

**SANTA CLARA COUNTY CENTRAL  
FIRE PROTECTION DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**

**LOS GATOS, CALIFORNIA**



**Vargas and Company**

certified public accountants

**SANTA CLARA COUNTY CENTRAL FIRE  
PROTECTION DISTRICT**

**14700 Winchester Boulevard, Los Gatos, California 93032**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2012**

**Prepared by the Business Services Division**

**Fred Schulenburg  
Director of Business Services**

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Comprehensive Annual Financial Report**  
**June 30, 2012**

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# **INTRODUCTORY SECTION**



## FIRE DEPARTMENT SANTA CLARA COUNTY



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(408) 378-4010 • (408) 378-9342 (fax) • [www.sccfd.org](http://www.sccfd.org)

November 15, 2012

Board of Directors  
Santa Clara County Central Fire Protection District  
14700 Winchester Boulevard  
Los Gatos, CA 95032

Members of the Board:

We are pleased to present the SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. This is the first year the District has produced a CAFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vargas and Company, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT’S financial statements for the year ended June 30, 2012. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### District Profile

The Santa Clara County Central Fire Protection District is a full-service fire department that has evolved through fire consolidations and contracts. In 1947, two agencies, the Cottage Grove Fire District and the Oakmead Farms Fire District, were consolidated to form the Santa Clara County Central Fire Protection District (a.k.a. Santa Clara County Fire Department). This consolidation was the result of the California Division of Forestry (a.k.a. CAL FIRE) withdrawing from the valley floor when its contract with Santa Clara County was terminated in 1947.

In 1977, the Fire District contracted with four local cities to service portions of the District, known as “Zone 1”, that were not contiguous to the core District service area and could be better served by adjoining agencies. The City of San Jose provides fire services for a vast majority of the unincorporated areas in the eastern part of the County. Five fire stations and assigned personnel were

ultimately transferred to the City. The “Zone 2” designation remains as the intrinsic service area for the Fire District.

In 1987, the Fire Chief was appointed to serve in the position of County Fire Marshal and the District began providing fire marshal services to County facilities and unincorporated county areas. During the 1990’s the Fire District entered into contracts with the cities of Campbell, Morgan Hill, Los Altos and the Los Altos Hills County Fire District to provide fire and emergency medical services. The merger of the personnel, facilities and equipment into the Fire District made the Department the second-largest fire agency in Santa Clara County.

In 1997, for the 50-year service anniversary, the District adopted the also know as (a.k.a.) name of Santa Clara County Fire Department. The name was changed to more accurately reflect the area served and to avoid confusion between agencies with similar names in adjacent counties.

In 2008, following a three-year administrative management agreement, the Saratoga Fire District entered into a full-service fire, rescue, and emergency medical agreement with the Fire District.

Today the Santa Clara County Fire Department provides fire protection services to one of the most diverse areas in the state. Challenges range from high-rise buildings, downtown commercial areas, large retail malls and wildland-urban interface areas to industrial business centers, semi-conductor manufacturing with related hazardous materials and hi-tech systems. Services have evolved to include fire protection and education, hazardous materials response, rescue, and advanced life support.

Since 1947, the State Fire Protection District Law has been rewritten several times. The District’s authority is granted by the California Health and Safety Code, Div. 12, Part 2.7, and the Fire Protection District Law of 1987, also known as the Bergeson Fire District Law. The District is governed by the Santa Clara County Board of Supervisors sitting as the Board of Directors. As such, the District is classified as a *dependent* District. The Fire Chief is appointed by the Board of Supervisors, and is responsible for the proper administration of all affairs of the District.

The Fire Chief consults with city/town managers to assure local matters are addressed. The District takes great pride in the ability to be responsive to local issues and priorities. Fire codes and regulations are typically adopted at the local governmental level.

### Local Economy

The Fire District is situated in the heart of Silicon Valley, known for its significant concentration of high technology and electronics research, development and manufacturing. The area also supports a wide variety of retail, office and personnel services industries. Consistent with other local governments in the area, the Fire District has been impacted by the effects of the national economic downturn.

Because of the huge presence of technology companies in the region, unemployment figures rise and fall with the health of the tech sector. Unemployment for the region was 8.8% in June 2012, well above the national average, but an improvement over the 10.2% unemployment rate from June 2011. A recent study published by Joint Venture Silicon Valley found that jobs for highly educated workers are available. Average incomes are on the raise, fueled by hot competition for mobile, Internet, social media and cloud computing companies. Yet, the report also found that median incomes have fallen. As some workers make notably more money, middle class and lower income workers are making less.

This so-called “hollowing out” of the work force finds highly skilled, highly educated workers doing increasingly well in an increasingly specialized economy driven by knowledge work. But when technology companies grow, they no longer create the kind of medium-skilled, middle class jobs they did in the past, pricing many families out of the local housing market.

Services provided within the Fire Districts boundaries are funded almost exclusively from the District’s share of the one-percent ad-valorem property tax assessed under the provisions of State Proposition 13. Changes in property tax revenues historically tend to lag the local economy by one to two years. FY 2012 represented the third straight year in which the District’s property tax revenues have been essentially flat. Economic data compiled during FY 2012 seems to indicate that property tax growth may soon be returning to levels seen prior to the bursting of the “housing bubble” in 2009. The median sales price for existing homes was up 12.1% over the prior year in Santa Clara County and the number of commercial properties receiving temporary assessment reductions in Santa Clara County dropped by 13 percent and the associated dollar value dropped by 19.4% in 2012.

Median household incomes within the District are significantly higher than for the State as a whole. According to the 2009-2011 American Community Survey the District’s median household income is estimated in excess of \$120,000, the County’s was \$87,148 and the State’s was \$59,641.

#### Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 13.91 percent of total general fund revenues. This amount is within the 10 – 15 percent corridor that the District has set for budgetary and planning purposes. Unrestricted fund balance was negatively impacted in the current year due to the initial transfer of \$5.7 million into the District’s newly established OPEB trust account.

The Fire District continues to have long-term concerns over funding for rising pension and health care costs, as well as its unfunded OPEB obligation. In February 2012, the Fire District took the unprecedented step of taking Engine 2 out of service to help mitigate a projected \$2.5 million dollar operating deficit in FY 2012. By taking the engine out of service, the Fire District was able to reassign the displaced firefighters to fill vacant positions at other stations and reduce the Fire District’s overtime costs due to constant staffing requirements.

