

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**  
**A COMPONENT UNIT OF THE COUNTY OF SANTA CLARA**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2017**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**LOS ALTOS HILLS COUNTY FIRE DISTRICT  
YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the General fund of the Los Altos Hills County Fire District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General fund of the Los Altos Hills County Fire District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017, on our consideration of the Los Altos Hills County Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Altos Hills County Fire District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California  
September 15, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

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

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$15,108,936 (net position) for the fiscal year reported. Of this amount, \$2,253,637 is net investment in capital assets, and \$12,855,299 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors. The District had no deferred outflows or inflows of resources at year end.
- The District's total net position increased by \$1,615,029 during the fiscal year.
- As of June 30, 2017, the District's general funds reported an ending fund balances of \$12,855,299. Approximately 68% of this total amount, \$8,755,299 is unassigned fund balance available for spending at the District's discretion. The other \$4,100,000 (32%) was committed for various purposes.
- At the end of the fiscal year, unassigned fund balance for the general fund was 98% of total general fund expenditures.
- Under the Purissima Hills Fire Hydrant Replacement Project, 84 hydrants were replaced or serviced during fiscal year 2016-2017 at an average cost of approximately \$10,000 (cost varies according to specific needs of each hydrant/location that are often not visible prior to excavation). The program was originally scheduled to be completed during fiscal year 2016-2017, but the final phase of construction had a late start due to inclement winter weather, and will now be completed in the early part of fiscal year 2017-2018.
- During fiscal year 2016-2017, 907 trees were removed or pruned under the Tree Removal and Pruning Program. This program has proven to be both effective in fuel load reduction as well as popular with the constituents. Spending on this program is entirely discretionary by the Board and spending can be increased or decreased quickly based on budgetary constraints. Tree spending decreased this year due to a new contract process in which contractors competitively bid to remove/prune all trees in a specific area. Establishing this new process initially caused some delay in tree removal, however its use has resulted in substantial cost savings.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

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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.

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

### Fund Financial Statements

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

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

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

The District maintains only one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The District does not have any proprietary or fiduciary funds.

### Notes to the Basic Financial Statements

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

### Required Supplementary Information

The required supplementary information is presented concerning the District's General Fund budgetary comparison schedule. The District adopts 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.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,108,936 at the close of the most recent fiscal year.

#### Net Position

	Governmental Activities			
	2017	2016	\$ Change	Variance (%)
Assets:				
Current assets	\$ 13,143,124	\$ 11,499,934	\$ 1,643,190	14%
Capital assets	<u>2,253,637</u>	<u>2,329,342</u>	<u>(75,705)</u>	-3%
Total assets	<u>15,396,761</u>	<u>13,829,276</u>	<u>1,567,485</u>	11%
Liabilities:				
Current	<u>287,825</u>	<u>335,369</u>	<u>47,544</u>	14%
Total liabilities	<u>287,825</u>	<u>335,369</u>	<u>47,544</u>	14%
Net position:				
Net invested in capital assets	2,253,637	2,329,342	(75,705)	-3%
Unrestricted	<u>12,855,299</u>	<u>11,164,565</u>	<u>1,690,734</u>	15%
Total net position	<u>\$ 15,108,936</u>	<u>\$ 13,493,907</u>	<u>\$ 1,615,029</u>	12%

### Analysis of Net Position

The largest portion of the District's net position (85%) reflects amounts not restricted for any project or any other purpose. The other 15% of net position represent its net investment in capital assets (e.g. land, improvements, fire hydrants, furniture and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At the close of the most recent fiscal year, there was no debt outstanding related to acquisition of capital assets.

At the end of the current fiscal year, the District reported positive balances in both categories of net position. The District's net position increased by \$1,615,029 during the current fiscal year, compared to the \$402,675 decrease in 2016.



