

SARATOGA FIRE PROTECTION DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022



SARATOGA FIRE PROTECTION DISTRICT
TABLE OF CONTENTS
JUNE 30, 2022

	<u>Page(s)</u>
Independent Auditor's Report	01
Management's Discussion and Analysis	05
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements	
Balance Sheet - Governmental Fund.....	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	22
Statement of Net Position - Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	24
Statement of Cash Flows - Proprietary Fund.....	25
Notes to the Basic Financial Statements.....	26
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	42
Schedule of Changes in Net OPEB liability and Related Ratios.....	43
Schedule of Plan Contribution - OPEB.....	44
Notes to Required Supplementary Information.....	45
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 <i>Government Auditing Standards</i>	47
Schedule of Findings and Responses	49
Summary Schedule of Prior Year Audit Findings	51

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 Saratoga Fire Protection District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis from pages 5 - 13, budgetary comparison schedule - general fund on page 42, and schedule of changes in net OPEB liability and related ratios on page 43, and schedule of plan contribution - OPEB on page 44 to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2023, on our consideration of the 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.

Harshmal & Company LLP

San Diego, California
January 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

**SARATOGA FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This section of 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, 2022. 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 \$5,839,049 (*net position*). Of this amount, \$3,800,664 was the unrestricted net position and may be used to meet ongoing obligations to citizens and creditors, and \$2,038,385 was the net investment in capital assets.
- The District's total net position increased by \$689,904; a key factor for this increase was an increase in property taxes received.
- As of June 30, 2022, the District's governmental funds reported combined ending fund balances of \$5,971,455, an increase of \$623,838 in comparison with the prior year. Approximately 60.96% of the combined fund balances, or \$3,640,422, were available to meet the District's current and future needs (*unassigned fund balance*).
- At the end of the fiscal year, the unassigned fund balance for the general fund was \$3,640,422, or 40.40% 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 the District's assets, deferred outflows 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.

These government-wide financial statements distinguish functions of the District 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 AND ANALYSIS
JUNE 30, 2022**

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 fund balance sheet and in the governmental fund 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 Early Warning Alarm System (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 AND ANALYSIS
JUNE 30, 2022**

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 and deferred outflows of resources exceeded liabilities by \$5,839,049 (net position) at the close of the current fiscal year.

**Table 1
Comparative Statement of Net Position**

	Net position						Change (%)
	Governmental Activities		Business-type Activities		Total		
	2022	2021	2022	2021	2022	2021	
Assets							
Current and other assets	\$ 7,253,563	\$ 6,391,122	\$ (73)	\$ (2,869)	\$ 7,253,490	\$ 6,388,253	13.54%
Capital assets, net	<u>5,388,152</u>	<u>5,524,971</u>	<u>-</u>	<u>-</u>	<u>5,388,152</u>	<u>5,524,971</u>	<u>(2.48)%</u>
Total assets	<u>12,641,715</u>	<u>11,916,093</u>	<u>(73)</u>	<u>(2,869)</u>	<u>12,641,642</u>	<u>11,913,224</u>	<u>6.11%</u>
Deferred outflows of resource	<u>80,308</u>	<u>109,147</u>	<u>-</u>	<u>-</u>	<u>80,308</u>	<u>109,147</u>	<u>(26.42)%</u>
Liabilities							
Current and other liabilities	2,064,157	1,774,610	903	907	2,065,060	1,775,517	16.31%
Long-term liabilities	<u>4,817,841</u>	<u>5,097,709</u>	<u>-</u>	<u>-</u>	<u>4,817,841</u>	<u>5,097,709</u>	<u>(5.49)%</u>
Total liabilities	<u>6,881,998</u>	<u>6,872,319</u>	<u>903</u>	<u>907</u>	<u>6,882,901</u>	<u>6,873,226</u>	<u>0.14%</u>
Net position							
Net investment in capital assets	2,038,385	1,849,453	-	-	2,038,385	1,849,453	10.22%
Unrestricted	<u>3,801,640</u>	<u>3,303,468</u>	<u>(976)</u>	<u>(3,776)</u>	<u>3,800,664</u>	<u>3,299,692</u>	<u>15.18%</u>
Total net position	<u>\$ 5,840,025</u>	<u>\$ 5,152,921</u>	<u>\$ (976)</u>	<u>\$ (3,776)</u>	<u>\$ 5,839,049</u>	<u>\$ 5,149,145</u>	<u>13.40%</u>

Analysis of Net Position

The largest portion of the District's total net position, amounting to \$3,800,664 or 65.09% of the total net position, reflects the unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining balance of \$2,038,385 or 34.91% of the 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 AND ANALYSIS
JUNE 30, 2022**

