

**SARATOGA FIRE PROTECTION DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2020**



**SARATOGA FIRE PROTECTION DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners  
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 aggregate remaining fund information of the Saratoga Fire Protection District (the "District"), as of and for the year ended June 30, 2020, 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 District'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 District'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 aggregate remaining fund information of the Saratoga Fire Protection District, as of June 30, 2020, 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, schedule of changes in net OPEB liability and related ratios, and schedule of plan contribution - OPEB on pages 4 to 12, and 41 to 44 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 January 20, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Harshwal & Company LLP*

San Diego, California  
January 20, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

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, 2020. 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 current fiscal year by \$4,753,915 (*net position*). Of this amount, \$3,273,172 was unrestricted net position, and may be used to meet ongoing obligations to citizens and creditors, and \$1,480,743 was net investment in capital assets.
- The District's total net position increased by \$733,230, key factor for this increase was due to increased property taxes received.
- As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$4,979,923, an increase of \$550,254 in comparison with the prior year. Approximately 63.94% of the combined fund balances or \$3,184,202, was 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 \$3,184,202 or 39.17% 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 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.

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).

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

**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 some 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 as total nonmajor funds.

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.

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

The required supplementary information is presented concerning the District's budgetary comparison schedule and GASB required OPEB disclosures. 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.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

**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 \$4,753,915 at the close of the current fiscal year.

**Table 1  
Comparative Statement of Net Position**

	Net position						Variance (%)
	Governmental Activities		Business-type Activities		Total		
	2020	2019	2020	2019	2020	2019	
<b>Assets</b>							
Current and other assets	\$ 6,048,543	\$ 5,316,755	\$ (4,293)	\$ (2,666)	\$ 6,044,250	\$ 5,314,089	13.74 %
Capital assets, net	<u>5,477,619</u>	<u>5,595,200</u>	<u>-</u>	<u>-</u>	<u>5,477,619</u>	<u>5,595,200</u>	(2.10)%
Total assets	<u>11,526,162</u>	<u>10,911,955</u>	<u>(4,293)</u>	<u>(2,666)</u>	<u>11,521,869</u>	<u>10,909,289</u>	5.62 %
<b>Deferred outflow of resource</b>	<u>81,771</u>	<u>85,961</u>	<u>-</u>	<u>-</u>	<u>81,771</u>	<u>85,961</u>	(4.87)%
<b>Liabilities</b>							
Current and other liabilities	1,728,144	1,497,319	1,020	1,350	1,729,164	1,498,669	15.38 %
Long-term liabilities	<u>5,120,561</u>	<u>5,475,896</u>	<u>-</u>	<u>-</u>	<u>5,120,561</u>	<u>5,475,896</u>	(6.49)%
Total liabilities	<u>6,848,705</u>	<u>6,973,215</u>	<u>1,020</u>	<u>1,350</u>	<u>6,849,725</u>	<u>6,974,565</u>	(1.79)%
<b>Net position</b>							
Net investment in capital assets	1,480,743	1,286,596	-	-	1,480,743	1,286,596	15.09 %
Unrestricted	<u>3,278,485</u>	<u>2,738,105</u>	<u>(5,313)</u>	<u>(4,016)</u>	<u>3,273,172</u>	<u>2,734,089</u>	19.72 %
Total net position	<u>\$ 4,759,228</u>	<u>\$ 4,024,701</u>	<u>\$ (5,313)</u>	<u>\$ (4,016)</u>	<u>\$ 4,753,915</u>	<u>\$ 4,020,685</u>	18.24 %

**Analysis of Net Position**

The largest portion of the District's total net position, amounting to \$3,273,172 or 68.85% of total net position, reflects unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining balance of \$1,480,743 or 31.15% of total net position 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.

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

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

The following table presents the change in net position as well as increases or decreases in revenues and expenses from the prior year.

**Table 2  
Comparative Statement of Change in Net Position**

	Changes in net position						Variance (%)
	Governmental Activities		Business-type Activities		Total		
	2020	2019	2020	2019	2020	2019	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 98,705	\$ 106,495	\$ 98,705	\$ 106,495	(7.31)%
General revenues:							
Property taxes and assessments	9,183,227	8,764,947	-	-	9,183,227	8,764,947	4.77 %
Interest	85,066	79,055	32	60	85,098	79,115	7.56 %
Rental income	1,200	3,000	-	-	1,200	3,000	(60.00)%
Total revenues	<u>9,269,493</u>	<u>8,847,002</u>	<u>98,737</u>	<u>106,555</u>	<u>9,368,230</u>	<u>8,953,557</u>	<u>4.63 %</u>
<b>Expenses</b>							
Public protection	8,052,515	7,532,833	-	-	8,052,515	7,532,833	6.90 %
Interest on long-term debt	482,451	440,577	-	-	482,451	440,577	9.50 %
Early warning alarm systems	-	-	100,034	104,692	100,034	104,692	(4.45)%
Total expenses	<u>8,534,966</u>	<u>7,973,410</u>	<u>100,034</u>	<u>104,692</u>	<u>8,635,000</u>	<u>8,078,102</u>	<u>6.89 %</u>
Change in net position	734,527	873,592	(1,297)	1,863	733,230	875,455	(16.25)%
Net position, beginning of year	<u>4,024,701</u>	<u>3,151,109</u>	<u>(4,016)</u>	<u>(5,879)</u>	<u>4,020,685</u>	<u>3,145,230</u>	<u>27.83 %</u>
Net position, ending of year	<u>\$4,759,228</u>	<u>\$ 4,024,701</u>	<u>\$ (5,313)</u>	<u>\$ (4,016)</u>	<u>\$ 4,753,915</u>	<u>\$ 4,020,685</u>	<u>18.24 %</u>