**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The following table indicates the changes in net position for governmental activities:

	Changes in Net Position			
	Governmental Activities			
	2017	2016	\$ Change	Variance (%)
Revenues:				
General revenues:				
Property taxes	\$ 10,406,581	\$ 9,752,108	\$ 654,473	7%
Intergovernmental: State	45,222	46,557	(1,335)	-3%
Interest and investment income	99,372	71,771	27,601	38%
Property rental	11,000	5,500	5,500	100%
Other revenue	535	-	535	100%
Total revenues	<u>10,562,710</u>	<u>9,875,936</u>	<u>686,774</u>	7%
Expenses:				
Public protection	<u>8,947,681</u>	<u>10,278,611</u>	<u>1,330,930</u>	13%
Change in net position	1,615,029	(402,675)	2,017,704	501%
Net position, beginning of year	<u>13,493,907</u>	<u>13,896,582</u>	<u>(402,675)</u>	-3%
Net position, end of year	<u>\$ 15,108,936</u>	<u>\$ 13,493,907</u>	<u>\$ 1,615,029</u>	12%

**Analysis of Changes in Net Position**

Key elements of the \$2,017,704 increase in the change in net position in the current year to the change in net position in the prior year are as follows:

- Total expenses decreased by \$1,330,930 mostly due to less spending on Tree Removal and Pruning Program due to fewer trees and cost savings from the new competitive bidding process, and the completion of the Page Mill Tank Seismic Retrofit Program in fiscal year 2015-2016.
- Property taxes increased by \$654,473 because of the annual inflation factor, not to exceed 2%, catch up in temporary valuation reductions caused by the recession and both increased sales activity of existing single-family homes as well as an increase in the median sales price of those homes.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

### 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 Fund

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

At June 30, 2017, the District's governmental fund reported an ending fund balance of \$12,855,299, an increase of \$1,690,734 in comparison with the prior year. Approximately 68% of the ending fund balance, \$8,755,299, constitutes unassigned fund balance, which is available to meet the District's current and future needs. The remaining \$4,100,000 (32%) of the fund balance has been committed for insurance, emergency operations and general operations in periods where minimal property tax revenue is forthcoming.

Revenues for governmental functions totaled \$10,562,710 in fiscal year 2016-2017, which represents an increase of 7% from fiscal year ended 2015-2016. Expenditures for governmental functions, which totaled \$8,871,976, decreased by approximately 13% from the fiscal year 2015-2016. In the fiscal year 2016-2017, revenues exceeded expenses for governmental functions by \$1,690,734.

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

Revenues Classified by Source  
Governmental Fund

Revenues by Source	2017		2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Property taxes	\$ 10,406,581	99%	\$ 9,752,108	99%	\$654,473	7%
Intergovernmental: State	45,222	0%	46,557	0%	(1,335)	-3%
Interest and investment income	99,372	1%	71,771	1%	27,601	38%
Property rental	11,000	0%	5,500	0%	5,500	100%
Other revenue	535	0%	-	0%	535	0%
<b>Total</b>	<b>\$10,562,710</b>	<b>100%</b>	<b>\$9,875,936</b>	<b>100%</b>	<b>\$686,774</b>	<b>7%</b>

Property taxes, the main District revenue, increased by about 7% because of the annual inflation factor, not to exceed 2%, catch up in temporary valuation reductions caused by the recession and both increased sales activity of existing single family homes as well as an increase in the median sales price of those homes.

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues were more than budgetary estimates by \$512,710. Property tax was more than budgetary estimate by \$451,681. Intergovernmental revenues had a negative variance of \$778. Interest and investment income reflected a positive variance of \$54,372, property rental had positive a variance of \$8,000, and other income showed a negative variance of \$565. Expenditures were less than budgetary estimates by \$1,452,025. There was a positive variance in capital outlay of \$703,801 and services and supplies of \$748,224. The positive variances are mostly attributable to construction costs on the Purissima Hills Fire Hydrant Replacement Project coming in substantially below the engineer’s estimate, a delay in starting the eighth phase of the hydrant project, the new bidding process for the Tree Removal and Pruning Program, a conservative budgeting philosophy, as well as larger than expected increase in property values.

**CAPITAL ASSETS**

The District's net investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$2,253,637 (net of accumulated depreciation). This investment in capital assets includes land, improvements, fire hydrants, furniture and equipment.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

	Governmental Activities			Increase/(decrease)
	2017	2016	\$ Change	% of change
Land	\$ 4,688	\$ 4,688	\$ -	0%
Improvements	2,552,838	2,552,838	-	0%
Fire hydrants	1,078,745	1,078,745	-	0%
Furniture and equipment	63,118	63,118	-	0%
Less: Accumulated depreciation	<u>(1,445,752)</u>	<u>(1,370,047)</u>	<u>(75,705)</u>	-6%
Total	<u>\$ 2,253,637</u>	<u>\$ 2,329,342</u>	<u>\$ (75,705)</u>	-3%

See Note 5 for additional information on capital assets.

