ 7,489,487</u>	<u>\$ 124,170</u>	<u>(7,358,671)</u>	<u>(6,646)</u>	<u>(7,365,317)</u>
<b>General Revenues:</b>					
Property taxes			7,642,872	-	7,642,872
Interest and investment income			31,826	23	31,849
Rental income			<u>11,460</u>	<u>-</u>	<u>11,460</u>
Total General Revenues			<u>7,686,158</u>	<u>23</u>	<u>7,686,181</u>
Change in net position			327,487	(6,623)	320,864
Net position, Beginning			<u>3,482,338</u>	<u>(5,431)</u>	<u>3,476,907</u>
Net position, Ending			<u>\$ 3,809,825</u>	<u>\$ (12,054)</u>	<u>\$ 3,797,771</u>

The notes to the basic financial statements are an integral part of this statement.

**Basic Financial Statements - Fund Financial Statements**

**SARATOGA FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 3,515,501	\$ 534,332	\$ 180,746	\$ 4,230,579
Due from County funds - interest receivable	8,441	976	509	9,926
Due from other funds	74,997	-	-	74,997
Prepaid expenses and deposits	<u>8,516</u>	<u>-</u>	<u>-</u>	<u>8,516</u>
Total Assets	<u>3,607,455</u>	<u>535,308</u>	<u>181,255</u>	<u>4,324,018</u>
<b>Liabilities</b>				
Accounts and warrants payable	<u>664,443</u>	<u>-</u>	<u>-</u>	<u>664,443</u>
Total Liabilities	<u>664,443</u>	<u>-</u>	<u>-</u>	<u>664,443</u>
<b>Fund Balances</b>				
Nonspendable				
Prepays	8,516	-	-	8,516
Committed				
Major repairs and renovation	176,000	-	-	176,000
Advance purchase option - lease refunding	535,923	-	-	535,923
Assigned				
Special revenue fund	-	-	181,255	181,255
Debt service fund	-	535,308	-	535,308
Unassigned				
General fund	<u>2,222,573</u>	<u>-</u>	<u>-</u>	<u>2,222,573</u>
Total Fund Balances	<u>2,943,012</u>	<u>535,308</u>	<u>181,255</u>	<u>3,659,575</u>
Total Liabilities and Fund Balances	<u>\$ 3,607,455</u>	<u>\$ 535,308</u>	<u>\$ 181,255</u>	<u>\$ 4,324,018</u>

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 3,659,575</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,658,531
To recognize accrued interest at year end.	(403,389)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Lease Refunding Payable	(1,757,710)
Net OPEB Obligation	(200,708)
Bonds payable	<u>(3,146,474)</u>
	<u>(5,104,892)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 3,809,825</u></b>

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues				
Property taxes	\$ 7,135,248	\$ 507,624	\$ -	\$ 7,642,872
Use of money & property	<u>39,055</u>	<u>2,454</u>	<u>1,777</u>	<u>43,286</u>
Total Revenues	<u>7,174,303</u>	<u>510,078</u>	<u>1,777</u>	<u>7,686,158</u>
Expenditures				
Public protection				
Salaries and employee benefits	168,322	-	-	168,322
Services and supplies	6,522,730	(44,080)	-	6,478,650
Capital outlay	27,556	-	-	27,556
Debt service - principal	90,285	195,315	-	285,600
Debt service - interest	<u>77,591</u>	<u>314,685</u>	<u>-</u>	<u>392,276</u>
Total Expenditures	<u>6,886,484</u>	<u>465,920</u>	<u>-</u>	<u>7,352,404</u>
Net Change in Fund Balances	287,819	44,158	1,777	333,754
Fund Balances, Beginning	<u>2,655,193</u>	<u>491,150</u>	<u>179,478</u>	<u>3,325,821</u>
Fund Balances, Ending	<u>\$ 2,943,012</u>	<u>\$ 535,308</u>	<u>\$ 181,255</u>	<u>\$ 3,659,575</u>

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ 333,754

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for general capital assets, infrastructure, and other related capital assets acquisitions	27,556	
Less: current year depreciation	(115,755)	(88,199)

Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

Principal repayments		
Mortgage payable	90,285	
Bonds payable	187,018	277,303

Interest in long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (185,343)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net OPEB obligation		(10,028)
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**Change in Net Position of Governmental Activities** \$ 327,487

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND - ENTERPRISE**  
**JUNE 30, 2017**

	<u>Early Warning Alarm System</u>
Assets	
Cash and investments	\$ 41,230
Accounts receivable, net	<u>22,670</u>
Total Assets	<u>63,900</u>
Liabilities	
Accounts and warrants payable	957
Due to other funds	<u>74,997</u>
Total Liabilities	<u>75,954</u>
Net Position	
Unrestricted	<u>(12,054)</u>
Total Net Position	<u><u>\$ (12,054)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND - ENTERPRISE**  
**YEAR ENDED JUNE 30, 2017**

	<u>Early Warning Alarm System</u>
Operating Revenues	
Charges for services	\$ 124,170
Interest and investment income	<u>23</u>
Total Operating Revenues	<u>124,193</u>
Operating Expenses	
Salaries and employee benefits	69,172
Services and supplies	<u>61,644</u>
Total Operating Expenses	<u>130,816</u>
Change in Net Position	(6,623)
Net Position, Beginning	<u>(5,431)</u>
Net Position, Ending	<u>\$ (12,054)</u>

The notes to the basic financial statements are an integral part of this statement.

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - ENTERPRISE**  
**YEAR ENDED JUNE 30, 2017**

	<u>Early Warning Alarm System</u>
Cash Flows from Operating Activities	
Cash receipts from revenues	\$ 132,031
Cash payment for expenditures	<u>(165,754)</u>
Net Decrease in Cash and Investments	(33,723)
Cash and Investments, Beginning	<u>74,953</u>
Cash and Investments, Ending	<u><u>\$ 41,230</u></u>
 <b><u>Reconciliation of change in net position to net cash provided (used) by operating activities</u></b>	
Change in net position	\$ (6,623)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Decrease (increase) in operating assets:	
Accounts receivable	7,838
Increase (decrease) in operating liabilities:	
Accounts and warrants payable	(221)
Due to other funds	<u>(34,717)</u>
Net cash used by operating activities	<u><u>\$ (33,723)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Basic Financial Statements —  
Notes to the Basic Financial Statements**

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 1: REPORTING ENTITY**

**Organization**

The Saratoga Fire Protection District (the “District”) was organized on February 18, 1924 and operates under the provision of part 2.7 of Division 12 of the Health and Safety Code (Sections 13801 through 13999). The District has been reorganized several times; the reorganization in 1962 was in accord with Health and Safety Code sections 140001 through 14306.

The District provides fire protection services to approximately 12 square miles encompassing one-half of the City of Saratoga and sections of the unincorporated areas to the South. Approximately 20,000 people reside within the District's service area. Annexation of the Bohlman Road and Mt. Eden Road areas has been completed, adding approximately 2,729 acres to the District.

In July 2008, the District began a new contract for fire prevention services with Santa Clara County Fire Department (also known as Central Fire). Under the contract, all District safety employees became Santa Clara County personnel. Currently, the only District employee is a part-time business manager. The District owns the fire station at 14380 Saratoga Avenue. The fire station is maintained by Santa Clara County Fire Department.

To further expedite service to the community, the District manages an Early Warning Alarm System (EWAS). The EWAS is a city mandated ordinance that requires monitored fire detection systems in certain homes, although lately the ordinance has been amended to reflect changes in technology.

**District Officials**

The District is governed by a three member Board of Fire Commissioners (the “Board”). Voters residing in the Fire District elect the Board for a four-year term. Membership on the Board is limited to residents living within the boundaries of the Saratoga Fire Protection District.