In July 2012, the Fire District was notified that it was successful in its application for a Staffing for Adequate Fire & Emergency Response (SAFER) grant. The grant will provide the Fire District with \$3.5 million in funding to hire and train 10 firefighters for a period of two years. At the completion of the fire training academy in December 2012, the Fire District will be able to staff Engine 2 and put it back into service. It is anticipated that through normal attrition, the Fire District will be able to retain these firefighters at the end of the grant period.

The Fire District will be able to further reduce its need for overtime staffing when it ends its service contract with the City of Morgan Hill at the end of December 2012. Existing personnel assigned to the City of Morgan Hill will be reassigned to vacant positions at other stations in the Fire District, reducing the Fire District’s dependency on overtime staffing to meet its minimum staffing levels.

The Fire District has identified the need to build new stations at two of its older facilities. Preliminary cost estimates indicate that it will cost between \$4 and \$5 million dollars to replace each station.



Construction plans have been deferred until adequate funding sources have been identified, including possible grant funding.

Relevant financial policies

The Santa Clara County Central Fire Protection District has informally adopted a set of financial policies, which are used to provide guidance and direction in dealing with budget and long-term financial planning issues. The Fire District has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal or in excess of appropriations). As a result of the economic downturn, however, estimated revenues were less than appropriations (\$80,617,800 v. \$82,315,075). In such cases, the policy allows for the appropriation of fund balance to close the gap. The amount necessary for this purpose in the original budget was \$3,301,875. However, thanks to the deferment of anticipated wage increases and measures taken during the year to control expenditures, the Fire District ultimately ran a one percent (1%) surplus and did not need to dip into fund balance to close the projected operating deficit. Unfortunately, without the help of the non-recurring revenues discussed below, the Fire District will need to dip into fund balance in FY 2013 to cover a projected \$1.7 million deficit. It is the goal of the Fire District to meet its funding obligations on a long-term basis without having to rely on the use of fund balance.

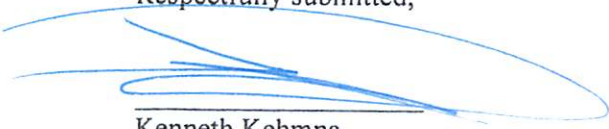
In addition, the Fire District has a policy that non-recurring (i.e., “one-time”) resource inflows will not be used for operating purposes. The Fire District anticipates two major inflows from one time money in the next fiscal year. The sale of the two fire stations in Morgan Hill is expected to bring in approximately \$2.9 million to the Fire District and the repayment of funds borrowed by the State of California under Proposition 1A is expected to bring in another \$4.2 million. It is the intent of the Fire District to set these funds aside to meet future temporary operating shortfalls and capital replacement and acquisition needs.

Awards and Acknowledgements

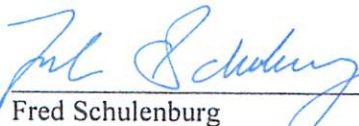
The Fire District believes that our current CAFR (our first) meets the Government Finance Officers Association of the United States and Canada (GFOA)’s requirements to receive a Certificate of Achievement in Financial Reporting award and we are submitting it to the GFOA to determine its eligibility.

The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the Business Services Division. We wish to thank all government agencies for their assistance in providing the data necessary to prepare this report. Credit is also due to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the Santa Clara County Central Fire Protection District.