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

The District’s strong fund balance has enabled it to undertake costly but essential fire prevention projects, such as reducing the fuel load and expanding the water supply for fire suppression through extension of the network of larger water mains, and the upgrading of water tanks and hydrants. For the Purissima Hills Fire Hydrant Replacement Project, \$1,301,771 has been spent on hydrant upgrades and water mainlines for the period 2016-2017, while \$470,000 has been estimated for the final year of the program in 2017-2018. For the Tree Removal and Pruning Program, \$1,087,389 was expended in 2016-2017, while \$1,000,000 was estimated for 2017-2018.

# **LOS ALTOS HILLS COUNTY FIRE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017**

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For 2017-2018, the District will work with the Purissima Hills Water District and the California Water Service to improve water flow within the community in order to meet fire-flow standards. The Fire Service Water Flow Improvement Program has been budgeted at \$1,500,000 for the fiscal year 2017-2018 to cover planning, engineering and preliminary costs, with the project expected to span multiple years.

As for future funding and increased services, it is projected that tax revenues will continue to rise as a result of inflation, replacement of older ranch homes with larger structures, and increasing valuations. Revenues have been budgeted at \$10,905,760, a 3.2% increase for 2017-2018, however, the budget was prepared prior to the 7% increase in 2016-2017 being known and is therefore expected to be higher. Expenses are expected to increase 12.7% to \$10,002,522 primarily due to the Fire Service Water Flow Improvement Program which will begin in fiscal year 2017-2018. All of these factors were considered in preparing the District's budget for fiscal year 2017.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Los Altos Hills County Fire District, P.O. Box 1766, Los Altos, CA 94023-1766.

**BASIC FINANCIAL STATEMENTS**

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

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Assets	
Cash and investments	\$ 13,127,770
Interest receivable	15,354
Capital assets	
Land	4,688
Building improvements	2,552,838
Fire hydrants	1,078,745
Furniture and equipment	63,118
Accumulated depreciation	(1,445,752)
Total Assets	<u>15,396,761</u>
Liabilities	
Accounts payable	<u>287,825</u>
Total Liabilities	<u>287,825</u>
Net Position	
Net investment in capital assets	2,253,637
Unrestricted	<u>12,855,299</u>
Total Net Position	<u>\$ 15,108,936</u>

See accompanying notes to financial statements.

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities		
Public protection	\$ 8,947,681	\$ 8,947,681
Total Governmental Activities	<u>\$ 8,947,681</u>	<u>8,947,681</u>
General Revenues		
Taxes		
Property taxes		10,406,581
Intergovernmental: State		45,222
Interest and investment income		99,372
Property rental		11,000
Other revenues		<u>535</u>
Total General Revenues		<u>10,562,710</u>
Change in Net Position		1,615,029
Net Position, Beginning of Year		<u>13,493,907</u>
Net Position, End of Year		<u>\$ 15,108,936</u>

See accompanying notes to financial statements.

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2017**

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	<u>General Fund</u>
Assets	
Cash and investments	\$ 13,127,770
Interest receivable	15,354
Total Assets	<u>\$ 13,143,124</u>
Liabilities	
Accounts payable and accrued liabilities	287,825
Total Liabilities	<u>287,825</u>
Fund Balances	
Committed	
Insurance	100,000
Operations	2,000,000
Emergency operations	2,000,000
Unassigned	8,755,299
Total Fund Balance	<u>12,855,299</u>
Total Liabilities and Fund Balance	<u>\$ 13,143,124</u>

See accompanying notes to financial statements.



# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

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Fund Balance - Total Governmental Fund \$ 12,855,299

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

Capital assets used in governmental activities are capitalized  
and depreciated over their useful lives in the government wide  
statements, but recorded as an expenditure in the governmental funds.