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 Activities**

	Changes in net position						Change (%)
	Governmental Activities		Business-type Activities		Total		
	2022	2021	2022	2021	2022	2021	
Revenues							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 83,240	\$ 87,315	\$ 83,240	\$ 87,315	(4.67)%
General revenues:							
Property taxes and assessments	10,287,405	9,603,346	-	-	10,287,405	9,603,346	7.12%
Interest income	43,020	45,546	6	5	43,026	45,551	(5.54)%
Total revenues	<u>10,330,425</u>	<u>9,648,892</u>	<u>83,246</u>	<u>87,320</u>	<u>10,413,671</u>	<u>9,736,212</u>	<u>6.96%</u>
Expenses							
Public protection	9,067,713	8,699,851	-	-	9,067,713	8,699,851	4.23%
Interest on long-term debt	575,608	555,348	-	-	575,608	555,348	3.65%
Early warning alarm systems	-	-	80,446	85,783	80,446	85,783	(6.22)%
Total expenses	<u>9,643,321</u>	<u>9,255,199</u>	<u>80,446</u>	<u>85,783</u>	<u>9,723,767</u>	<u>9,340,982</u>	<u>4.10%</u>
Change in net position	687,104	393,693	2,800	1,537	689,904	395,230	74.56%
Net position, beginning of year	<u>5,152,921</u>	<u>4,759,228</u>	<u>(3,776)</u>	<u>(5,313)</u>	<u>5,149,145</u>	<u>4,753,915</u>	<u>8.31%</u>
Net position, end of year	<u>\$ 5,840,025</u>	<u>\$ 5,152,921</u>	<u>\$ (976)</u>	<u>\$ (3,776)</u>	<u>\$ 5,839,049</u>	<u>\$ 5,149,145</u>	<u>13.40%</u>

Analysis of Changes in Net Position

The District's net position increased by \$689,904 during the current fiscal year. These increases are explained in the governmental and business-type activities discussed below.

Governmental activities - Governmental activities increased the District's net position by \$687,104, thereby accounting for 99.59% of the total change in the net position of the District. Key elements of this change are as follows:

- Property taxes increased by \$684,059 or 7.12% due to an increase in the value of homes being sold in the District, increasing the assessed valuation of the property sold.
- Interest income decreased by \$2,526 or 5.54% because Santa Clara County earned lower interest on the District funds held in County accounts.

**SARATOGA FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

- Public protection expenses increased by \$367,862 or 4.23%, mainly 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 \$20,260 or 3.65% compared to the prior fiscal year. Expense in the current fiscal year was higher than the prior year due to an increase in accrued bond interest payable compared to the prior year.

Business-type activities - Business-type activities increased the District's net position by \$2,800, thereby accounting for an increase of 0.41% in the total change in the net position of the District. The key element of this change was the reduction in salary paid during the current fiscal year from the EWAS fund.

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, an unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the District include the General, Special Revenue, and Debt Service Funds.

As of June 30, 2022, the District's governmental funds reported combined ending fund balances of \$5,971,455, an increase of \$623,838 compared to the prior year. Approximately 60.96% of the combined ending fund balances, or \$3,640,422, constitute an unassigned fund balance, 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, 2022, the unassigned fund balance of the general fund was \$3,640,422, which was 72.72% of the total general fund balance of \$5,005,839 and 40.40% of the total general fund expenditures of \$9,010,552.

Revenues for governmental functions totaled \$10,330,425 in the current fiscal year, which represents an increase of \$681,533 or 7.06% from the previous fiscal year. Expenditures for governmental function, totaling \$9,706,587, an increase of \$425,389 or 4.58% from the prior fiscal year. In the current fiscal year combined revenues for governmental functions exceeded expenditure by \$623,838.

**SARATOGA FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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**

Revenues by source	2022		2021		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Property taxes	\$10,287,405	99.58%	\$ 9,603,346	99.53%	\$ 684,059	7.12%
Use of money and property	43,020	0.42%	45,546	0.47%	(2,526)	(5.55)%
Total revenues	<u>\$10,330,425</u>	<u>100.00%</u>	<u>\$ 9,648,892</u>	<u>100.00%</u>	<u>\$ 681,533</u>	<u>7.06%</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 - decreased because Santa Clara County earned lower interest on the District funds held in County accounts.

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

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

Expenditures by function	2022		2021		Change	
	Amount	% of total	Amount	% of total	Amount	(%)
Public protection	\$ 8,846,228	91.14%	\$ 8,293,022	89.35%	\$ 553,206	6.67%
Capital outlay	841	0.01%	178,658	1.92%	(177,817)	(99.53)%
Debt service	859,518	8.85%	809,518	8.72%	50,000	6.18%
Total expenditures	<u>\$ 9,706,587</u>	<u>100.00%</u>	<u>\$ 9,281,198</u>	<u>100.00%</u>	<u>\$ 425,389</u>	<u>4.58%</u>

The following provides an explanation of expenditures by the 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 - decreased in the current year due to only purchase of check scanner.
- 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 AND ANALYSIS
JUNE 30, 2022**