***Analysis of Changes in Net Position***

The District's net position increased by \$733,230 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 \$734,527 thereby accounting for 100.18% of the total growth in the net position of the District. Key elements of this increase are as follows:

- Property taxes increased by \$418,280 or 4.77%, due to rising prices of homes being sold in the district resulting in an increase in the assessed valuation of the property sold.
- Interest income increased \$6,011 or 7.56% due to higher balances in the District's accounts.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

- Public protection expenses increased by \$519,682 or 6.90% largely 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 had increased by \$41,874 or 9.50% for fiscal year June 30, 2020. Expense in current fiscal year figure was higher from prior year due to increase in accrued interest as compared to previous year.

***Business-type activities.*** Business-type activities decreased the District's net position by \$1,297 thereby accounting for a negative 0.18% of the total increase in the net position of the District. The key elements of this decrease was reduction in monthly service charges revenue from external customers and other funds and government.

### **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.

As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$4,979,923, an increase of \$550,254 in comparison with the prior year. Approximately 63.94% of the combined ending fund balances or \$3,184,202, 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. As of June 30, 2020, unassigned fund balance of the general fund was \$3,184,202 which was 77.36% of the total general fund balance of \$4,116,003 and 39.17% of the total general fund expenditures of \$8,128,204.

Revenues for governmental functions totaled \$9,269,493 in current fiscal year, which represents an increase of \$422,491 or 4.78% from the previous fiscal year. Expenditures for governmental function, totaling \$8,719,239, increased by \$227,678 or 2.68% from the previous fiscal year. In the current fiscal year total combined, revenues for governmental functions exceeded expenditure by \$550,254.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2020**

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

**Table 3  
Revenues Classified by Source - Governmental Funds**

<u>Revenues by source</u>	<u>2020</u>		<u>2019</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>
Property taxes	\$9,183,227	99.07 %	\$8,764,947	99.07 %	\$ 418,280	4.77 %
Use of money and property	86,266	0.93 %	82,055	0.93 %	4,211	5.13 %
Total revenues	<u>\$9,269,493</u>	<u>100.00 %</u>	<u>\$8,847,002</u>	<u>100.00 %</u>	<u>\$ 422,491</u>	<u>4.78 %</u>

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 - increased due to higher balances in the District's accounts.

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

**Table 4  
Expenditures by Function - Governmental Funds**

<u>Expenditures by function</u>	<u>2020</u>		<u>2019</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	\$7,954,619	91.23 %	\$7,621,609	89.76 %	\$ 333,010	4.37 %
Capital outlay	10,102	0.12 %	155,434	1.83 %	(145,332)	(93.50)%
Debt service	754,518	8.65 %	714,518	8.41 %	40,000	5.60 %
Total expenditures	<u>\$8,719,239</u>	<u>100.00 %</u>	<u>\$8,491,561</u>	<u>100.00 %</u>	<u>\$ 227,678</u>	<u>2.68 %</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 - decrease in current year due to fewer capital asset additions as compared to last year.
- Debt service - principal increased because a larger portion of each lease payable payment was allocated to principal and more of the bond principal amount was retired during the year. Interest on debts increased because the interest paid (coupons presented) on the bonds increased more during the year than the lower amount of the interest due on the lease payable.

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
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The current year excess of revenues and other financing sources over expenditures and other financing uses is presented below:

**Table 5  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
- Governmental Funds**

	Major Funds		Nonmajor Fund	Total
	General Fund	Debt Service Fund	Special Revenue Fund	
Revenues	\$ 8,624,874	\$ 640,939	\$ 3,680	\$ 9,269,493
Expenditures	<u>(8,128,204)</u>	<u>(591,035)</u>	<u>-</u>	<u>(8,719,239)</u>
Net change in fund balances	496,670	49,904	3,680	550,254
Fund balances, beginning of year	<u>3,619,333</u>	<u>622,724</u>	<u>187,612</u>	<u>4,429,669</u>
Fund balances, ending of year	<u>\$ 4,116,003</u>	<u>\$ 672,628</u>	<u>\$ 191,292</u>	<u>\$ 4,979,923</u>

The fund balance in the District's general fund increased by \$496,670 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 an unrestricted net position for a negative amount of \$5,313 as of June 30, 2020. Total decrease in net position for the EWAS fund was \$1,297, 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:

**Table 6  
Statement of Revenues, Expenses, and Changes in Net Position  
- Governmental Funds**

	Early Warning Alarm System		
	2020	2019	Increase / (Decrease)
Operating revenues	\$ 98,737	\$ 106,555	(7.34)%
Operating expenses	<u>(100,034)</u>	<u>(104,692)</u>	<u>(4.45)%</u>
Change in net position	<u>\$ (1,297)</u>	<u>\$ 1,863</u>	<u>(169.62)%</u>

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
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**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual amounts available for appropriations were more than budgetary estimates by \$375,874. The majority of this amount is the positive variance of \$347,009 in property taxes due to the lack of inventory available resulting in increased sale prices for property. Actual charges to appropriations were less than budgetary estimates by \$102,571. The majority of this amount is the negative variance of \$188,151 in services and supplies.

The net effect of over-realization of revenues and under-utilization of expenditures resulted in a positive variance of \$478,445, thus eliminating the need to draw from the existing fund balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$5,477,619 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and furniture and fixtures.

The main capital asset activities during the current fiscal year were

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

**Table 7  
Comparative Statement of Capital assets**

	<u>Governmental activities</u>		<u>Increase/ (Decrease)</u>
	<u>2020</u>	<u>2019</u>	<u>% of change</u>
Land	\$ 1,441,043	\$ 1,440,543	- %
Buildings	5,402,781	5,393,179	0.18 %
Vehicles	151,195	151,195	- %
Equipment	21,758	21,758	- %
Furniture and fixtures	<u>107,797</u>	<u>107,797</u>	- %
Total capital assets, at cost	<u>7,124,574</u>	<u>7,114,472</u>	<u>0.14 %</u>
Less: accumulated depreciation	<u>(1,646,955)</u>	<u>(1,519,272)</u>	<u>8.40 %</u>
Capital assets, net	<u>\$ 5,477,619</u>	<u>\$ 5,595,200</u>	<u>(2.10)%</u>

**SARATOGA FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
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**Long-term debt**

As of June 30, 2020, the District had total long-term debt outstanding of \$3,996,876 as compared to \$4,308,604 from the prior year. This amount was comprised of \$2,533,961 of bonds payable (inclusive of \$214,533 due within one year) and \$1,462,915 of lease refunding payable (inclusive of \$106,825 due within one year). During the year, payment of debt principal amounted to \$209,303 for bonds payable and, \$102,425 for lease refunding payable.

**Table 8  
Comparative Statement of Long-term Debt**

	<u>Governmental activities</u>		<u>Increase/ (Decrease)</u>
	2020	2019	<u>% of change</u>
Bonds payable	\$ 2,533,961	\$ 2,743,264	(7.63)%
Lease refunding payable	1,462,915	1,565,340	(6.54)%
Total	<u>\$ 3,996,876</u>	<u>\$ 4,308,604</u>	<u>(7.24)%</u>

**Net OPEB Liability**

As of June 30, 2020, the District had an aggregate net OPEB liability of \$1,445,043 versus \$1,479,019 for prior year, a decrease of \$33,976 from prior year.

**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 2020-21 include: painting the firefighters' living quarters, and new flooring upstairs. In addition, repairs may be needed to the showers.
- All of these factors were considered in preparing the District's budget for fiscal year 2020-21.

**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, 2020**

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,953,874	\$ 37,721	\$ 5,991,595
Accounts receivable, net	-	20,073	20,073
Interest receivable	20,951	-	20,951
Due from/to other funds	62,087	(62,087)	-
Prepaid expenses and deposits	11,631	-	11,631
Capital assets, net	<u>5,477,619</u>	<u>-</u>	<u>5,477,619</u>
Total assets	<u>11,526,162</u>	<u>(4,293)</u>	<u>11,521,869</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflow of resources - OPEB	<u>81,771</u>	<u>-</u>	<u>81,771</u>
Total deferred outflow of resources	<u>81,771</u>	<u>-</u>	<u>81,771</u>
Total assets and deferred outflow of resources	<u>11,607,933</u>	<u>(4,293)</u>	<u>11,603,640</u>
<b>LIABILITIES</b>			
Accounts and warrants payable	1,068,620	1,020	1,069,640
Accrued interest	338,166	-	338,166
Lease refunding payable, due within one year	106,825	-	106,825
Lease refunding payable, due beyond one year	1,356,090	-	1,356,090
Bonds payable, due within one year	214,533	-	214,533
Bonds payable, due beyond one year	2,319,428	-	2,319,428
Net OPEB liability	<u>1,445,043</u>	<u>-</u>	<u>1,445,043</u>
Total liabilities	<u>6,848,705</u>	<u>1,020</u>	<u>6,849,725</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,480,743	-	1,480,743
Unrestricted	<u>3,278,485</u>	<u>(5,313)</u>	<u>3,273,172</u>
Total net position	<u>4,759,228</u>	<u>(5,313)</u>	<u>4,753,915</u>
Total liabilities and net position	<u>\$ 11,607,933</u>	<u>\$ (4,293)</u>	<u>\$11,603,640</u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	Program	Net (Expenses) Revenues and Changes in		<u>Total</u>
		<u>Revenues</u>	<u>Net Position</u>		
		Charges for Services	Governmental Activities	Business- type Activities	
<b>Governmental Activities:</b>					
Public protection	\$8,052,515	\$ -	\$ (8,052,515)	\$ -	\$ (8,052,515)
Interest on long-term debt	<u>482,451</u>	<u>-</u>	<u>(482,451)</u>	<u>-</u>	<u>(482,451)</u>
Total governmental activities	<u>8,534,966</u>	<u>-</u>	<u>(8,534,966)</u>	<u>-</u>	<u>(8,534,966)</u>
<b>Business-type Activities:</b>					
Early warning alarm system	<u>100,034</u>	<u>98,705</u>	<u>-</u>	<u>(1,329)</u>	<u>(1,329)</u>
Total business-type activities	<u>\$8,635,000</u>	<u>\$ 98,705</u>	<u>(8,534,966)</u>	<u>(1,329)</u>	<u>(8,536,295)</u>
<b>General revenues:</b>					
Property taxes			9,183,227	-	9,183,227
Interest and investment income			85,066	32	85,098
Rental income			<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total general revenues			<u>9,269,493</u>	<u>32</u>	<u>9,269,525</u>
Change in net position			734,527	(1,297)	733,230
Net position, beginning of year			<u>4,024,701</u>	<u>(4,016)</u>	<u>4,020,685</u>
Net position, end of year			<u>\$ 4,759,228</u>	<u>\$ (5,313)</u>	<u>\$ 4,753,915</u>