2,253,637

Net Position of Governmental Activities

\$ 15,108,936

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2017**

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	<u>General Fund</u>
Revenues	
Property taxes	\$ 10,406,581
Intergovernmental: State	45,222
Interest and investment income	99,372
Property rental	11,000
Other revenues	<u>535</u>
Total Revenues	<u>10,562,710</u>
Expenditures - Public Protection	
Services and supplies	7,570,205
Capital outlay	<u>1,301,771</u>
Total Expenditures	<u>8,871,976</u>
Net Change in Fund Balance	1,690,734
Fund Balance, Beginning of Year	<u>11,164,565</u>
Fund Balance, End of Year	<u><u>\$ 12,855,299</u></u>

See accompanying notes to financial statements.

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

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Net Change in Fund Balance - Total Governmental Fund \$ 1,690,734

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation (75,705)

Change in Net position of Governmental Activities \$ 1,615,029

**NOTES TO THE FINANCIAL STATEMENTS**

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 1 - GENERAL INFORMATION

#### A. Organization

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

The District has augmented fire protection to its residents in the past by purchasing the following:

1. Weather station for use by the Santa Clara County Central Fire Protection District ("Central Fire District") for monitoring weather during high fire hazard days
2. Specialized fire apparatus for use in the high hazard brush and grass fire areas
3. New rescue apparatus unit for Central Fire District prior to its life expectancy expiration
4. Specialized rescue tools
5. State-of-the-art fire hydrant and water main testing equipment
6. Specialized medical equipment
7. Two CERT Trailers (CFPD has the titles) and 1 ARK Storage Container
8. Edgerton Road and Deer Springs Way Fire Road Pavement Rehabilitation
9. Neary Tank Upgrade Project
10. Page Mill Tank Upgrade Project

The District also conducts the following programs for its residents:

1. Replacement of undersized water mains and installation of new water mains and fire hydrants as needed
2. A brush chipping program is offered free of charge twice a year to all residents living in the District
3. Additional staffing (firefighters) during summer fire season
4. A garden debris drop-off program is funded by the District and operated by the garbage company, which allows residents to drop-off garden debris and other combustible plant materials once a month at a central drop-off area free of charge
5. Funding of a fuel reduction/fire break program at the Byrne Preserve through the use of goats
6. The annual mailing of fire prevention and emergency preparedness information to all District residents
7. An emergency preparedness coordinator at a half time position
8. Tree Pruning and Removal Program to reduce fire hazard

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 1 - GENERAL INFORMATION (Continued)

#### B. District Officials

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

The District is considered a component unit of the County and the District's financial statements are blended into the County's financial statements. The Commission is composed of the following as of June 30, 2017:

	Term Expires Dec. 31
George Tyson, President	2018
Melvin Vaughn, Vice-President	2018
Janice Carr	2020
Mark Warren	2020
Roger Spreen	2019
Duffy Price	2020
Gary Waldeck	2017

#### C. Accounts and Records

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

#### D. Budgetary Procedures

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

The annual budget is prepared, adopted and then submitted by the Commission to the County Board of Supervisors for final approval. Once the budget is approved, it can be amended at the Function and Fund level only by the approval of a majority of the Commission. 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. Finally, all amendments are subsequently submitted to the County Board of Supervisors. All budget appropriations lapse at year-end. Encumbrance accounting is not used.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 1 - GENERAL INFORMATION (Continued)

#### **E. Appropriations Limit**

The County Board of Supervisors computes the appropriations limit for special districts that are governed by them. The County's auditors review these annual calculations.

### NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **A. Basis of Presentation**

##### *Government-wide Financial Statements*

The statement of net position and statement of activities display information about the District. These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

##### *Fund Financial Statements*

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

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Governmental Fund

The District reports one major governmental fund:

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

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

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

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

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. The residual amount is classified as net position.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange 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 property taxes is recognized in the fiscal year for which the taxes are levied.

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



# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### C. Property Tax Levy, Collection, and Maximum Rate

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

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

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

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

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unimproved Parcels - \$15 per 5 acres or fraction thereof, with a maximum of \$60.  
Improved Residential Parcels - \$50.  
Improved Commercial Parcels - \$75.

#### D. Capital Assets

In the government-wide financial statements, capital assets (fixed assets) are those purchased or acquired with an original cost of \$5,000 or more and are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated 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 type of asset are as follows:

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

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

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

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Equity Classifications

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

- *Net Investment In Capital Assets* — This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted* — This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* — This category represents net position of the District, not restricted for any project or other purpose.