As of June 30, 2017, the Board of Fire Commissioners consisted of:

	<u>Term Expires</u> <u>November</u>
Joe Long, Chairman	2018
Ernest Kraule	2020
Eugene Zambetti	2020

The members of the Board of Fire Commissioners have the ultimate responsibility of ensuring the lawful and efficient operation of the District. It is their responsibility to ratify all annual budgets, expenditures, and to establish and/or ratify annual salaries, wage and benefits. The members of the Board set the official policy of the District, establish rules and regulation related to the operation of the District, and establish any ordinances required to enforce the Uniform Fire Code. It is the Board’s responsibility to provide fire, health, and safety services required in accord with established legislation.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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 most significant of the District's accounting policies are described below:

***A. 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, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund activities. The District does not have fiduciary activities nor internal service funds. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's 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, as well as grants and contributions that are restricted to meeting the operational or capital requirements of the programs. Revenues that are not classified as program revenues, including all kinds of taxes, are presented as general revenues. The comparison of program revenues and direct expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

When both restricted and unrestricted net positions are available, restricted resources are used only after the unrestricted resources are depleted.

*Fund Financial Statements*

Fund financial statements of the District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column in the proprietary fund financial statements. The District does not have fiduciary nor internal service funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating revenues*, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

Governmental Funds

The District reports the following major governmental funds:

- The *General Fund* is the primary 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 accounted for through other funds. For the District, the General Fund's primary activity is public protection.
- *Debt Service* is maintained to account for the accumulation of resources for, and the payment of long-term debt principal and interest. This is the General Obligation Bond fund.

The District reports the following nonmajor governmental fund:

- *Special Revenue* fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This fund is the equipment maintenance fund.

Proprietary Fund

The District reports one proprietary fund, a major enterprise fund:

- *Early Warning Alarm System (EWAS)* is maintained to account for operations that are financed and operated in a manner similar to private business. The intent of the District is that the costs (expenses, including depreciation) of providing goods or services to the general public be financed or recovered primarily through user charges.

**B. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary fund 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 accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from benefit assessment is recognized in the fiscal year for which the assessment is levied.

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

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is used as the measure of available spendable financial resources at the end of the period.

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 year end. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when expense due.

***C. Budgets and Budgetary Accounting***

The District prepares a fiscal year's budget in accordance with applicable laws and regulations. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The annual budget is prepared and adopted by the Board of Commissioners. Once the budget is approved, it can be amended at the Function and Fund level only by the approval of a majority of the Board of Commissioners. Such amendments are presented to the Board at their regular meetings. All amendments are made before the fact and are reflected in the official minutes of the Board. Individual amendments noted were not material in relation to the original appropriations. All budget appropriation lapse at year-end. Encumbrance accounting is not used. There was no budget adopted for the special revenue fund. Generally accepted accounting principles and the Health and Safety Code do not require a budget for capital project funds.

***D. Capital Assets***

In the government-wide financial statements, capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value 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.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

The estimated useful lives by the type of asset are as follows:

Buildings	50 years
Vehicles, equipment, furniture and fixtures	3 to 20 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 is included in the results of operations as other financing sources.

***E. Long-term Debt***

All long-term debt to be paid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and mortgage payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

***F. Equity Classifications***

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

- *Net 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 Net Position* – 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 Net Position* – This category represents 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 which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable 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 expected to be converted to cash.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

- *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. Restriction may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – amounts that can be used only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally.
- *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 District’s Board or (b) a body (e.g., a budget or finance committee) or official to which the District’s Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of 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.

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.

**G. Estimates**

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

**H. Subsequent Events**

Management has evaluated subsequent events through September 05, 2017.

**NOTE 3: PROPERTY TAX**

Assessed values are determined annually by the County’s assessor as of January 1, often referred to as the tax lien date. Secured taxes are due 50% on November 1 and 50% on February 1 and are delinquent if not paid by December 10 (for November) and April 10 (for February). Unsecured taxes are due upon receipt of billing and are delinquent if not paid by August 31. These taxes are secured by liens on the property being taxed. The term “secured” refers to taxes on real estate, land and buildings, while “unsecured” refers to taxes on personal property other than real estate, land and buildings.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 3: PROPERTY TAX - (CONT'D)**

Property taxes levied are recorded as revenue in the fiscal year of levy. Property taxes which cannot be recorded as current year revenues, in accordance with the modified accrual basis of accounting, are recorded as deferred revenues.