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

## FUND FINANCIAL STATEMENTS

**SARATOGA FIRE PROTECTION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

		<u>Debt Service</u>	<u>Special Revenue</u>	
	<u>General Fund</u>	<u>GO Bond Fund</u>	<u>SFD-Equipment Maintenance Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 5,092,479	\$ 670,883	\$ 190,512	\$ 5,953,874
Interest receivable	18,426	1,745	780	20,951
Due from other funds	62,087	-	-	62,087
Prepaid expenses and deposits	<u>11,631</u>	<u>-</u>	<u>-</u>	<u>11,631</u>
Total assets	<u>5,184,623</u>	<u>672,628</u>	<u>191,292</u>	<u>6,048,543</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts and warrants payable	<u>1,068,620</u>	<u>-</u>	<u>-</u>	<u>1,068,620</u>
Total liabilities	<u>1,068,620</u>	<u>-</u>	<u>-</u>	<u>1,068,620</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid	11,631	-	-	11,631
Committed				
Major repairs and renovation	176,000	-	-	176,000
Advance purchase option - lease refunding	744,170	-	-	744,170
Assigned				
Special revenue fund	-	-	191,292	191,292
Debt service fund	-	672,628	-	672,628
Unassigned				
General fund	<u>3,184,202</u>	<u>-</u>	<u>-</u>	<u>3,184,202</u>
Total fund balances	<u>4,116,003</u>	<u>672,628</u>	<u>191,292</u>	<u>4,979,923</u>
Total liabilities and fund balances	<u>\$ 5,184,623</u>	<u>\$ 672,628</u>	<u>\$ 191,292</u>	<u>\$ 6,048,543</u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund Balances - total governmental funds	\$ 4,979,923
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,477,619
In governmental funds, accrued interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, accrued interest on long-term liabilities is recognized when it is incurred.	(338,166)
Deferred outflows of resources related to OPEB is applicable to future periods and, therefore, are not reported in the governmental funds.	81,771
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	(1,462,915)
Net OPEB liability	(1,445,043)
Bonds payable	<u>(2,533,961)</u>
	<u>(5,441,919)</u>
Net position of governmental activities	<u>\$ 4,759,228</u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**- GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Debt Service GO Bond Fund</u>	<u>Special Revenue SFD-Equipment Maintenance Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes	\$ 8,548,009	\$ 635,218	\$ -	\$ 9,183,227
Use of money & property	<u>76,865</u>	<u>5,721</u>	<u>3,680</u>	<u>86,266</u>
Total revenues	<u>8,624,874</u>	<u>640,939</u>	<u>3,680</u>	<u>9,269,493</u>
<b>EXPENDITURES</b>				
Current:				
Public protection:				
Salaries and employee benefits	173,533	-	-	173,533
Services and supplies	7,780,051	1,035	-	7,781,086
Capital outlay	10,102	-	-	10,102
Debt Service:				
Principal	102,425	209,303	-	311,728
Interest	<u>62,093</u>	<u>380,697</u>	<u>-</u>	<u>442,790</u>
Total expenditures	<u>8,128,204</u>	<u>591,035</u>	<u>-</u>	<u>8,719,239</u>
Net change in fund balances	496,670	49,904	3,680	550,254
Fund balances, beginning of year	<u>3,619,333</u>	<u>622,724</u>	<u>187,612</u>	<u>4,429,669</u>
Fund balances, end of year	<u>\$ 4,116,003</u>	<u>\$ 672,628</u>	<u>\$ 191,292</u>	<u>\$ 4,979,923</u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

		Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	550,254
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay	10,102	
Less: current year depreciation	<u>(127,683)</u>	(117,581)
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		
Lease refunding payable	102,425	
Bonds payable	<u>209,303</u>	311,728
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 requiring 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.		(39,660)
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.		
OPEB expenses		<u>29,786</u>
Change in net position of governmental activities	\$	<u><u>734,527</u></u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2020**

	<u>Early Warning Alarm System</u>
<b>ASSETS</b>	
Cash and investments	\$ 37,721
Accounts receivable, net	<u>20,073</u>
Total assets	<u>57,794</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts and warrants payable	1,020
Due to other funds	<u>62,087</u>
Total liabilities	<u>63,107</u>
<b>NET POSITION</b>	
Unrestricted	<u>(5,313)</u>
Total net position	<u>(5,313)</u>
Total liabilities and net position	<u><u>\$ 57,794</u></u>

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

**SARATOGA FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**- PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Early Warning Alarm System</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 98,705
Interest and investment income	<u>32</u>
Total operating revenues	<u>98,737</u>
<b>OPERATING EXPENSES</b>	
Salaries and employee benefits	56,074
Services and supplies	40,602
Interest expenses	<u>3,358</u>
Total operating expenses	<u>100,034</u>
Change in net position	(1,297)
Net position, beginning of year	<u>(4,016)</u>
Net position, end of year	<u><u>\$ (5,313)</u></u>

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

**SARATOGA FIRE PROTECTION DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Early Warning Alarm System</u>
<b>Cash flows from operating activities</b>	
Cash receipts from revenues	\$ 99,344
Cash payment for expenses	<u>(99,861)</u>
Net cash provided (used) from operating activities	<u>(517)</u>
Net increase/ (decrease) in cash and investments	(517)
Cash and investments, beginning of year	<u>38,238</u>
Cash and investments, end of year	<u><u>\$ 37,721</u></u>
 <b><i><u>Reconciliation of change in net position to net cash provided (used) by operating activities</u></i></b>	
Change in net position	\$ (1,297)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:	
Decrease (increase) in operating assets:	
Accounts receivable	607
Increase (decrease) in operating liabilities:	
Accounts and warrants payable	(330)
Due to other funds	<u>503</u>
Net cash provided (used) by operating activities	<u><u>\$ (517)</u></u>

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

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 - REPORTING ENTITY**

***A. Organization***

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 is an independent special district.

The District provides fire protection services to approximately 12.5 square miles encompassing one-half of the City of Saratoga and sections of the unincorporated areas to the South. Approximately 14,500 people reside within the District's service area.

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

To further serve 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. The ordinance was recently amended to reflect changes in technology.

***B. 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, 2020, the Board of Fire Commissioners consisted of:

	<u>Term Expires November</u>
Joe Long, Chairman	2022
Ernest Kraule	2022
Eugene Zambetti	2024

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, wages 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**  
**JUNE 30, 2020**

**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 (U.S. 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* displays 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 property 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 and interest and investment income, 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 two major categories: governmental and proprietary. Separate statements are presented 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**  
**JUNE 30, 2020**

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

***A. Basis of Presentation - 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 Fund* 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. The District has only one nonmajor 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 and proprietary 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 financial statements and governmental fund financial statements.

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.

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 grants and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. Measurement Focus and Basis of Accounting - Cont'd**

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 lapses 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**

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Donated capital assets are valued at their acquisition 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. The estimated useful lives by the type of asset are as follows:

Assets	Years
Buildings	50 years
Vehicle	3-20 years
Equipment	3-20 years
Furniture and fixtures	3-20 years

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**D. Capital Assets - Cont'd**

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 lease 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* - Net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position* - Consist of net position with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) laws through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "other purposes" are described in the Notes to the Financial Statements (if any). The District does not have any restricted balance for year ended June 30, 2020.
- *Unrestricted Net Position* - All other net position that do not meet the definition of "restricted" or "Net investment in capital assets".

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.
- *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. The District does not have any restricted balance for year ended June 30, 2020.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**F. Equity Classifications - Cont'd**

- *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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the District's financial statements are the estimated useful lives of capital assets.

**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.

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.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 - CASH AND INVESTMENTS**

The cash balance of the District is 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 is insured with the Federal Deposit Insurance Corporation (FDIC) upto \$250,000. 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 District closed the dormant LAIF investment account during the FY June 30, 2020.