Respectfully submitted,



Kenneth Kehmna,  
Fire Chief



Fred Schulenburg  
Director of Business Services



# SANTA CLARA COUNTY FIRE DEPARTMENT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### DIRECTORY OF OFFICIALS



### BOARD OF DIRECTORS

Mike Wasserman  
District 1

George Shirakawa, President  
District 2

Dave Cortese  
District 3

Ken Yeager  
District 4

Liz Kniss  
District 5

### PRINCIPAL STAFF

Kenneth R. Kehmna  
Fire Chief

Steven E. Staump  
Assistant Fire Chief

Dirk J. Mattern  
Deputy Chief

Donald F. Jarvis  
Deputy Chief

Stephen Prziborowski  
Deputy Chief

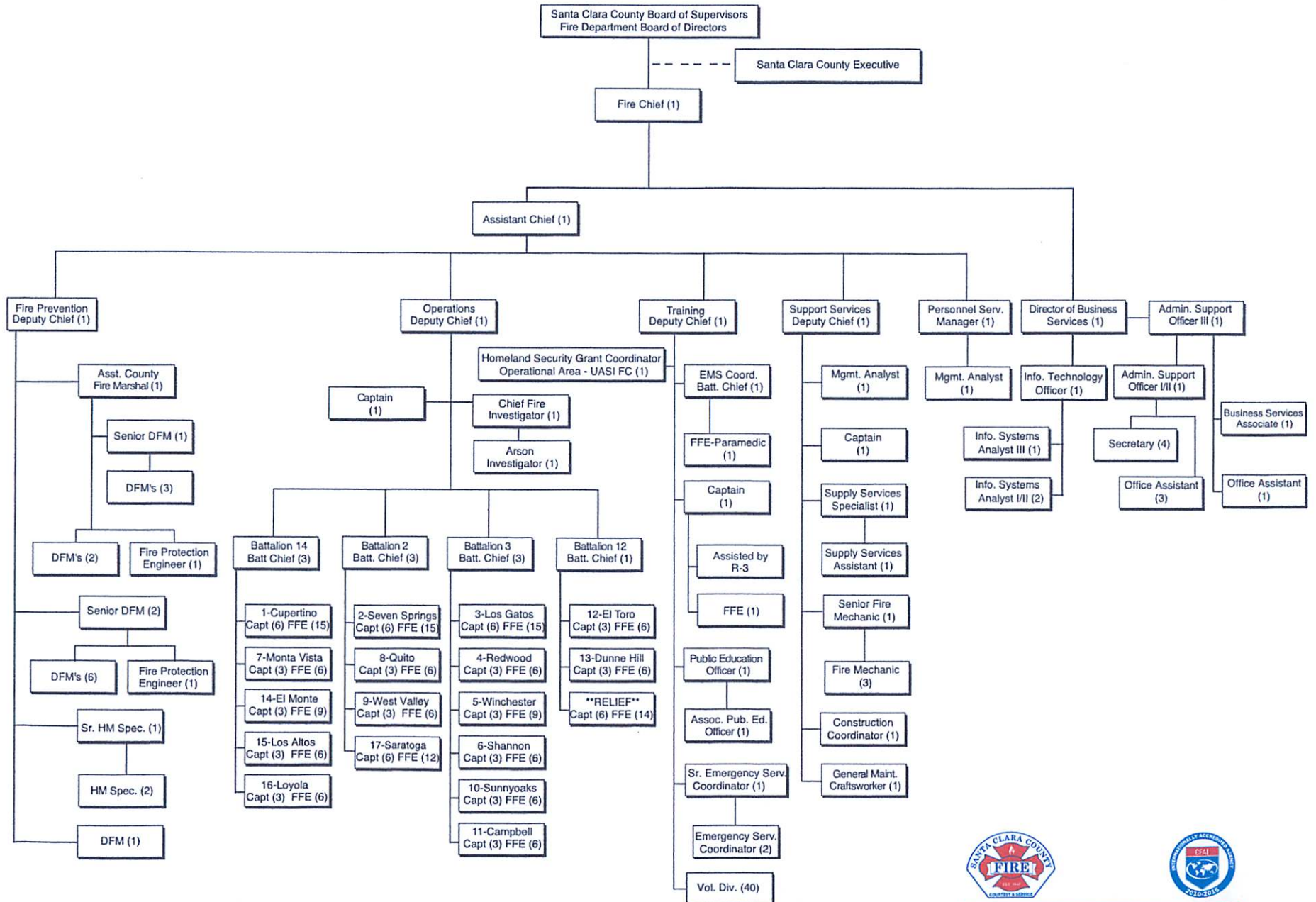
John Justice  
Deputy Chief

Fred Schulenburg  
Director of Business Services

Wilma J. Cadorna  
Personnel Services Manager

Julie M. Thomas  
Administrative Support Officer

# ORGANIZATION CHART



VIII



# **FINANCIAL SECTION**



# Vargas and Company

certified public accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Santa Clara County Central Fire Protection District  
Los Gatos, California

We have audited the accompanying financial statements of the governmental activities, major fund and the aggregate remaining fund information of the Santa Clara County Central Fire Protection District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and the aggregate remaining fund information of the Santa Clara County Central Fire Protection District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012, on our consideration of the Santa Clara County Central Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and schedule of funding progress, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Clara County Central Fire Protection District's financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
Vargas and Company  
San Jose, California  
August 23, 2012

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

This section of the Santa Clara County Central 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, 2012. 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 liabilities of the District exceeded assets at the close of the 2011-2012 fiscal year by \$230,025 (*net assets*). Of this amount, negative \$25,313,618 (*unrestricted net assets*) represents the District's current inability to meet its long-term obligation to fund the cost of its retiree medical program, and \$25,083,593 is invested in capital assets, net of related debt.
- The District's total net assets decreased by \$3,798,916 and compared to prior year's decrease on net assets of \$12.2 million, this year's activities has significantly improved due to a significant reduction in the annual required contribution (ARC) for the District's OPEB liability following the establishment of an irrevocable trust fund for OPEB assets.
- As of June 30, 2012, the District's governmental funds reported combined ending fund balances of \$11,416,143, a decrease of \$2,672,634 in comparison with the prior year. The majority of this amount, \$11.4 million, is available to meet the District's current and future needs (*unassigned fund balance*).
- In the current year, the District reported a decrease in the fund balance of \$2.7 million. Compared to last year's decrease in the fund balance of \$.4 million, the District's funds had declined due to the transfer of \$5.17 million to an irrevocable trust fund for OPEB assets.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$11,410,068 or 13% of total general fund expenditures.
- The District's total long-term debt decreased by \$390,866 in comparison with the prior year. The decrease is mainly related to the principal payments for the bonds payable and capital lease.

**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.



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**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 assets* presents information on all District assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the District that are principally supported by property taxes and assessments, and charges for services (*governmental activities*). The only governmental activity of the District is public protection. The District does not 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. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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 a governmental fund, the general fund. If there were other types of governmental funds, the information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining non-major governmental funds would be in a single presentation.

*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 a type of proprietary fund, the health benefit fund which is an internal service fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health benefit function. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The internal service fund is presented in the proprietary fund financial statements.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds. The District has a fiduciary fund, the workers compensation fund which is a trust 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.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Required Supplementary Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the District, liabilities exceeded assets by \$230,025 at the close of the current fiscal year.

Net Assets

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Assets:			
Current assets	\$15,335,042	\$19,995,133	(23%)
Other assets	4,181,405	4,181,405	- %
Capital assets, net	<u>27,090,892</u>	<u>28,624,657</u>	(5%)
Total assets	<u>46,607,339</u>	<u>52,801,195</u>	(12%)
Liabilities:			
Current liabilities	4,052,083	6,056,157	(33%)
Long-term liabilities	<u>42,785,281</u>	<u>43,176,147</u>	(1%)
Total liabilities	<u>46,837,364</u>	<u>49,232,304</u>	(5%)
Net assets:			
Invested in capital assets, net of related debt	25,083,593	26,132,793	(4%)
Unrestricted net assets	<u>(25,313,618)</u>	<u>(22,563,902)</u>	(12%)
Total net assets	<u>(\$230,025)</u>	<u>\$3,568,891</u>	(106%)

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Analysis of Net Assets**

The larger portion of the District's net assets, \$25,083,593, reflects its investment in capital assets (e.g. land, buildings, improvements, vehicles, machinery, equipment, and furnishings). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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 remaining balance of unrestricted net assets is a negative \$25,313,618, which means the District is not currently able to meet its long-term obligation to fund its retiree medical program.

At the end of the current fiscal year, the District reported a positive balance in one of the two categories of net assets.

Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$29,083,555	\$28,077,249	4%
General revenues:			
Property taxes and assessments	50,140,224	49,320,718	2%
Licenses and permits	529,158	510,417	4%
Intergovernmental revenues	1,313,012	1,247,935	5%
Interest and investment income	85,804	88,631	(3%)
Rental income	63,000	42,750	47%
Miscellaneous	<u>905,817</u>	<u>581,574</u>	56%
Total revenues	<u>82,120,570</u>	<u>79,869,274</u>	3%
Expenses:			
Public protection	85,873,114	91,984,514	(7%)
Interest on long-term debt	<u>46,372</u>	<u>63,088</u>	(26%)
Total expenses	<u>85,919,486</u>	<u>92,047,602</u>	(7%)
Change in net assets	(3,798,916)	(12,178,328)	69%
Net assets, beginning	<u>3,568,891</u>	<u>15,747,219</u>	
Net assets, ending	( <u>\$230,025</u> )	<u>\$3,568,891</u>	(106%)

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Analysis of Changes in Net Assets**

Governmental activities decreased the District's net assets by \$3,798,916 thereby accounting for 100% of the total decrease in net assets of the District. But in comparison to the prior year, this is an improvement in the District's activities. Key elements of this change are as follows:

- Property taxes increased \$819,506 or 2% due to moderate improvement in property values, particularly unsecured property.
- Intergovernmental revenues increased \$65,077 or 5% due to a higher level of reimbursements from federal anti-terrorism grants.
- Miscellaneous revenues increased \$324,243 or 56% due to higher premiums received for retiree dependent medical coverage.
- Public protection expense decreased \$6,111,400 or 7% due to a reduction in the annual required contribution for OPEB liabilities and lower overtime expenses related to staffing modifications.

While the key elements noted above account for the year-to-year changes in major revenue and expense categories, the main reason for the \$3.8 million decline in net assets is attributable to the transfer of \$5.17 million into an irrevocable trust to fund future OPEB obligations.

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

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

**Governmental Funds**

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

At June 30, 2012, the District's governmental funds reported an ending fund balance of \$11,416,143, a decrease of \$2,672,634 in comparison with the prior year. The Board committed \$6,075 of the fund balance for future OPEB expenditures so the remaining unassigned fund balance of \$11,410,068 is available to meet the District's current and future needs.

The general fund is the chief operating and only governmental 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 fund expenditures. The general fund's unassigned and total fund balance both represents 13% of general fund expenditures of \$84,804,987.

Revenues for governmental functions totaled \$82,098,731 in fiscal year 2011-2012, which represents an increase of \$2,240,787 or 3% from the previous fiscal year. Expenditures for governmental functions, totaling \$84,804,987, increased by \$3,973,313 or 5% from the previous fiscal year. In fiscal year 2011-2012, expenditures for governmental functions exceeded revenues by \$2,706,256.

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

Revenues Classified by Source Governmental Funds						
<u>Revenues by Source</u>	<u>FY 2012</u>		<u>FY 2011</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Property taxes and assessments	\$50,140,224	61%	\$49,320,718	62%	\$ 819,506	2%
Licenses and permits	529,158	1%	510,417	1%	18,741	4%
Intergovernmental revenues	1,313,012	2%	1,247,935	1%	65,077	5%
Use of money and property	148,804	0%	131,381	0%	17,423	13%
Charges for services	29,083,555	35%	28,077,249	35%	1,006,306	4%
Miscellaneous revenues	<u>883,978</u>	<u>1%</u>	<u>570,244</u>	<u>1%</u>	<u>313,734</u>	55%
<b>Total</b>	<b><u>\$82,098,731</u></b>	<b><u>100%</u></b>	<b><u>\$79,857,944</u></b>	<b><u>100%</u></b>	<b><u>\$2,240,787</u></b>	<b>3%</b>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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

- Property taxes and assessments – Increased due to moderate growth in assessed property values, particularly in unsecured property values.
- Intergovernmental revenues – Increased due to a higher level of reimbursements from federal anti-terrorism grants.
- Use of money and property – Increased due to higher cash balances being committed for future OPEB obligations.
- Charges for services – Increased due to cost of living adjustments included in service contracts with local agencies.
- Miscellaneous revenues – Increased due to higher premiums received for retiree dependent medical coverage.

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

Expenditures by Function Governmental Funds						
<u>Expenditures by Function</u>	<u>FY 2012</u>		<u>FY 2011</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Public protection	\$83,935,241	99%	\$79,126,054	98%	\$4,809,187	6%
Capital outlay	333,958	0%	1,061,855	1%	( 727,897)	(69%)
Debt service – principal	417,422	1%	511,818	1%	( 94,396)	(18%)
Debt service – interest	<u>118,366</u>	<u>0%</u>	<u>131,947</u>	<u>0%</u>	( <u>13,581</u> )	(10%)
Total	<u>\$84,804,987</u>	<u>100%</u>	<u>\$80,831,674</u>	<u>100%</u>	<u>\$3,973,313</u>	5%

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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

- Public protection – Increased due to the expenditure of \$5.17 million for OPEB related expenses.
- Capital outlay – Decreased due to tighter budgetary constraints and prioritizing expenditures to more critical projects.
- Debt service-principal – Decreased due to lower debt service payments for bonded debt.

The current year change in fund balance is presented below:

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

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
Revenues	\$82,098,731
Expenditures	( 84,804,987)
Net other financing sources (uses)	<u>33,622</u>
Net change in fund balances	( 2,672,634)
Fund balance, beginning	<u>14,088,777</u>
Fund balance, ending	<u>\$11,416,143</u>

The fund balance of the District's General Fund decreased by \$2,672,634 during the fiscal year. The decrease is mainly due to an increase in public protection expenditures. As noted above, the District's general fund public protection expenditures increased by 6% due to a \$5.17 million expenditure for OPEB related expenses. Overall, the general fund's performance resulted in a net decrease in fund balance for the fiscal year ended June 30, 2012 of \$2,672,634, a decrease of 516% over the prior year's net decrease in fund balance of \$434,187.



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Proprietary Funds**

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

The Health Benefit fund had unrestricted net assets of \$241,539 at June 30, 2012. The total decrease in net assets for the Health Benefit fund was \$39,371 due to normal fluctuations in the timing and extent of payments in the District's self-funded health plan.

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

	<u>Health Benefit</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Operating revenues	\$6,728,949	\$5,348,021	26%
Operating expenses	( <u>6,768,320</u> )	( <u>5,184,772</u> )	31%
Change in net assets	( <u>\$39,371</u> )	\$ <u>163,249</u>	(124%)

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was no difference between the original and the final budget for estimated revenues and charges for appropriations.