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

**NOTE 4: CASH AND INVESTMENTS**

The cash balance of the District are pooled and invested by the County's Treasurer in the pooled cash investment program ("Pool") for the purpose of increasing earnings through investment activities. 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 Board. At fiscal year end, the County provides the participants' the pooled investments' fair value, 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 investment pool is not rated by any of the credit rating agencies. The County's commingled pool consists of cash in 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. 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.

Cash in banks are insured with the Federal Deposit Insurance Corporation (FDIC). These accounts are held within various financial institutions.

The District invests in the Local Agency Investment Fund (LAIF). The fund is an investment pool managed by the California State Treasurer. The fair value of the District's position in the pool is the same as the value of its pool shares.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 4: CASH AND INVESTMENTS - (CONT'D)**

Cash and investments at June 30, 2017 consists of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Governmental Activities:</u>		
Major funds:		
General fund		
Cash with County Treasury	\$ 2,970,818	\$ 2,963,961
Cash in banks	544,683	544,683
Debt service		
Cash with County Treasury	534,332	533,100
Nonmajor fund:		
Special revenue		
Cash with County Treasury	<u>180,746</u>	<u>180,329</u>
Total Governmental Activities Cash and Investments	<u>4,230,579</u>	<u>4,222,073</u>
<u>Business-type Activities:</u>		
EWAS		
Cash in banks	39,877	39,877
LAIF	<u>1,353</u>	<u>1,353</u>
Total Business-type Activities Cash and Investments	<u>41,230</u>	<u>41,230</u>
Total Cash and Investments	<u><u>\$ 4,271,809</u></u>	<u><u>\$ 4,263,303</u></u>

Governmental Accounting Standards Board establishes accounting and financial reporting standards for all investments held by governmental external investment pools. The statement requires governmental entities to report investments at fair value.

Based on the County's calculations, fair market value would change the District's cash balance and interest income by a decrease of \$6,857 for the General Fund, decrease of \$1,232 for the Debt Service Fund, and decrease of \$417 for the Special Revenue Fund. However, since the effect of the application of fair value, in this instance, is not material, the District's cash and investments account is stated at cost.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund receivable and payables as of and for the year ended June 30, 2017, by individual fund are summarized as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
Major fund:		
General fund	\$ 74,997	\$ -
Business-type Activities:		
EWAS	-	74,997
Total	<u>\$ 74,997</u>	<u>\$ 74,997</u>

**NOTE 6: CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Balance 6/30/16</u>	<u>Additions/ Adjustments</u>	<u>Deletions/ Adjustments</u>	<u>Balance 6/30/17</u>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,440,543	\$ -	\$ -	\$ 1,440,543
Total capital assets, not being depreciated:	<u>1,440,543</u>	<u>-</u>	<u>-</u>	<u>1,440,543</u>
Capital assets, being depreciated:				
Building	5,194,670	21,853	-	5,216,523
Vehicles	151,195	-	-	151,195
Equipment	21,758	-	-	21,758
Furniture and fixtures	<u>140,420</u>	<u>5,703</u>	<u>-</u>	<u>146,123</u>
Total capital assets, being depreciated	<u>5,508,043</u>	<u>27,556</u>	<u>-</u>	<u>5,535,599</u>
Less accumulated depreciation for:				
Buildings	1,042,253	104,334	-	1,146,587
Vehicles	22,524	7,559	-	30,083
Equipment	14,561	1,029	-	15,590
Furniture and fixtures	<u>122,518</u>	<u>2,833</u>	<u>-</u>	<u>125,351</u>
Total accumulated depreciation	<u>1,201,856</u>	<u>115,755</u>	<u>-</u>	<u>1,317,611</u>
Total capital assets, being depreciated, net	<u>4,306,187</u>	<u>(88,199)</u>	<u>-</u>	<u>4,217,988</u>
Governmental activities capital assets, net	<u>\$ 5,746,730</u>	<u>\$ (88,199)</u>	<u>\$ -</u>	<u>\$ 5,658,531</u>

For the year ended June 30, 2017, depreciation expense charged to public protection under governmental activities was \$115,755.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT**

**A. Bonds Payable**

On September 12, 2000, the District issued the Election of 2000 General Obligation Bonds, Series A, to finance the renovation, construction and acquisition of District facilities and property. The bond issue consists of \$2,455,000 current interest serial bonds with interest ranging from 4.1% to 5% and \$3,518,736 of 5.3% to 5.8% capital appreciation serial bonds.