The fair value of the District's position in the pool is the same as the value of its pool shares. Cash and investments at June 30, 2020 consists of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Governmental Activities:</u>		
<i>Major funds:</i>		
General fund		
Cash with County Treasury	\$ 4,014,484	\$ 4,064,446
Cash in banks	1,077,995	1,077,995
Debt service		
Cash with County Treasury	670,883	679,232
<i>Nonmajor fund:</i>		
Special revenue		
Cash with County Treasury	<u>190,512</u>	<u>192,883</u>
Total governmental activities, cash and investments	<u>5,953,874</u>	<u>6,014,556</u>
<u>Business-type Activities:</u>		
EWAS		
Cash in banks	<u>37,721</u>	<u>37,721</u>
Total business-type activities, cash and investments	<u>37,721</u>	<u>37,721</u>
Total cash and investments	<u>\$ 5,991,595</u>	<u>\$ 6,052,277</u>

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 - CASH AND INVESTMENTS - CONT'D**

Governmental Accounting Standards Board, Statement No. 31, "*Accounting and Financial Reporting for Certain Investment and for External Investment Pools*" 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.

Cash in banks held by the District for the year ended June 30, 2020 were secured by FDIC insurance. The District does not have any pledged collateral, balances in excess of FDIC were uninsured for the year ended June 30, 2020.

Based on the County's calculations, fair market value would change the District's cash balance and interest income by an increase of \$49,962 for the General Fund, an increase of \$8,349 for the Debt Service Fund, and an increase of \$2,371 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.

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund receivable and payables as of and for the year ended June 30, 2020, by individual fund are summarized as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Activities:</u>		
<i>Major fund:</i>		
General fund	\$ 62,087	\$ -
 <u>Business-type Activities:</u>		
EWAS	<u>-</u>	<u>62,087</u>
Total	<u>\$ 62,087</u>	<u>\$ 62,087</u>

**SARATOGA FIRE PROTECTION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,440,543	\$ 500	\$ -	\$ 1,441,043
Total capital assets, not being depreciated	<u>1,440,543</u>	<u>500</u>	<u>-</u>	<u>1,441,043</u>
Capital assets, being depreciated:				
Building	5,393,179	9,602	-	5,402,781
Vehicles	151,195	-	-	151,195
Equipment	21,758	-	-	21,758
Furniture and fixtures	<u>107,797</u>	<u>-</u>	<u>-</u>	<u>107,797</u>
Total capital assets, being depreciated	<u>5,673,929</u>	<u>9,602</u>	<u>-</u>	<u>5,683,531</u>
Less: accumulated depreciation for:				
Buildings	1,363,742	116,050	-	1,479,792
Vehicles	45,203	7,560	-	52,763
Equipment	17,646	1,028	-	18,674
Furniture and fixtures	<u>92,681</u>	<u>3,045</u>	<u>-</u>	<u>95,726</u>
Total accumulated depreciation	<u>1,519,272</u>	<u>127,683</u>	<u>-</u>	<u>1,646,955</u>
Total capital assets, being depreciated, net	<u>4,154,657</u>	<u>(118,081)</u>	<u>-</u>	<u>4,036,576</u>
Total governmental activities capital assets, net	<u>\$ 5,595,200</u>	<u>\$ (117,581)</u>	<u>\$ -</u>	<u>\$ 5,477,619</u>

For the year ended June 30, 2020, depreciation expense charged to public protection under governmental activities was \$127,683.

As of June 30, 2020, the governmental activities capital assets and accumulated depreciation under capital lease were as follows:

	<u>2020</u>
Building	\$ 5,190,521
Less: accumulated depreciation	<u>1,453,346</u>
Net book value	<u>\$ 3,737,175</u>

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 - LONG-TERM DEBT**

During the year ended June 30, 2020, the following changes occurred in the long-term debts reported in the government-wide statement of net position:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>	<u>Amounts due beyond one year</u>
Bonds payable	\$ 2,743,264	\$ -	\$ 209,303	\$2,533,961	\$ 214,533	\$ 2,319,428
Lease refunding payable	<u>1,565,340</u>	<u>-</u>	<u>102,425</u>	<u>1,462,915</u>	<u>106,825</u>	<u>1,356,090</u>
Total	<u>\$4,308,604</u>	<u>\$ -</u>	<u>\$ 311,728</u>	<u>\$3,996,876</u>	<u>\$ 321,358</u>	<u>\$ 3,675,518</u>

***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 5.0% and \$3,518,736 of 5.3% to 5.8% Capital Appreciation Serial Bonds, maturing on September 01, 2030.

As of June 30, 2020, the outstanding principal balance amounted to \$2,533,961. The annual requirements to amortize the bond payable, including interest payment are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 214,533	\$ 430,467	\$ 645,000
2022	214,338	480,662	695,000
2023	218,655	531,345	750,000
2024	220,766	589,234	810,000
2025	225,339	649,661	875,000
2026-2030	1,188,351	4,271,647	5,459,998
2031	<u>251,979</u>	<u>1,143,021</u>	<u>1,395,000</u>
Total	<u>\$ 2,533,961</u>	<u>\$ 8,096,037</u>	<u>\$ 10,629,998</u>

***B. Lease Refunding Payable***

On January 30, 2013, the cost of the construction and improvement of the District fire station, was refinanced from Capital One Public Funding, LLC into the 2013 Lease Refunding in the amount of \$2,097,148 at an effective interest rate of 4.25% with first option call on February 01, 2023 and finally maturing on February 01, 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 01, 2013.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 - LONG-TERM DEBT - CONT'D**