During the year, actual revenues were more than budgetary estimates by \$1,488,440. The main components of the positive variance are as follows:

- Property taxes and assessments had a positive variance of \$501,224 due to higher than anticipated revenues from unsecured property taxes.
- Intergovernmental revenues had a positive variance of \$484,012 due to higher than anticipated reimbursements from federal anti-terrorism grants.
- Charges for services had a positive variance of \$179,255 due to higher than anticipated net revenues from service contracts with local agencies.
- Miscellaneous revenues had a positive variance of \$233,978 due to higher than anticipated premiums received from retirees for dependent medical coverage.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

Actual expenditures were lower than budgetary estimates by \$2,680,401. The main component of the positive variance is as follows:

- Salaries and benefits had a positive variance of \$1,069,690 due to staffing adjustments and lower than anticipated salary increases from labor negotiations.
- Services and supplies had a positive variance of \$828,419 due to cost saving measures implemented to preserve District resources.
- City provided services had a positive variance of \$391,350 due to a combination of lower property values and fewer parcels covered by the service contract with the City of San Jose.
- Capital outlay had a positive variance of \$390,942 due to delaying non-critical maintenance projects into future fiscal years.

Overall, the net effect of over-realization of revenues and under-utilization of expenditures versus budgeted amounts resulted in a favorable variance of \$4,168,841.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$27,090,892 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery, equipment, and furnishings. The total decrease in the District's investment in capital assets for the current period was 5%.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

Major capital asset events during the current fiscal year included the following:

- The purchase of 8 thermal imaging cameras to replace older obsolete cameras.
- The purchase of new vehicles to replace fleet vehicles that have exhausted their useful life.
- The purchase of computers and network equipment.
- Sale or disposal of various vehicles and equipment.

For government-wide financial statement presentation, depreciation is not taken in the year acquisition, but a full year of depreciation is taken in the year of disposal. 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:

	<u>Governmental</u> <u>Activities</u>		<u>Increase/</u> <u>(Decrease)</u>
	<u>2012</u>	<u>2011</u>	<u>% of</u> <u>Change</u>
Land	\$ 4,065,549	\$ 4,065,549	-%
Buildings	17,494,042	17,440,804	0%
Vehicles, machinery, equipment, and furnishings	<u>22,611,908</u>	<u>22,790,554</u>	(1%)
Total cost	44,171,499	44,296,907	0%
Less: accumulated depreciation	<u>(17,080,607)</u>	<u>(15,672,250)</u>	9%
Capital assets, net	<u>\$27,090,892</u>	<u>\$28,624,657</u>	(5%)

**Long-term debt**

At June 30, 2012, the District had total long-term debt outstanding of \$43,151,566 as compared to \$43,593,569 in the prior year. This amount was comprised of \$1,465,000 of bonds payable (lease revenue bonds); \$335,714 of deferred gain from refunded debt; \$206,585 of capital lease payable; \$6,162,567 of compensated absences; and \$34,981,700 of net OPEB obligations. During the year, principal payments in bonds payable were \$320,000; amortization of deferred gain from refunded debt of \$67,143; principal payments in capital lease payable of \$97,422; decrease of long-term compensated absences by \$368,538; and an additional \$411,100 in net OPEB obligation was recognized.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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

The following economic factors currently affect the District and were considered in developing the 2012-13 fiscal year budget.

- The District's labor agreement with its represented bargaining unit expired on November 13, 2011. Through the labor negotiation process, the District and bargaining unit agreed to extend the contract for two additional years with no change in wages
- The District is forecasting minimal growth in property tax revenues in the coming fiscal year.
- Revenues from contract agencies are expected to grow by 2% to 3% in the coming year.
- The District opted not to participate in the RFP process for a new fire and emergency medical services contract in the City of Morgan Hill. As a result of this decision, the District's contract with Morgan Hill will terminate on December 31, 2012. Termination of the Morgan Hill contract will reduce estimated revenues by approximately \$2.8 million in fiscal year 2013. The loss of revenue will be offset by a corresponding reduction in operating expenses as the District ceases to staff and operate the two fire stations in Morgan Hill.
- Increases for retirement and health care costs are expected to rise and the District is forecasting a \$1.7 million deficit in its 2013 adopted budget.

All of these factors were considered in preparing the District's budget for fiscal year 2013.

Subsequent to the adoption of the 2012-13 fiscal year budget the District was notified that it had been awarded a \$3.5 million Staffing for Adequate Fire and Emergency Response (SAFER) grant to fund the hiring of 10 fire fighters for a period of 2 years. The impact to the 2012-13 fiscal year budget is approximately \$1.2 million dollars. Appropriations and estimated revenues associated with the grant were not included in the adopted budget.

During the current fiscal year, the unassigned fund balance in the general fund increased to approximately \$11.4 million. Surplus funds of \$1.7 million will be used in funding 2013 appropriations.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Santa Clara County Central Fire Protection District, 14700 Winchester Boulevard, Los Gatos, California, 95032.

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	
Unrestricted	\$ 12,579,376
Restricted with fiscal agents	241,539
Accounts receivable	600,262
Interest receivable	29,905
Due from other governmental agencies	1,883,960
Loan receivable - Prop 1A	4,181,405
Capital assets, net	<u>27,090,892</u>
Total Assets	<u><u>\$ 46,607,339</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 338,693
Accrued salaries and benefits	3,336,617
Other accrued liabilities	10,488
Compensated absences	6,162,567
Capital lease payable, due within one year	101,285
Capital lease payable, due beyond one year	105,300
Deferred gain from refunded debt	335,714
Bonds payable, due within one year	265,000
Bonds payable, due beyond one year	1,200,000
Net OPEB Obligation	<u>34,981,700</u>
Total Liabilities	<u>46,837,364</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	25,083,593
Unrestricted	<u>(25,313,618)</u>
Total Net Assets	<u>(230,025)</u>
Total Liabilities and Net Assets	<u><u>\$ 46,607,339</u></u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2012**

	Expenses	Program Revenues	Charges for Services	Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs				
Governmental Activities				
Public protection	\$ 85,873,114	\$ 29,083,555		\$ (56,789,559)
Interest on long-term debt	<u>46,372</u>	<u>-</u>		<u>(46,372)</u>
Total Governmental Activities	<u>\$ 85,919,486</u>	<u>\$ 29,083,555</u>		<u>(56,835,931)</u>
 General Revenues				
Property taxes and assessments				50,140,224
Licenses and permits				529,158
Intergovernmental revenues				1,313,012
Interest and investment income				85,804
Rental income				63,000
Miscellaneous				<u>905,817</u>
Total General Revenues				<u>53,037,015</u>
 Change in Net Assets				(3,798,916)
 Net Assets, Beginning				<u>3,568,891</u>
 Net Assets, Ending				<u>\$ (230,025)</u>