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

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form—such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- *Restricted Fund Balance* – constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the District's Board or (b) a body (e.g., a budget or finance committee) or official to which the District's Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.
- *Unassigned Fund Balance* – the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

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

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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**NOTE 2. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Estimates**

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

**G. Subsequent Events**

Management has evaluated the subsequent events through September 15, 2017.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 3. - CASH AND INVESTMENTS

Available cash balances of the District are invested in the Santa Clara County Treasury Pool ("Pool") for the purpose of increasing earnings through investment activities. The County's commingled pool consist of cash in bank, U.S. government and agency securities, corporate bonds, negotiable certificates of deposit, commercial paper, and deposits in the State's Local Agency Investment Fund. The County's pooled deposits and investments are regulated by California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee and the Board. The pooled investments' fair value is based on quoted market prices. The County allocates interest to the District based on the District's average daily cash balance relative to the entire Pool. The value of the participants' pool shares that may be withdrawn is determined on an amortized basis, which is different than the fair value of the participants' positions in the pool. In addition, the County's investment pool is not rated by any of the credit rating agencies. Additional information regarding the County's investment policy and cash and investments, including interest rate risk, credit risk, custodial credit risk categories, and maturities of the different categories of investments, can be found in the County's notes to the basic financial statements.

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
County Treasury Pool	\$ 13,127,220	\$ 13,127,220
Petty Cash	<u>500</u>	<u>500</u>
Total cash and investments	<u>\$ 13,127,720</u>	<u>\$ 13,127,720</u>

Governmental Accounting Standards Board (GASB), Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, establishes accounting and financial reporting standards for all investments held by governmental external investment pools. The statement requires governmental entities to report investments at fair value.

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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**NOTE 4. - FAIR VALUE MEASUREMENTS**

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value/ Uncategorized</u>
County Pool	<u>\$ 13,127,220</u>

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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**NOTE 5. - CAPITAL ASSETS**

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

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Governmental Activities:				
Land	\$ 4,688	\$ -	\$ -	\$ 4,688
Improvements	2,552,838	-	-	2,552,838
Fire hydrants	1,078,745	-	-	1,078,745
Furniture & equipment	<u>63,118</u>	<u>-</u>	<u>-</u>	<u>63,118</u>
Total cost	3,699,389	-	-	3,699,389
Accumulated depreciation	<u>(1,370,047)</u>	<u>(75,705)</u>	<u>-</u>	<u>(1,445,752)</u>
Total Capital Assets, Net	<u>\$ 2,329,342</u>	<u>\$ (75,705)</u>	<u>\$ -</u>	<u>\$ 2,253,637</u>

Capital project expenditures for the year ended June 30, 2017 amounted to \$1,301,771. The amount represents engineering and construction costs for upgrading hydrants, for which the ongoing maintenance and operations are the responsibility of Purissima Hills Water District and as such are not required under current accounting standards to be capitalized.

For the year ended June 30, 2017, depreciation expense charged to public protection under governmental activities was \$75,705.

**NOTE 6. - LEASE - FOOTHILL COMMUNITY COLLEGE**

The District leases the land for the newly constructed fire station situated on the Foothill Community College Campus, under the terms of a 99-year lease, at a rental of \$1 per year (prepaid), expiring February 2092.

**NOTE 7. - CONTRACT FIRE PROTECTION SERVICES**

**Santa Clara County Central Fire Protection District ("Central Fire District")**

Central Fire District has provided contract fire protection and EMS services to the City of Los Altos (the "City") and the District since January 1997. In December 2016, Central Fire District, the City and the District entered into a new agreement for these services, with the District entering into three additional agreements providing for Battalion Chief, CERT Program Coordinator and additional Fire Season Staffing services.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 7. - CONTRACT FIRE PROTECTION SERVICES (Continued)

**Term:** The term of the agreement is for ten years from January 1, 2017 until December 31, 2026. The agreement will automatically renew for additional ten-year periods unless canceled one year in advance of termination. After December 30, 2021, any Party may terminate the agreement with one-year notice.