The current year's 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**

	<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	\$ 9,562,334	\$ 766,730	\$ 1,361	\$ 10,330,425
Expenditures	(9,010,552)	(696,035)	-	(9,706,587)
Other financing sources	<u>(1,850)</u>	<u>-</u>	<u>1,850</u>	<u>-</u>
Net change in fund balances	549,932	70,695	3,211	623,838
Fund balances, beginning of year	<u>4,455,907</u>	<u>723,842</u>	<u>167,868</u>	<u>5,347,617</u>
Fund balances, end of year	<u>\$ 5,005,839</u>	<u>\$ 794,537</u>	<u>\$ 171,079</u>	<u>\$ 5,971,455</u>

The fund balance in the District's general fund increased by \$549,932 during the fiscal year due to increased property tax revenue.

Proprietary Funds

The District's proprietary fund provides the same 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 \$976 as of June 30, 2022. The increase in net position for the EWAS fund was \$2,800 because of the reduction in the salary paid during the current fiscal year, as less employee time was needed. Revenue continues to decrease due to 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
- Proprietary Fund**

	<u>Early Warning Alarm System</u>		
	<u>2022</u>	<u>2021</u>	<u>Change (%)</u>
Operating revenues	\$ 83,246	\$ 87,320	(4.67)%
Operating expenses	<u>80,446</u>	<u>85,783</u>	<u>(6.22)%</u>
Change in net position	<u>\$ 2,800</u>	<u>\$ 1,537</u>	<u>(82.17)%</u>

**SARATOGA FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual amounts available for appropriations were more than budgetary estimates by \$506,334. The majority of this amount is the favorable variance of \$507,607 in property taxes due to the higher assessed valuation of homes being sold.

Actual charges to appropriations were more than budgetary estimates by \$8,339. The majority of this amount is an unfavorable variance of \$360,070 in services and supplies, due to an increase in fire protection services cost. Fire protection costs were higher because they are based on property taxes received. Property taxes were higher than estimated therefore fire protection costs increased and were higher than budgeted.

The net effect of larger over-realization of revenues and lower over-utilization of expenditures resulted in a favorable variance of \$497,995, 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, 2022, amounted to \$5,388,152 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and furniture and fixtures.

The main capital asset activity during the current fiscal year were:

- Depreciation
- Furniture and fixtures purchase

For government-wide financial statement presentation, all depreciable capital assets were depreciated from the 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>Change</u>
	<u>2022</u>	<u>2021</u>	<u>(%)</u>
Land	\$ 1,441,043	\$ 1,441,043	-%
Buildings	5,556,089	5,556,089	-%
Vehicles	151,195	151,195	-%
Equipment	47,108	47,108	-%
Furniture and fixtures	<u>108,638</u>	<u>107,797</u>	<u>0.78%</u>
Total capital assets, at cost	7,304,073	7,303,232	0.01%
Less: accumulated depreciation	<u>(1,915,921)</u>	<u>(1,778,261)</u>	<u>7.74%</u>
Capital assets, net	<u><u>\$ 5,388,152</u></u>	<u><u>\$ 5,524,971</u></u>	<u><u>(2.48)%</u></u>

**SARATOGA FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Long-term debt

As of June 30, 2022, the District had total long-term debt outstanding of \$3,349,767 compared to \$3,675,518 from the prior year. This amount was comprised \$2,105,090 of bonds payable (inclusive of \$218,655 due within one year) and \$1,244,677 of lease refunding payable (inclusive of \$116,198 due within one year). Principal payment amounted to \$214,338 for bonds payable, and \$111,413 for lease refunding payable during the year.

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

	Governmental activities		Change
	2022	2021	(%)
Bonds payable	\$ 2,105,090	\$ 2,319,428	(9.24)%
Lease refunding payable	1,244,677	1,356,090	(8.22)%
Total	<u>\$ 3,349,767</u>	<u>\$ 3,675,518</u>	<u>(8.86)%</u>

Net OPEB Liability

For the current fiscal year, the District had an aggregate net OPEB liability of \$1,802,927 versus \$1,747,942 for the prior year, a variance of \$(54,985) or (3.15)% from the 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 2022-23 include: tiling both public bathrooms on the first floor and redoing the landscaping in the area between the station and the parking lot.
- All of these factors were considered in preparing the District's budget for fiscal year 2022-23.