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

**Basic Financial Statements –  
Fund Financial Statements**



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2012**

	General Funds
<b>Assets</b>	
Cash and investments	
Unrestricted	\$ 12,579,376
Accounts receivable	600,262
Interest receivable	29,905
Due from other governmental agencies	1,883,960
Due from other governmental agencies - Prop 1A	4,181,405
<b>Total Assets</b>	<b>\$ 19,274,908</b>
<b>Liabilities</b>	
Accounts payable	\$ 338,693
Accrued salaries and benefits	2,789,798
Other accrued liabilities	2,050
Insurance claims payable	546,819
Deferred revenue	4,181,405
<b>Total Liabilities</b>	<b>7,858,765</b>
<b>Fund Balances</b>	
Committed	
OPEB expenditures	6,075
Unassigned	11,410,068
<b>Total Fund Balances</b>	<b>11,416,143</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,274,908</b>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Government-wide Statement of Net Assets - Governmental Activities**  
**June 30, 2012**

<b>Fund Balances - Total Governmental Funds</b>		<b>\$ 11,416,143</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		27,090,892
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		241,539
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		(8,438)
Prop 1A state borrowing are not revenues but deferred revenues in the governmental funds during the year of assessment since it does not meet the availability criterion of modified accrual basis of accounting. These are revenues in the statement of activities in the year of assessment since it uses full accrual in which the availability criterion does not apply.		4,181,405
Deferred gain from refunded debt is recognized and amortized over the life of the bond for purposes of the statement of net assets.		(335,714)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	\$ (6,162,567)	
Net OPEB Obligation	(34,981,700)	
Capital lease payable	(206,585)	
Bonds payable	<u>(1,465,000)</u>	<u>(42,815,852)</u>
<b>Net Assets of Governmental Activities</b>		<b>\$ <u>(230,025)</u></b>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	<u>General Funds</u>
<b>Revenues</b>	
Property taxes and assessments	\$ 50,140,224
Licenses and permits	529,158
Intergovernmental revenues	1,313,012
Use of money and property	148,804
Charges for services	29,083,555
Miscellaneous revenues	<u>883,978</u>
<b>Total Revenues</b>	<u><b>82,098,731</b></u>
<b>Expenditures</b>	
Public protection	
Salaries and benefits	72,619,023
Services and supplies	6,002,748
City provided services	4,608,650
Other charges	704,820
Capital outlay	333,958
Debt service - principal	417,422
Debt service - interest	<u>118,366</u>
<b>Total Expenditures</b>	<u><b>84,804,987</b></u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,706,256)</u>
<b>Other Financing Sources (Uses)</b>	
Sale of capital assets	<u>33,622</u>
<b>Net Other Financing Sources (Uses)</b>	<u><b>33,622</b></u>
<b>Net Change in Fund Balances</b>	<b>(2,672,634)</b>
<b>Fund Balance, Beginning</b>	<u><b>14,088,777</b></u>
<b>Fund Balance, Ending</b>	<u><u><b>\$ 11,416,143</b></u></u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Government-wide Statement of Activities**  
**Governmental Activities**  
**Year Ended June 30, 2012**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (2,672,634)**

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

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

Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 335,322	
Less: current year depreciation	(1,857,304)	(1,521,982)

In the statement of activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase the financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold, net of related accumulated depreciation. (11,783)

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

Principal repayments		
Capital lease payable	97,422	
Bonds payable	320,000	417,422

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expenses) of certain activities of the internal service funds is reported with governmental activities. (39,371)

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

Change in accrued interest payable	4,851	
Amortization of deferred gain from refunded debt	67,143	
Change in net OPEB obligation	(411,100)	
Change in compensated absences	368,538	29,432

**Change in Net Assets of Governmental Activities** **\$ (3,798,916)**

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Fund Net Assets - Proprietary Fund - Internal Service**  
**June 30, 2012**

	<u>Governmental Activities Health Benefit</u>
<b>Assets</b>	
Cash and investments	
Restricted with fiscal agents	\$ 241,539
Accounts receivable	<u>553,370</u>
Total Assets	<u>\$ 794,909</u>
<b>Liabilities</b>	
Insurance claims payable	\$ <u>553,370</u>
Total Liabilities	<u>553,370</u>
<b>Net Assets</b>	
Unrestricted	<u>241,539</u>
Total Net Assets	<u>241,539</u>
Total Liabilities and Net Assets	<u>\$ 794,909</u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets -**  
**Proprietary Fund - Internal Service**  
**Year Ended June 30, 2012**

	Governmental Activities
	Health Benefit
Operating Revenues	
Health contribution	\$ <u>6,728,949</u>
Total Operating Revenues	<u>6,728,949</u>
Operating Expenses	
Claims expenses	<u>6,768,320</u>
Total Operating Expenses	<u>6,768,320</u>
Change in Net Assets	(39,371)
Net Assets, Beginning	<u>280,910</u>
Net Assets, Ending	<u><u>\$ 241,539</u></u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Cash Flows - Proprietary Fund - Internal Service**  
**Year Ended June 30, 2012**

	Governmental Activities
	Health Benefit
Cash Flows from Operating Activities	
Cash receipts from interfund services provided - contributions to the plan	\$ 6,601,063
Cash payment for interfund services used - paid claims	<u>(6,640,434)</u>
Net cash used by operating activities	(39,371)
Cash and Investments, Beginning	
Restricted with fiscal agents	<u>280,910</u>
Cash and Investments, Ending	
Restricted with fiscal agents	<u><u>\$ 241,539</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities	
Change in Net Assets	\$ (39,371)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities	
Decrease (increase) in assets	
Accounts receivable	(127,886)
Increase (decrease) in liabilities	
Insurance claims payable	<u>127,886</u>
Net cash used by operating activities	<u><u>\$ (39,371)</u></u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Fiduciary Net Assets - Fiduciary Fund**  
**June 30, 2012**

	<u>Workers Compensation</u>
<b>Assets</b>	
Cash and investments	
Unrestricted	\$ 11,636,862
Interest receivable	<u>14,990</u>
Total Assets	<u>11,651,852</u>
<b>Liabilities</b>	
Insurance claims payable	<u>7,671,294</u>
Total Liabilities	<u>7,671,294</u>
<b>Net Assets</b>	
Net assets held in trust for workers' compensation	<u><u>\$ 3,980,558</u></u>

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



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Changes in Fiduciary Net Assets - Fiduciary Fund**  
**Year Ended June 30, 2012**