As of June 30, 2017, the outstanding principal balance amounted to \$3,146,474. The annual requirements to amortize debt outstanding are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 195,315	\$ 314,685	\$ 510,000
2019	207,895	342,105	550,000
2020	209,303	380,697	590,000
2021	214,533	430,467	645,000
2022	214,338	480,662	695,000
2023-2027	1,127,442	3,277,558	4,405,000
2028-2031	<u>977,648</u>	<u>4,007,352</u>	<u>4,985,000</u>
Total	<u>\$ 3,146,474</u>	<u>\$ 9,233,526</u>	<u>\$12,380,000</u>

**B. Lease Refunding Payable**

On January 30, 2013, the mortgage payable, on the construction of the fire station, was refinanced into the 2013 Lease Refunding in the amount of \$2,097,148 at an effective interest rate of 4.25% maturing on February 1, 2031. Terms include semi-annual payments of \$83,938 (except for the first payment of \$84,185) every February 1 and August 1, commencing on August 1, 2013.

As of June 30, 2017, the outstanding principal balance amounted to \$1,757,710. The annual requirements to amortize debt outstanding are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 94,163	\$ 73,713	\$ 167,876
2019	98,208	69,668	167,876
2020	102,425	65,451	167,876
2021	106,825	61,051	167,876
2022	111,413	56,463	167,876
2023-2027	633,090	206,286	839,376
2028-2031	<u>611,586</u>	<u>59,916</u>	<u>671,502</u>
Total	<u>\$ 1,757,710</u>	<u>\$ 592,548</u>	<u>\$ 2,350,258</u>

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 7: LONG-TERM DEBT - (CONT'D)**

As of June 30, 2017, the governmental activities' capital assets and accumulated depreciation under capital lease are as follows:

Building	\$ 5,190,521
Less: Accumulated depreciation	<u>1,141,915</u>
Net book value	<u><u>\$ 4,048,606</u></u>

**C. Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance <u>6/30/16</u>	Additions	Deletions	Balance <u>6/30/17</u>	Amounts due within <u>one year</u>	Amounts due beyond one <u>year</u>
Bonds payable	\$ 3,333,492	\$ -	\$ 187,018	\$3,146,474	\$ 195,315	\$ 2,951,159
Lease refunding payable	1,847,995	-	90,285	1,757,710	94,163	1,663,547
Net OPEB Obligation	<u>190,680</u>	<u>10,028</u>	<u>-</u>	<u>200,708</u>	<u>-</u>	<u>200,708</u>
Total	<u><u>\$ 5,372,167</u></u>	<u><u>\$ 10,028</u></u>	<u><u>\$ 277,303</u></u>	<u><u>\$5,104,892</u></u>	<u><u>\$ 289,478</u></u>	<u><u>\$ 4,815,414</u></u>

**NOTE 8: NET OPEB OBLIGATION**

The District offers continuation of the medical, dental, vision and long-term care coverage after retirement. This coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). If electing to continue dental, vision and/or long-term care, the retiree bears full cost of the coverage. Medical coverage, however, is subsidized by the District. The District is under a “pay-as-you-go” funding policy as it has not established an irrevocable OPEB trust nor are there current plans to do so. There are no active employees as of valuation date and 8 retirees are currently receiving benefits in the District’s healthcare plan.

The latest actuarial valuation report is as of June 30, 2016. The funding method used is Entry Age Normal Cost, level percent of pay; asset valuation method is market value of assets; amortization method is level dollar; initial amortization period is 30 years; remaining period is 24 years; discount rate of 4%; general inflation rate of 2.75% per year. The actuarial valuation of the postretirement welfare benefits is available directly from the District.