**Real Property and Equipment:** The Central Fire District is authorized to occupy and use the City's and the District's real property at no cost, and is responsible for maintaining and repairing the property should it be destroyed or damaged beyond repair, or otherwise rendered temporarily unusable. Until the destroyed or damaged portions are fully and permanently rebuilt or replaced, Central Fire District shall provide reasonable temporary facilities. The City and District shall remain responsible for the maintenance, repairs and/or replacement of fuel tanks at their respective stations. Title to any improvements and fixtures shall vest in the City and the District. In the event of termination of this agreement, Central Fire District will be reimbursed for any mutually agreed upon improvements, less depreciation over the reasonable useful life of the improvement or fixture. The City transferred title to its equipment and rolling stock to Central Fire District. Upon termination of the agreement, the City and the District shall have the option of repurchasing any and all equipment previously sold to Central Fire District. If Central Fire District no longer owns that same equipment, City and the District shall have the option of purchasing comparable or replacement equipment from Central Fire District. In both events, the price will be the sales price, plus the value of any upgrades or additional features, less any depreciation value. The Central Fire District will be responsible for providing and replacing new equipment at no cost to the City and the District.

Upon termination of the agreement, the City and the District shall have the option of purchasing comparable or replacement equipment from Central Fire District. In both events, the price will be the sales price, plus the value of any upgrades or additional features, less any depreciation value. The Central Fire District will be responsible for providing and replacing new equipment at no cost to the City and the District.

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

Each calendar year commencing on January 1, 2017, and each January thereafter the District shall owe to County Fire the annual operating costs calculated from a December 2016 base amount of \$4,250,813, plus an increase to be determined as follows:

- A. The parties agree that annual increases in compensation to the Central Fire District for fire and emergency medical services costs shall be limited to the "weighted average" of the percent growth of the following three indices:
  - (1) 50% Consumer Price Index defined as the second most prior February to the February immediately prior to the January being considered for increase, San Francisco-Oakland-San Jose, All Urban, All Items Consumer Price Index,
  - (2) 25% Assessed Valuation defined as the total Local Secured Values for the total parcels in the District as reported by the County of Santa Clara Controller's Office each July; and
  - (3) 25% COLA following a calculation formula – the average annual cost of living increase in total compensation provided to firefighters of the Central Fire District.



**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

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**NOTE 7. - CONTRACT FIRE PROTECTION SERVICES (Continued)**

B. If any index referenced in this Section has a negative growth, the value of that index (indices) will be zero for the purposes of computing the weighted average for that calendar year. If all three indices have negative growth, the percent increase will be zero. At no time will the annual base amount be reduced as a result of the formula described in this Section.

C. The annual weighted average increase shall not be less than 2% or greater than 5% in the base rate.

The District has also entered into contracts with Central Fire District for a CERT Program Coordinator, at an annual base amount of \$70,992 plus the adjustment as described in Part A above; a Battalion Chief, at an annual base amount of \$1,103,355 (less a credit of 1/15th of the adjusted base amount) plus the adjustment as described in Part A above; additional fire-season staffing at a rate of 1.5 times top step for Captain and each Firefighter/Engineer; and, beginning in July 2017, the use of a Wildland Interface Engine at the published OES rate for each day the engine is in service. Termination provisions are 60 days in the CERT Program Coordinator Agreement, and 180 days in the Fire Season Staffing Agreement. The Battalion Chief Agreement has the same term as Fire Protection Services described on Page 30.

Actual amounts paid by the District were as follows:

For the fiscal year ended June 30,	
2017	\$5,739,722
2016	5,652,869
2015	5,429,903
2014	5,312,413
2013	5,107,403

In addition to the above services, the District will purchase, on occasion, emergency equipment with titles typically reverting to Santa Clara County Fire Department.

**NOTE 8. - OTHER CONTRACTED SERVICES**

**A. Consulting Services**

Stuart Farwell has been a Fire Consultant to the District since July 1997. His latest agreement was approved on March 18, 2014. Mr. Farwell assists with all of the water main and hydrant projects in the District as well as overseeing the brush chipping program and other programs as directed by the Board.

Jeanne Evilsizer has been the District Clerk since January 1981. The latest consulting agreement with the District was entered into on March 21, 2017. Her services include preparing the monthly packets, preparing the monthly invoices and taking the minutes of the monthly meetings. She also performs various other clerical duties.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### NOTE 8. - OTHER CONTRACTED SERVICES (Continued)

Cori Vargas is the District's Financial Consultant with the firm Vargas Company in San Jose.

Dan Siegel is the District's Legal Counsel with the firm Jorgenson, Siegel, McClure and Flegel in Menlo Park.