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:

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, 2022

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,180,669	\$ 31,376	\$ 7,212,045
Accounts receivable, net	-	13,670	13,670
Interest receivable	14,356	-	14,356
Internal balances	45,119	(45,119)	-
Prepaid expenses and deposits	13,419	-	13,419
Capital assets, net	<u>5,388,152</u>	<u>-</u>	<u>5,388,152</u>
Total assets	<u>12,641,715</u>	<u>(73)</u>	<u>12,641,642</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB	<u>80,308</u>	<u>-</u>	<u>80,308</u>
Total deferred outflows of resources	<u>80,308</u>	<u>-</u>	<u>80,308</u>
Total assets and deferred outflows of resources	<u>12,722,023</u>	<u>(73)</u>	<u>12,721,950</u>
LIABILITIES			
Accounts and warrants payable	1,282,108	903	1,283,011
Accrued interest	447,196	-	447,196
Lease refunding payable, due within one year	116,198	-	116,198
Lease refunding payable, due beyond one year	1,128,479	-	1,128,479
Bonds payable, due within one year	218,655	-	218,655
Bonds payable, due beyond one year	1,886,435	-	1,886,435
Net OPEB liability	<u>1,802,927</u>	<u>-</u>	<u>1,802,927</u>
Total liabilities	<u>6,881,998</u>	<u>903</u>	<u>6,882,901</u>
NET POSITION			
Net investment in capital assets	2,038,385	-	2,038,385
Unrestricted	<u>3,801,640</u>	<u>(976)</u>	<u>3,800,664</u>
Total net position	<u>5,840,025</u>	<u>(976)</u>	<u>5,839,049</u>
Total liabilities and net position	<u>\$ 12,722,023</u>	<u>\$ (73)</u>	<u>\$ 12,721,950</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, 2022

Functions/Programs	Expenses	Program Revenues	Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities:					
Public protection	\$ 9,067,713	\$ -	\$ (9,067,713)	\$ -	\$ (9,067,713)
Interest on long-term debt	<u>575,608</u>	<u>-</u>	<u>(575,608)</u>	<u>-</u>	<u>(575,608)</u>
Total governmental activities	<u>9,643,321</u>	<u>-</u>	<u>(9,643,321)</u>	<u>-</u>	<u>(9,643,321)</u>
Business-type Activities:					
Early warning alarm system	<u>80,446</u>	<u>83,240</u>	<u>-</u>	<u>2,794</u>	<u>2,794</u>
Total business-type activities	<u>80,446</u>	<u>83,240</u>	<u>-</u>	<u>2,794</u>	<u>2,794</u>
Total primary government	<u>\$ 9,723,767</u>	<u>\$ 83,240</u>	<u>(9,643,321)</u>	<u>2,794</u>	<u>(9,640,527)</u>
General revenues:					
Property taxes			10,287,405	-	10,287,405
Use of money & property			<u>43,020</u>	<u>6</u>	<u>43,026</u>
Total general revenues			<u>10,330,425</u>	<u>6</u>	<u>10,330,431</u>
Change in net position			687,104	2,800	689,904
Net position, beginning of year			<u>5,152,921</u>	<u>(3,776)</u>	<u>5,149,145</u>
Net position, end of year			<u>\$ 5,840,025</u>	<u>\$ (976)</u>	<u>\$ 5,839,049</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, 2022**

		<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	
	General Fund	GO Bond Fund	SFD-Equipment Maintenance Fund	Total
ASSETS				
Cash and investments	\$ 6,216,740	\$ 793,278	\$ 170,651	\$ 7,180,669
Interest receivable	12,669	1,259	428	14,356
Due from other funds	45,119	-	-	45,119
Prepaid expenses and deposits	<u>13,419</u>	<u>-</u>	<u>-</u>	<u>13,419</u>
Total assets	<u>6,287,947</u>	<u>794,537</u>	<u>171,079</u>	<u>7,253,563</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and warrants payable	<u>1,282,108</u>	<u>-</u>	<u>-</u>	<u>1,282,108</u>
Total liabilities	<u>1,282,108</u>	<u>-</u>	<u>-</u>	<u>1,282,108</u>
FUND BALANCES				
Nonspendable				
Prepaid	13,419	-	-	13,419
Committed				
Major repairs and renovation	176,000	-	-	176,000
Advance purchase option - lease refunding	1,175,998	-	-	1,175,998
Assigned				
Special revenue fund	-	-	171,079	171,079
Debt service fund	-	794,537	-	794,537
Unassigned				
General fund	<u>3,640,422</u>	<u>-</u>	<u>-</u>	<u>3,640,422</u>
Total fund balances	<u>5,005,839</u>	<u>794,537</u>	<u>171,079</u>	<u>5,971,455</u>
Total liabilities and fund balances	<u>\$ 6,287,947</u>	<u>\$ 794,537</u>	<u>\$ 171,079</u>	<u>\$ 7,253,563</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, 2022

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 5,971,455
Capital assets used in governmental activities are not short-term financial resources, and therefore, are not reported as assets in the governmental funds.	
Capital assets, net	5,388,152
In governmental funds, accrued interest on long-term liabilities are 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.	(447,196)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period, and therefore, are not reported in the governmental funds.	
Deferred outflows of resources - OPEB	80,308
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	(1,244,677)
Net OPEB liability	(1,802,927)
Bonds payable	<u>(2,105,090)</u>
	<u>(5,152,694)</u>
Net position - governmental activities	<u>\$ 5,840,025</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, 2022