As of June 30, 2020, the outstanding principal balance amounted to \$1,462,915. The annual requirements to amortize the Lease Refunding payable, including interest payment are as follows:

Year ended June 30,	Principal	Interest	Total
2021	\$ 106,825	\$ 61,051	\$ 167,876
2022	111,413	56,463	167,876
2023	116,198	51,677	167,875
2024	121,189	46,686	167,875
2025	126,395	41,481	167,876
2026-2030	718,223	121,156	839,379
2031	<u>162,672</u>	<u>5,203</u>	<u>167,875</u>
Total	<u>\$ 1,462,915</u>	<u>\$ 383,717</u>	<u>\$ 1,846,632</u>

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019
Fiscal Year Ended	June 30, 2020

**A. Plan Description**

The District provides continuation of medical, dental, vision and long term care coverage for a closed group of retired employees. These benefits create the following types of net OPEB liabilities:

- *Explicit subsidy liabilities:* An "explicit subsidy" exists when the employer contributes directly toward retiree premiums. The District contributes directly toward the medical plan premiums for retirees. These benefits are described in Section 2A. The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. Any portion of such future excise tax paid by the employer is also a form of explicit subsidy.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONT'D**

**A. Plan Description - Cont'd**

- *Implicit subsidy liabilities:* An “implicit subsidy” exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates. However, Paragraph 3.7.7.c.1 of Actuarial Standard of Practice No. 6 (ASOP 6), *Measuring Retiree Group Benefits Obligations*, provides for the actuary to use the pooled health plan premiums in lieu of projected retiree claims if the analysis to be prepared only calls for a short-term projection. No implicit liability exists with respect to dental, vision or long term care (with age-banded premiums) coverage provided to retirees, or that it is insignificant.

The District’s funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. “Prefunding” is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or “PAYGO”, is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

**B. Employees Covered**

The District’s OPEB Plan is a closed plan covering only retired employees. Absent significant differences increases for future required subsidy levels from what we have assumed, we would expect this liability to decrease gradually over time. Part of the change in liability was expected and part was due to changes unexpected as of the prior measurement date.

<u>Covered employees</u>	<u>No. of Employees</u>
Covered retirees	6
Covered surviving spouses	<u>2</u>
Total	<u><u>8</u></u>

**C. District Contributions to the Plan**

The District contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). Estimated benefits paid by the District during the measurement period and those made in the year following the measurement period but prior to the end of the fiscal year are shown below:

<u>Employer contribution subsequent to the measurement date</u>	<u>2020</u>
Employer contribution to the trust	\$ -
Employer contribution in the form of direct benefit payments	81,771
Implicit contributions	<u>-</u>
Total employer contribution subsequent to the measurement date	<u><u>\$ 81,771</u></u>

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONT'D**

**D. Actuarial Assumptions**

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Funding Method	Entry age normal cost, level percent of pay
Assets valuation method	Market value of assets (\$0; no OPEB trust has been established)
Municipal Bond Index	Fidelity Municipal Bond AA 20 Year Maturity Yield
Discount rates	3.62% as of (assumed) June 30, 2019
Participants valued	Only current retired participants and covered dependents are valued. This plan is closed to future entrants.
Salary increase	Not applicable; there are no active employees in this plan.
General Inflation Rate	2.75% per year
Mortality Improvement	2017 CalPERS Experience Study; Improvement using MW Scale 2018
Healthcare Trend Rate	7.00% grading to 5.00% by 2024

*(Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015.)*

**E. Discount Rate**

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. The discount rate used for the measurement date June 30, 2019 is 3.62% (assumed).

**F. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate**

The discount rate used for the fiscal year end 2020 is 3.62%. Healthcare Cost Trend Rate was assumed to start at 7.00% and grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in discount rate and healthcare cost trend rate assumptions are shown in the tables in this sections:

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONT'D**

**F. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate - Cont'd**

<u>Change in discount rate</u>	<u>Discount Rate-1% (2.62%)</u>	<u>Current Discount Rate 3.62%</u>	<u>Discount Rate+1% (4.62%)</u>
Total OPEB liability	\$ 1,649,616	\$ 1,445,043	\$ 1,279,703
Increase (Decrease)	204,573	-	(165,340)
% Increase (Decrease)	14.2%	-	(11.4%)
Net OPEB liability (assets)	1,649,616	1,445,043	1,279,703
Increase (Decrease)	204,573	-	(165,340)
% Increase (Decrease)	14.2%	-	(11.4%)

  

<u>Change in Healthcare cost trend rate</u>	<u>Current Trend - 1%</u>	<u>Current Trend</u>	<u>Current Trend + 1%</u>
Total OPEB liability	1,285,812	1,445,043	1,647,328
Increase (Decrease)	(159,231)	-	202,285
% Increase (Decrease)	-11%	-	14.0%
Net OPEB liability (assets)	1,316,044	1,479,019	1,686,060
Increase (Decrease)	(162,975)	-	207,041
% Increase (Decrease)	-11%	-	14.0%

**G. Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on OPEB plan investments     5 year straight - line recognition

All other amounts

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

**SARATOGA FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONT'D**

***H. Net OPEB liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

The District's Net OPEB liability for the year ended June 30, 2020 was \$1,445,043.