#### **B. S.P. McClenahan, Co. Inc.**

The District contracts with S.P. McClenahan Co., Inc. for on-site "chipping" and tree removal services for District residents. The District's total costs for this vendor in fiscal year 2016-2017 amounted to about \$1,252,181.

#### **C. Stoloski & Gonzalez, Inc.**

The District contracts with Stoloski & Gonzalez, Inc. for construction on Phase 8 of the Purissima Hills Fire Hydrant Replacement Project. The District's total costs for this vendor in fiscal year 2016-2017 amounted to about \$1,035,205.

#### **D. Pakpour Consulting Group, Inc.**

The District contracts with Pakpour Consulting Group, Inc. for engineering and construction management of the Hydrant Replacement Project, and RFP coordination for the Tree Removal and Pruning Program. The District's total costs for this vendor in fiscal year 2016-2017 amounted to about \$319,297.

#### **E. Kevin Kielty Arborist Services**

Kevin Kielty Arborist Services is contracted provide a count and analyzation of the District's trees in preparation of the RFP process for the Tree Removal and Pruning Program. The District's total costs for this vendor in fiscal year 2016-2017 amounted to \$58,250.

#### **D. Green Waste Recovery**

In October 2008, the District began using the services of Green Waste Recovery for the Yard Waste Program at Foothill College. This free program allows residents to reduce fuel loads on their property and dispose of the cuttings monthly at Foothill College. The District's costs for year 2016-2017 amounted to about \$37,332, which was paid to the Town of Los Altos Hills.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LOS ALTOS HILLS COUNTY FIRE DISTRICT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive/(Negative)
Budgetary Fund Balances, Beginning of Year	\$ 11,217,240	\$ 11,217,240	\$ 11,164,565	\$ (52,675)
Resources (Inflows)				
Property taxes	9,954,900	9,954,900	10,406,581	451,681
Intergovernmental: State	46,000	46,000	45,222	(778)
Interest and investment income	45,000	45,000	99,372	54,372
Property rental	3,000	3,000	11,000	8,000
Other revenues	1,100	1,100	535	(565)
Amounts Available for Appropriation	<u>10,050,000</u>	<u>10,050,000</u>	<u>10,562,710</u>	<u>512,710</u>
Charges to Appropriations (Outflows)				
Public Protection				
Services and supplies	8,318,431	8,318,431	7,570,205	748,226
Capital outlay	2,005,570	2,005,570	1,301,771	703,799
Total Charges to Appropriations	<u>10,324,001</u>	<u>10,324,001</u>	<u>8,871,976</u>	<u>1,452,025</u>
Budgetary Fund Balances, End of Year	<u>\$ 10,943,239</u>	<u>\$ 10,943,239</u>	<u>\$ 12,855,299</u>	<u>\$ 1,912,060</u>



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

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

We have audited, 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, the financial statements of the governmental activities and the General fund of the Los Altos Hills County Fire District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 15, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
September 15, 2017

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## SUMMARY OF AUDITORS' RESULTS YEAR ENDED JUNE 30, 2017

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### Section I – Summary of Auditors' Results

#### *Financial Statements*

Types of auditors' report issued	<u>Unmodified</u>
Internal Control over financial reporting	
• Material weakness identified?	<u>No</u>
• Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>
<i>Federal Awards</i>	<u>Not applicable</u>

### Section II – Financial Statement Findings

Our audit of the accompanying basic financial statements of the Los Altos Hills County Fire District, as of and for the year ended June 30, 2017, disclosed no findings or questioned costs.

Our report on the Los Altos Hills County Fire District's internal control over financial reporting and compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2017, disclosed no findings or questioned costs.

### Section III – Federal Award Findings and Questioned Costs

The Los Altos Hills County Fire District had no federal program as of and for the year ended June 30, 2017.

# LOS ALTOS HILLS COUNTY FIRE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2017

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### Section I - Financial Statement Findings

The audit of the basic financial statements of the Los Altos Hills County Fire District, as of and for the year ended June 30, 2016, disclosed no findings or questioned costs.

The report on the Los Altos Hills County Fire District's internal control over financial reporting and compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2016, disclosed no findings or questioned costs.

### Section II - Federal Award Findings and Questioned Costs

The Los Altos Hills County Fire District had no federal program as of and for the year ended June 30, 2016.