	<u>General Fund</u>	<u>Debt Service GO Bond Fund</u>	<u>Nonmajor Special Revenue SFD-Equipment Maintenance Fund</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 9,523,607	\$ 763,798	\$ -	\$ 10,287,405
Use of money & property	<u>38,727</u>	<u>2,932</u>	<u>1,361</u>	<u>43,020</u>
Total revenues	<u>9,562,334</u>	<u>766,730</u>	<u>1,361</u>	<u>10,330,425</u>
EXPENDITURES				
Current:				
Public protection:				
Salaries and employee benefits	175,723	-	-	175,723
Services and supplies	8,669,470	1,035	-	8,670,505
Capital outlay	841	-	-	841
Debt Service:				
Principal	111,413	214,338	-	325,751
Interest	<u>53,105</u>	<u>480,662</u>	<u>-</u>	<u>533,767</u>
Total expenditures	<u>9,010,552</u>	<u>696,035</u>	<u>-</u>	<u>9,706,587</u>
Excess/(deficiency) of revenues over/ (under) expenditures	551,782	70,695	1,361	623,838
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	1,850	1,850
Transfer out	<u>(1,850)</u>	<u>-</u>	<u>-</u>	<u>(1,850)</u>
Total other financing sources	<u>(1,850)</u>	<u>-</u>	<u>1,850</u>	<u>-</u>
Net change in fund balances	549,932	70,695	3,211	623,838
Fund balances, beginning of year	<u>4,455,907</u>	<u>723,842</u>	<u>167,868</u>	<u>5,347,617</u>
Fund balances, end of year	<u>\$ 5,005,839</u>	<u>\$ 794,537</u>	<u>\$ 171,079</u>	<u>\$ 5,971,455</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, 2022

		Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	623,838
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 outlays	841	
Less: current year depreciation	(137,660)	(136,819)
Repayments of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position and does not affect the statement of activities:		
Principal repayments		
Lease refunding payable	111,413	
Bonds payable	214,338	325,751
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.		(41,842)
Governmental funds report the OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expenses:		
OPEB income (expenses)		(83,824)
Change in net position - governmental activities	\$	687,104

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

SARATOGA FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2022

	<u>Early Warning Alarm System</u>
ASSETS	
Cash and investments	\$ 31,376
Accounts receivable, net	<u>13,670</u>
Total assets	<u>45,046</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts and warrants payable	903
Due to other funds	<u>45,119</u>
Total liabilities	<u>46,022</u>
NET POSITION	
Unrestricted	<u>(976)</u>
Total net position	<u>(976)</u>
Total liabilities and net position	<u><u>\$ 45,046</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, 2022

	<u>Early Warning Alarm System</u>
OPERATING REVENUES	
Charges for services	\$ 83,240
Interest and investment income	<u>6</u>
Total operating revenues	<u>83,246</u>
OPERATING EXPENSES	
Salaries and employee benefits	39,530
Services and supplies	37,558
Interest expenses	<u>3,358</u>
Total operating expenses	<u>80,446</u>
Change in net position	2,800
Net position, beginning of year	<u>(3,776)</u>
Net position, end of year	<u><u>\$ (976)</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, 2022**

	<u>Early Warning Alarm System</u>
Cash flows from operating activities	
Cash receipts from revenues	\$ 84,619
Cash payment for expenses	<u>(81,197)</u>
Net cash provided by (used in) from operating activities	<u>3,422</u>
Net increase / (decrease) in cash and investments	3,422
Cash and investments, beginning of year	<u>27,954</u>
Cash and investments, end of year	<u><u>\$ 31,376</u></u>
 <i><u>Reconciliation of change in net position to net cash provided (used) by operating activities</u></i>	
Change in net position	\$ 2,800
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:	
Decrease (increase) in operating assets:	
Accounts receivable	1,373
Increase (decrease) in operating liabilities:	
Accounts and warrants payable	(4)
Due to other funds	<u>(747)</u>
Net cash provided (used) by operating activities	<u><u>\$ 3,422</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, 2022**

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 District. As of June 30, 2022, the Board of Fire Commissioners consisted of:

	<u>Term Expires</u> <u>November</u>
Joseph 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. Their responsibility is to ratify all annual budgets and 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 regulations 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.

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:

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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 or 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 specifically associated with a service, program, or department and, therefore, are 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 three major categories: governmental, proprietary, and fiduciary. 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 or 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.

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 the payment of long-term debt principal and interest. This fund is the General Obligation Bond fund.

SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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

A. Basis of Presentation - Cont'd

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 assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from the 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.

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.

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

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 the expense is 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.

The actual expenditures (budgetary basis) for general fund exceeded appropriations for the year ended June 30, 2022, as presented in the required supplementary information.

D. Capital Assets

Capital assets include property, equipment, and infrastructure assets, which 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

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.

SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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

D. Capital Assets - Cont'd

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 the sale of capital assets are 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 financial statements. The long-term debt consists primarily of bonds payable and lease refunding payable.