The table below shows deferred resources as of the fiscal year ended June 30, 2020:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Contribution made subsequent to the measurement date	\$ <u>81,771</u>	\$ <u>-</u>
Total	\$ <u><u>81,771</u></u>	\$ <u><u>-</u></u>

An amount of \$81,771 was reported as deferred outflows of resources related to estimated contributions subsequent to the June 30, 2018; measurement date, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

For the fiscal year ended	Recognized net outflow (inflow)
2021	\$ 81,771
2022	-
2023	-
2024	-
2025	\$ -

**NOTE 9 - SUBSEQUENT EVENTS**

In February 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, and financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SARATOGA FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Resources (inflows)</b>				
Property taxes	\$ 8,201,000	\$ 8,201,000	\$ 8,548,009	\$ 347,009
Use of money and property	<u>48,000</u>	<u>48,000</u>	<u>76,865</u>	<u>28,865</u>
Total amounts available for appropriation	<u>8,249,000</u>	<u>8,249,000</u>	<u>8,624,874</u>	<u>375,874</u>
<b>Charges to appropriations (outflows)</b>				
Public protection				
Salaries and employee benefits	251,000	251,000	173,533	77,467
Services and supplies	7,591,900	7,591,900	7,780,051	(188,151)
Capital outlay	120,000	120,000	10,102	109,898
Lease/Purchase fund	100,000	100,000	-	100,000
Debt service:				
Principal	102,425	102,425	102,425	-
Interest	<u>65,450</u>	<u>65,450</u>	<u>62,093</u>	<u>3,357</u>
Total charge to appropriations	<u>\$ 8,230,775</u>	<u>\$ 8,230,775</u>	<u>\$ 8,128,204</u>	<u>\$ 102,571</u>

SARATOGA FIRE PROTECTION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 JUNE 30, 2020

*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	\$ 8,624,874
Differences - budget to GAAP:	_____ -
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	\$ <u>8,624,874</u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,128,204
Differences - budget to GAAP:	_____ -
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	\$ <u>8,128,204</u> Concluded

**SARATOGA FIRE PROTECTION DISTRICT**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR LAST TEN FISCAL YEARS\***  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>Fiscal year ended</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ -	\$ -	\$ -
Interest	51,985	58,603	53,467
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	(229,655)	(149,865)
Changes of assumptions	-	45,657	-
Benefit payments	<u>(85,961)</u>	<u>(83,480)</u>	<u>(93,544)</u>
Net change in total OPEB liability	(33,976)	(208,875)	(189,942)
Total OPEB liability, beginning	<u>1,479,019</u>	<u>1,687,894</u>	<u>1,877,836</u>
Total OPEB liability, ending	<u>1,445,043</u>	<u>1,479,019</u>	<u>1,687,894</u>
<b>Plan fiduciary net position</b>			
Contribution - employer	85,961	83,480	93,544
Net investment income	(85,961)	(83,480)	(93,544)
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, ending	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net OPEB liability, ending</b>	<u>\$ 1,445,043</u>	<u>\$ 1,479,019</u>	<u>\$ 1,687,894</u>

\* Fiscal Year 2018 was the first year of implementation, therefore only 3 years are shown.

**SARATOGA FIRE PROTECTION DISTRICT  
SCHEDULE OF PLAN CONTRIBUTION - OPEB  
FOR LAST TEN FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Fiscal year ended</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Employer contributions to the trust	\$ -	\$ -	\$ -
Employer contributions in the form of direct benefit payments (not reimbursed by trust)	<u>81,771</u>	<u>85,961</u>	<u>83,480</u>
Total employer contributions during the measurement period	<u>\$ 81,771</u>	<u>\$ 85,961</u>	<u>\$ 83,480</u>

**NOTES TO SCHEDULE**

**Methods and assumptions used to establish “actuarially determined contribution” rates:**

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal level % of Pay
Inflation	2.75% per year
Healthcare cost trend rates	7.00% grading to 5.0% by 2024
Salary increases	Not applicable; retirees only
Discount rate	3.62% as of (assumed) June 30, 2019
Retirement age	Not applicable; retirees only
Mortality	2017 CalPERS Experience Study; Improvement using, MW Scale 2018

\* Fiscal Year 2018 was the first year of implementation, therefore only 3 years are shown.

## COMPLIANCE SECTION

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

To the Board of Fire Commissioners  
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 the aggregate remaining fund information of the Saratoga Fire Protection District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Harshwal & Company LLP*

San Diego, California  
January 20, 2021

**SARATOGA FIRE PROTECTION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

**SECTION II - FINANCIAL STATEMENTS FINDINGS**

There are no findings in the current year report.

**SARATOGA FIRE PROTECTION DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

The District had no findings noted in prior years that require a status update.