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 8: NET OPEB OBLIGATION - (CONT'D)**

Annual Required Contribution (ARC)	\$ 109,752
Interest on NOO at beginning of year	7,627
Adjustment to the ARC	<u>(12,834)</u>
Annual OPEB Expense	104,545
Contributions made	<u>(94,517)</u>
Change in NOO	10,028
NOO at beginning of year	<u>190,680</u>
NOO at end of year	<u><u>\$ 200,708</u></u>
6/30/16 Actuarial valuation:	
Actuarial accrued liability (AAL)	\$ 1,626,698
Actuarial asset value	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,626,698</u></u>
Funded ratio	-%
Annual covered payroll	\$-
UAAL as a percentage of annual covered payroll	-%

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 113,813	81 %	\$ 187,046
6/30/2016	\$ 104,139	97 %	\$ 190,680
6/30/2017	\$ 104,545	90 %	\$ 200,708

**NOTE 9: EWAS**

Changes to the EWAS ordinance included:

- Allowing dual monitoring of burglar and fire alarm systems by companies other than the Fire District
- Allowing alternate methods of reporting that do not require a “land line”
- Removing the requirement for a monitored system from some structures not in the Wildland-Urban Interface

It is anticipated that these changes will significantly decrease both the revenue and costs associated with the supervision of EWAS during the next fiscal year.

**Required Supplementary Information  
(Other than MD&A)**

**SARATOGA FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 2,655,193	\$ 2,655,193	\$ 2,655,193	\$ -
Resources (Inflows)				
Property taxes	7,179,000	7,179,000	7,135,248	(43,752)
Use of money and property	<u>43,800</u>	<u>43,800</u>	<u>39,055</u>	<u>(4,745)</u>
Amounts Available for Appropriation	<u>7,222,800</u>	<u>7,222,800</u>	<u>7,174,303</u>	<u>(48,497)</u>
Charges to Appropriations (Outflows)				
Public protection				
Salaries and employee benefits	221,000	221,000	168,322	52,678
Services and supplies	6,669,600	6,669,600	6,522,730	146,870
Capital outlay	120,000	120,000	27,556	92,444
Debt service:				
Principal	90,285	90,285	90,285	-
Interest	<u>77,591</u>	<u>77,591</u>	<u>77,591</u>	<u>-</u>
Total charge to appropriations	<u>7,178,476</u>	<u>7,178,476</u>	<u>6,886,484</u>	<u>291,992</u>
Budgetary Fund Balances, Ending	<u>\$ 2,699,517</u>	<u>\$ 2,699,517</u>	<u>\$ 2,943,012</u>	<u>\$ 243,495</u>

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

Sources/Inflows of Resources

    Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule \$ 7,174,303

    Differences - budget to GAAP: -

Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund \$ 7,174,303

Uses/Outflows of Resources

    Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 6,886,484

    Differences - budget to GAAP: -

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund \$ 6,886,484

Concluded

**SARATOGA FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**JUNE 30, 2017**

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets (AVA)	(a) - (b) Unfunded Actuarial Liability (UAAL)	(b)/(a) Funded Ratios	(c) Annual Covered Payroll	[(a)-(b)]/(c) UAAL as a % of Payroll
<u>Other Postemployment Benefits - Medical benefit:</u>						
6/30/2010	\$ 1,830,962	\$ -	\$ 1,830,962	- %	\$ 228,010	803%
6/30/2013	\$ 1,951,427	\$ -	\$ 1,951,427	- %	-	na
6/30/2016	\$ 1,626,698	\$ -	\$ 1,626,698	- %	-	na

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

To the Board of Fire Commissioners of  
Saratoga Fire Protection District  
Saratoga, 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, the business-type activities, each major fund, and remaining fund information of Saratoga Fire Protection District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 05, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

**San Jose, California**  
**September 05, 2017**

## **Schedule of Findings and Responses**

**SARATOGA FIRE PROTECTION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	None reported.
Noncompliance material to financial statements noted?	No.

**Section II - Financial Statement Findings**

No findings are reported.

**Summary Schedule of Prior Audit Findings**

**SARATOGA FIRE PROTECTION DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2017**

**Section I - Financial Statement Findings**

No findings are reported.