In fund financial statements, long-term debt is not reported as liabilities. 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 Basic Financial Statements (if any). The District does not have any restricted balance as of June 30, 2022.
- *Unrestricted Net Position* - All other net positions 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 forms-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 as of June 30, 2022.

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

F. Equity Classifications - Cont'd

- *Committed Fund Balance* - amounts that can only be used for the specific purposes determined by 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. The 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 and disclosures. Accordingly, actual results could differ from those estimates.

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 as follows: 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 that 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 their respective share of the amounts of ad valorem taxes collected from the County.

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 increased earnings through investment activities. The County’s pooled deposits and investments are regulated by California Government Code and 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 the bank, U.S. government and agency securities, corporate bonds, negotiable certificates of deposit, commercial paper, and deposits in the State’s Local Agency Investment Fund. Additional information regarding the County’s investment policy and cash and investments, including interest rate risk, credit risk, custodial credit risk categories, and maturities of the different categories of investments, can be found in the County’s notes to the basic financial statements.

The fair value of the District’s position in the Pool is almost the same as the value of its Pool shares. Cash and investments as of June 30, 2022, consist 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	\$ 5,600,039	\$ 5,457,210
Cash in banks	616,701	616,701
Debt service		
Cash with County Treasury	793,278	773,046
<i>Nonmajor fund:</i>		
Special revenue		
Cash with County Treasury	170,651	166,298
Total cash and investments, governmental activities	7,180,669	7,013,255
<u>Business-type Activities:</u>		
EWAS		
Cash in banks	31,376	31,376
Total cash and investments, business-type activities	31,376	31,376
Total cash and investments	\$ 7,212,045	\$ 7,044,631

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 standard requires governmental entities to report their investments at fair value.

The District's fund held by the County is an investment pool managed by the California State Treasurer. The District invests in the Local Agency Investment Fund (LAIF).

Cash in banks is insured with the Federal Deposit Insurance Corporation (FDIC) upto \$250,000. These accounts are held within various financial institutions. For the year ended June 30, 2022, cash and investments balances in excess of FDIC insurance are not secured by any pledged collateral; these balances were uninsured for the year ended June 30, 2022.

Based on the County's calculations, the fair market value would change the District's cash balance and interest income by a decrease of \$142,829 for the General Fund, a decrease of \$20,232 for the Debt Service Fund, and a decrease of \$4,353 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 June 30, 2022, by individual fund are summarized as follows:

	Due From Other Funds	Due to Other Funds
<u>Governmental Activities:</u>		
<i>Major fund:</i>		
General fund	\$ 45,119	\$ -
 <u>Business-type Activities:</u>		
EWAS	-	45,119
Total	\$ 45,119	\$ 45,119

The District's interfund transfers during the year ended June 30, 2022, are summarized as follows:

	Transfer In	Transfer Out
<u>Governmental Activities:</u>		
<i>Major fund:</i>		
General Fund	\$ -	\$ 1,850
<i>Nonmajor fund</i>		
SFD-Equipment Maintenance Fund	1,850	-
Total	\$ 1,850	\$ 1,850

SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,441,043	\$ -	\$ -	\$ 1,441,043
Total capital assets, not being depreciated	<u>1,441,043</u>	<u>-</u>	<u>-</u>	<u>1,441,043</u>
Capital assets, being depreciated:				
Building	5,556,089	-	-	5,556,089
Vehicles	151,195	-	-	151,195
Equipment	47,108	-	-	47,108
Furniture and fixtures	<u>107,797</u>	<u>841</u>	<u>-</u>	<u>108,638</u>
Total capital assets, being depreciated	<u>5,862,189</u>	<u>841</u>	<u>-</u>	<u>5,863,030</u>
Less: accumulated depreciation for				
Buildings	1,599,361	125,008	-	1,724,369
Vehicles	60,323	7,560	-	67,883
Equipment	20,072	2,296	-	22,368
Furniture and fixtures	<u>98,505</u>	<u>2,796</u>	<u>-</u>	<u>101,301</u>
Total accumulated depreciation	<u>1,778,261</u>	<u>137,660</u>	<u>-</u>	<u>1,915,921</u>
Total capital assets, being depreciated, net	<u>4,083,928</u>	<u>(136,819)</u>	<u>-</u>	<u>3,947,109</u>
Total governmental activities capital assets, net	<u>\$ 5,524,971</u>	<u>\$ (136,819)</u>	<u>\$ -</u>	<u>\$ 5,388,152</u>

For the year ended June 30, 2022, depreciation expense charged to public protection function under governmental activities was \$137,660.