	<u>Workers Compensation</u>
<b>Additions</b>	
Plan contributions	\$ 3,524,077
Interest and investment income	<u>75,134</u>
<b>Total Additions</b>	<u><b>3,599,211</b></u>
<b>Deductions</b>	
Estimated claims	1,688,763
Claim payments	1,091,236
Administrative expenses	<u>432,841</u>
<b>Total Deductions</b>	<u><b>3,212,840</b></u>
<b>Change in Net Assets</b>	<b>386,371</b>
Net Assets, Beginning	<u>3,594,187</u>
<b>Net Assets, Ending</b>	<u><u><b>\$ 3,980,558</b></u></u>

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

**Basic Financial Statements –**  
**Notes to the Basic Financial Statements**

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below:

**A. Reporting Entity**

The Santa Clara County Central Fire Protection District (the "District") is a dependent special district formed under the California Health and Safety Code. The District serves the areas of Santa Clara County not protected by other fire departments, districts, or the State Division of Forestry.

The Fire District is reported as a blended component unit in the County of Santa Clara's annual financial report because the County Board of Supervisors sits as the Board of Directors for the Fire District. The County has also issued debt on behalf of the Fire District. As of June 30, 2012, the outstanding principal balance amounted to \$1.465 million with a final maturity in 2017.

**B. Basis of Presentation**

*Government-wide Financial Statements*

The statement of net assets and statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund activities. 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 include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

*Fund Financial Statements*

Fund financial statements of the District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category are presented. 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 District does not have nonmajor governmental funds. The internal service fund is presented in a single column in the proprietary fund financial statements.

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 one major governmental fund:

- 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. District Maintenance (1524), which has an adopted budget, and Retiree Medical (0473), which temporarily accounts for funds set aside for OPEB expenditures, make up the District's General Fund.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Proprietary Fund**

The District reports one proprietary fund:

- *Internal Service* accounts for the financing goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The District has one Internal Service Fund, the Health Benefit Fund, which accounts for the finance activities of the District's self funded health insurance program for its employees, retirees and eligible dependents (via Coastal Healthcare Administrators, a third party administrator).

**Fiduciary Fund** (Not included in the government-wide statements)

The District reports one fiduciary fund:

- *Workers Compensation* is used to account for assets held by the District to meet present and future workers' compensation claims liabilities.

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

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

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net assets (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 assets.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

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

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when due.

**D. Budgets and Budgetary Accounting**

The District, as per California Health and Safety Code Section 13895, adopts final annual operating budgets before October 1. From the effective date of the budget, which is adopted by the Board of Directors after public hearings, the proposed expenditures become appropriations. The Fire Chief generally may transfer appropriations among programs. Unencumbered and unexpended appropriations lapse at fiscal year-end. During the year, no supplemental appropriations were approved by the Board of Directors.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Budgeted revenues and expenditures in the financial statements represent the original budget modified by authorized adjustments during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year that were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. Expenditures may not legally exceed budgeted appropriations at the object category level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General Fund.

**E. Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the internal service fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**F. Capital Assets**

In the government-wide financial statements, capital assets (fixed assets with a value of \$1,000 or more) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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:

Buildings	50 years
Vehicles, machinery, equipment, and furnishings	5 to 20 years

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**G. Long-term Debt**

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

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

**H. Compensated Absences**

The District's employees earn vacation which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. There is no accrual limit on sick leave; however, there are various restrictions and limitations on the sick leave pay-off upon termination depending on the employee group and retirement factors. For all funds, this liability reflects amounts attributable to employee service already rendered, cumulative, probable for payment and reasonably estimated.

The District accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources as accrued salaries and benefits.



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Equity Classifications**

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

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

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

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form—such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. The “not in spendable form” criterion includes items that are expected to be converted to cash.
- *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.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- *Committed Fund Balance* – amounts that can be used only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the District’s Board or (b) a body (e.g., a budget or finance committee) or official to which the District’s Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.
- *Unassigned Fund Balance* – the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

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

**J. 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.

**K. Subsequent Events**

Management has evaluated subsequent events through August 23, 2012.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 2.      PROPERTY TAX**

The reported lien date is January 1 for secured and unsecured property taxes.

In accordance with Government Code Section 29100, on or before September 1, the Board of Supervisors shall adopt the rates of taxes on the secured roll. The Tax Collector then completes the tax bill processing by the end of September. The Revenue and Taxation Code specifies that the Tax Collector shall issue secured tax bills by November 1.

The due dates and delinquency dates for secured taxes are as follows:

Due date for the first installment is Nov. 1, delinquent after Dec. 10.

Due date for the second installment is Feb. 1, delinquent after April 10.

On July 19, 1993, the County Board of Supervisors, adopted the Alternative Method of Tax Apportionment "Teeter Plan". Under this plan the District receives annually the full amount of its share of property taxes on the secured rolls. In return, the County receives all future delinquent tax payments otherwise due to the District.

**NOTE 3.      CASH AND INVESTMENTS**

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 4. CASH AND INVESTMENTS - Continued**

The cash balances for the Health Benefit Fund were held in a bank account by the health plan's third party administrator, Coastal Healthcare Administrators, in Salinas, California. The account is insured by the Federal Deposit Insurance Corporation (FDIC).

Cash and investments at June 30, 2012 consists of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and investments with the County Treasury common pool:		
General Fund	\$12,577,276	\$12,569,591
Fiduciary - Worker's Compensation	11,636,862	11,629,751
Proprietary - Health Benefit (restricted)	241,539	241,539
Petty cash	<u>2,100</u>	<u>2,100</u>
<b>Total cash and investments</b>	<b><u>\$24,457,777</u></b>	<b><u>\$24,442,981</u></b>

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

Based on the County's calculations, the application of GASB, Statement No. 31, would decrease the District's cash balance and interest and investment income (use of money and property, in the fund financials) by \$7,685 for the General Fund and \$7,111 for Fiduciary-Worker's Compensation. However, since the effect of the application of GASB 31, in this instance, is not material, the District's cash and investments account is stated at cost.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 5. CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions/</u> <u>Adjustment</u>	<u>Disposals/</u> <u>Adjustment</u>	<u>Balance</u> <u>6/30/12</u>
Land	\$ 4,065,549	\$ - .	\$ - .	\$ 4,065,549
Buildings	17,440,804	53,238	- .	17,494,042
Vehicles, machinery, equipment, and furnishings	<u>22,790,554</u>	<u>282,084</u>	<u>(460,730)</u>	<u>22,611,908</u>
Totals at historical cost	<u>44,296,907</u>	<u>335,322</u>	<u>(460,730)</u>	<u>44,171,499</u>
Less accumulated depreciation				
Buildings	4,985,467	348,816	- .	5,334,283
Vehicles, machinery, equipment, and furnishings	<u>10,686,783</u>	<u>1,508,488</u>	<u>(448,947)</u>	<u>11,746,324</u>
Total accumulated depreciation	<u>15,672,250</u>	<u>1,857,304</u>	<u>(448,947)</u>	<u>17,080,607</u>
Capital assets, net	<u>\$28,624,657</u>	<u>(\$1,521,982)</u>	<u>(\$11,783)</u>	<u>\$27,090,892</u>

For the year ended June 30, 2012, depreciation expense charged to public protection under governmental activities was \$1,857,304.