As of June 30, 2022, the governmental activities capital assets and accumulated depreciation under the capital lease were as follows:

Buildings	\$ 5,190,521
Less: accumulated depreciation	<u>1,660,967</u>
Net book value	<u>\$ 3,529,554</u>

SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT

During the year ended June 30, 2022, 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>Amount due within one year</u>	<u>Amount due beyond one year</u>
Bonds payable	\$ 2,319,428	\$ -	\$ 214,338	\$ 2,105,090	\$ 218,655	\$ 1,886,435
Lease refunding payable	<u>1,356,090</u>	<u>-</u>	<u>111,413</u>	<u>1,244,677</u>	<u>116,198</u>	<u>1,128,479</u>
Total	<u>\$ 3,675,518</u>	<u>\$ -</u>	<u>\$ 325,751</u>	<u>\$ 3,349,767</u>	<u>\$ 334,853</u>	<u>\$ 3,014,914</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, 2022, the outstanding principal balance amounted to \$2,105,090. 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>
2023	\$ 218,655	\$ 531,345	\$ 750,000
2024	220,766	589,234	810,000
2025	225,339	649,661	875,000
2026	229,956	715,044	945,000
2027	232,726	792,274	1,025,000
2028-2031	<u>977,648</u>	<u>4,007,351</u>	<u>4,984,999</u>
Total	<u>\$ 2,105,090</u>	<u>\$ 7,284,909</u>	<u>\$ 9,389,999</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 for an 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, 2022**

NOTE 7 - LONG-TERM DEBT - CONT'D

B. Lease Refunding Payable - Cont'd

As of June 30, 2022, the outstanding principal balance amounted to \$1,244,677. The annual requirements to amortize the Lease Refunding payable, including interest payment, are as follows:

Year ended June 30,	Principal	Interest	Total
2023	\$ 116,198	\$ 51,677	\$ 167,875
2024	121,189	46,686	167,875
2025	126,395	41,481	167,876
2026	131,824	36,052	167,876
2027	137,486	30,390	167,876
2028-2031	<u>611,585</u>	<u>59,917</u>	<u>671,502</u>
Total	<u>\$ 1,244,677</u>	<u>\$ 266,203</u>	<u>\$ 1,510,880</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.

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a valuation date no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a measurement date upto one year prior to the close of the fiscal year. The following dates were used for OPEB:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021
Fiscal Year Ended	June 30, 2022

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 may create the following types of net OPEB liabilities:

- *Explicit subsidy liabilities:* An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays all of the most of all of the medical premiums for qualifying retirees. Premiums for any other coverage continued must be fully paid by the retiree.
- *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. Actuary determines the implicit rate subsidy for the retirees as the projected difference between (a) retiree medical claim costs by the age and (b) premiums charged for retiree coverage, determined separately for retirees prior to and after Medicare eligibility.

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

A. Plan Description - Cont'd

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 significantly different increases of future required subsidy levels from present assumptions, we expect this liability to decrease gradually over time.

	<u>No. of Employees</u>
Covered retirees	5
Covered surviving spouses	3
Total	8

C. District Contributions to the Plan

The District contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Benefits and other contributions paid by the District during the measurement period are shown below:

Employer contribution in the form of direct benefit payments	\$ 83,447
Implicit contributions	25,700
Total employer contribution during measurement period	\$ 25,700

D. 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, 2021 is 1.92% (assumed).

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

E. Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Funding Method	Entry age normal cost, level percent of pay
Assets valuation method	Not applicable (\$0; no OPEB trust has been established)
Municipal Bond Index	Fidelity Municipal Bond AA 20 Year Maturity Yield
Discount rates	1.92% as of June 30, 2021, and 2.45% as of June 30, 2020
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.0% per year.
General Inflation Rate	2.50% per year
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015
Healthcare Trend Rate	5.80% effective January 2021 fluctuating down to 4.0% by 2076

F. Net OPEB Liability

The components of the net OPEB liability of the District as of June 30, 2022, for the measurement date June 30, 2021 were as follows:

Total OPEB liability	\$ 1,802,927
Less: Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 1,802,927</u>

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

The discount rate used for accounting purposes for the fiscal year end 2022 is 1.92%. Healthcare Cost Trend Rate was assumed to start at 5.80% (increase effective January 1, 2021) and grade down to 4.00% for years 2076 and later. 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, 2022**

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

G. 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% 0.92%</u>	<u>Current Discount Rate 1.92%</u>	<u>Discount Rate+1% 2.92%</u>
Net OPEB liability (assets)	\$ 2,076,488	\$ 1,802,927	\$ 1,582,557
Increase (Decrease)	\$ 273,561	\$ -	\$ (220,370)
% Increase (Decrease)	15.20%	-	(12.20)%

<u>Change in Healthcare cost trend rate</u>	<u>Current Trend - 1%</u>	<u>Current Trend</u>	<u>Current Trend + 1%</u>
Net OPEB liability (assets)	\$ 1,601,250	\$ 1,802,927	\$ 2,047,063
Increase (Decrease)	\$ (201,677)	\$ -	\$ 244,136
% Increase (Decrease)	(11.20)%	-	13.50%

H. 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. The first amortized amounts are 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.

I. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The District's OPEB (income) expenses for the year ended June 30, 2022 was \$83,824. The table below shows deferred resources as of the fiscal year ended June 30, 2022:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contribution made subsequent to the measurement date	\$ 80,308	\$ -
Total	<u>\$ 80,308</u>	<u>\$ -</u>

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

I. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - Cont'd

An amount of \$80,308 was reported as deferred outflows of resources related to estimated contributions subsequent to the June 30, 2021; measurement date, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2023 the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SARATOGA FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows)				
Property taxes	\$ 9,016,000	\$ 9,016,000	\$ 9,523,607	\$ 507,607
Use of money and property	<u>40,000</u>	<u>40,000</u>	<u>38,727</u>	<u>(1,273)</u>
Total amounts available for appropriation	<u>9,056,000</u>	<u>9,056,000</u>	<u>9,562,334</u>	<u>506,334</u>
Charges to appropriations (outflows)				
Current:				
Public protection:				
Salaries and employee benefits	250,000	250,000	175,723	74,277
Services and supplies	8,309,400	8,309,400	8,669,470	(360,070)
Capital outlay	75,000	75,000	841	74,159
Lease/Purchase fund	200,000	200,000	-	200,000
Debt service:				
Principal	111,350	111,350	111,413	(63)
Interest	<u>56,463</u>	<u>56,463</u>	<u>53,105</u>	<u>3,358</u>
Total charges to appropriations (outflows)	<u>\$ 9,002,213</u>	<u>\$ 9,002,213</u>	<u>\$ 9,010,552</u>	<u>\$ (8,339)</u>

See the accompanying notes to the required supplementary information.

SARATOGA FIRE PROTECTION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR LAST TEN FISCAL YEARS*

<u>Fiscal year ended</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	41,488	50,831	51,985	58,603	53,467
Change of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	(126,075)	-	(229,655)	-
Changes of assumptions	122,644	459,914	-	45,657	(149,865)
Benefit payments	<u>(109,147)</u>	<u>(81,771)</u>	<u>(85,961)</u>	<u>(83,480)</u>	<u>(93,544)</u>
Net change in total OPEB liability	54,985	302,899	(33,976)	(208,875)	(189,942)
Total OPEB liability, beginning	<u>1,747,942</u>	<u>1,445,043</u>	<u>1,479,019</u>	<u>1,687,894</u>	<u>1,877,836</u>
Total OPEB liability, ending	<u>1,802,927</u>	<u>1,747,942</u>	<u>1,445,043</u>	<u>1,479,019</u>	<u>1,687,894</u>
Plan fiduciary net position					
Contribution - employer	109,147	81,771	85,961	83,480	93,544
Net investment income	<u>(109,147)</u>	<u>(81,771)</u>	<u>(85,961)</u>	<u>(83,480)</u>	<u>(93,544)</u>
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-	-
Plan fiduciary net position, ending	-	-	-	-	-
Net OPEB liability, ending	<u>\$ 1,802,927</u>	<u>\$ 1,747,942</u>	<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 five years are shown.

See the accompanying notes to the required supplementary information.

**SARATOGA FIRE PROTECTION DISTRICT
SCHEDULE OF PLAN CONTRIBUTION - OPEB
FOR LAST TEN FISCAL YEARS***

<u>Fiscal year ended</u>	<u>June 30, 2022</u>	<u>June 30, 2021</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)	67,748	83,447	81,771	85,961	83,480
Implicit contributions	<u>12,560</u>	<u>25,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total employer contributions	<u>\$ 80,308</u>	<u>\$ 109,147</u>	<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, 2020
Actuarial cost method	Entry Age Normal level % of Pay
Inflation	2.50% per year
Healthcare cost trend rates	5.8% effective January 2021 fluctuating down to 4.0% by 2076
Salary increases	Not applicable; retirees only
Discount rate	1.92% as of June 30, 2021
Retirement age	Not applicable; retirees only
Mortality	2017 CalPERS Experience Study
Mortality improvement	MW Scale 2020 generationally

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

See the accompanying notes to the required supplementary information.

**SARATOGA FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 - 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	\$ 9,562,334
Differences - budget to GAAP	_____ -
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	<u><u>\$ 9,562,334</u></u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,010,552
Differences - budget to GAAP	_____ -
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	<u><u>\$ 9,010,552</u></u>
	Concluded

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, expenditures exceeded appropriations in the General Fund by \$360,070 in services and supplies. This was largely caused by an increase in the cost of fire protection services. Fire protection costs are based on property taxes received and taxes received were greater than budgeted.

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, 2022, 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 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harshmal & Company LLP

San Diego, California
January 19, 2023

**SARATOGA FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

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

**SARATOGA FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II - FINANCIAL STATEMENTS FINDINGS

There are no findings in the current year to report.

**SARATOGA FIRE PROTECTION DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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