**NOTE 6. WORKERS COMPENSATION**

As of July 1, 1979, the District began self-insuring workers compensation claims. The District Workers Compensation Program is administered by the County of Santa Clara. The County's policy is to accrue a liability for anticipated losses as claims are received based upon the probability of payout against each claim.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 7.      LONG-TERM DEBT**

**A.      Bonds Payable**

On February 18, 2010, the Santa Clara County Financing Authority issued \$50,110,000 in lease revenue bonds with an average coupon rate of 4.53% to refund \$15,595,000 in outstanding 1998 Series A lease revenue bonds with an average interest rate of 4.60% and \$37,245,000 in outstanding 2000 Series B lease revenue bonds with an average interest rate of 5.50%. The net proceeds of \$53,839,005 (including a premium of \$4,263,916 and a payment of \$539,703 in underwriting fees and other issuance costs) plus an additional \$654,811 in reserve funds from the 1998 Series A Lease revenue bonds and the 2000 Series B lease revenue bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Series A lease revenue bonds and the 2000 Series B lease revenue bonds. As a result, the 1998 Series A lease revenue bonds and the 2000 Series B lease revenue bonds are considered to be defeased and the Fire District's share of the liability for the 1998 Series A bonds has been removed from the government-wide statement of net assets.

The Santa Clara County Financing Authority refunded the 1998 Series A lease revenue bonds and the 2000 Series B lease revenue bonds to reduce its total debt service payments over the next seven (7) years by almost \$5.2 million and to obtain an economic gain of \$856,113. The Fire District's share of the remaining debt on the 1998 Series A lease revenue bonds was \$2,560,000. The Fire District's share of the 2010 Series N refunding bonds is \$2,090,000 for a net reduction in principal payments of \$470,000 and interest payments of \$76,175 over the next seven (7) years. The economic gain attributable to the Fire District's share of the refinancing is \$133,126.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 7. LONG-TERM DEBT - Continued**

As of June 30, 2012, the outstanding principal balance amounted to \$1,465,000. The annual requirements to amortize debt outstanding are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 265,000	\$ 67,500	\$ 332,500
2014	285,000	54,250	339,250
2015	290,000	42,850	332,850
2016	305,000	29,200	334,200
2017	<u>320,000</u>	<u>13,950</u>	<u>333,950</u>
Bond payable	1,465,000	<u>\$207,750</u>	<u>\$1,672,750</u>
Deferred gain on refunding	<u>335,714</u>		
Total	<u>\$1,800,714</u>		

**B. Capital lease Payable**

On October 1, 2010, the District entered into a lease/purchase agreement with California First National Bank (CalFirst) for the purchase of a fire truck. Terms include a downpayment of \$109,251 and four annual payment of \$109,476 starting July 1, 2011. Interest rate is 3.965%.

In order to meet the payment due date, the check payment was issued a few days before the June 30, 2012 fiscal year end. As of June 30, 2012, the outstanding principal balance amounted to \$206,585. The future minimum lease payments are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$101,285	\$ 8,191	\$109,476
2014	<u>105,300</u>	<u>4,176</u>	<u>109,476</u>
Capital lease payable	<u>\$206,585</u>	<u>\$12,367</u>	218,952
Interest rate			3.965%
Present value of future minimum lease payments			<u>\$206,585</u>

As of June 30, 2012, governmental activities' capital assets and accumulated depreciation under capital lease are as follows:

Vehicles, machinery, equipment, and furnishings	\$510,825
Less: Accumulated depreciation	<u>38,312</u>
Net book value	<u>\$472,513</u>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 7. LONG-TERM DEBT - Continued**

**C. Compensated Absences**

As of June 30, 2012, the District's long-term compensated absences amounted to \$6,162,567 as reported in the government wide statements. The current portion of \$1,940,350 is included in the accrued salaries and benefits account.

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

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due within</u> <u>one year</u>	<u>Due beyond</u> <u>one year</u>
Bonds Payable	\$ 1,785,000	\$ - .	\$320,000	\$ 1,465,000	\$265,000	\$ 1,200,000
Deferred gain on refunding	402,857	- .	67,143	335,714	67,143	268,571
Capital lease	304,007	- .	97,422	206,585	101,285	105,300
Compensated absences	6,531,105	- .	368,538	6,162,567	- .	6,162,567
Net OPEB Obligation (see Note 9)	<u>34,570,600</u>	<u>411,100</u>	<u>- .</u>	<u>34,981,700</u>	<u>- .</u>	<u>34,981,700</u>
Totals	<u>\$43,593,569</u>	<u>\$411,100</u>	<u>\$853,103</u>	<u>\$43,151,566</u>	<u>\$433,428</u>	<u>\$42,718,138</u>

**NOTE 8. PENSION PLAN**

**A. Plan Description**

The Santa Clara County Central Fire Protection District contributes to the California Public Employees Retirement System (the "CalPERS"), an agent multiple-employer public employee defined benefit pension plan, which acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS offers a menu of benefit provisions and other requirements that are established by State statutes within the Public Employee Retirement law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from its Executive Office - 400 P Street, Sacramento CA 95814.

The District's two defined benefit pension plans (Miscellaneous Plan and Safety Plan) with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All permanent employees (full-time and part-time) are required to participate in CalPERS.



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 8. PENSION PLAN – Continued**

**B. Pension Plan Benefits**

Benefits for employees in the Miscellaneous Plan and Safety Plan vest after five year of CalPERS credited service. The retirement benefits under both plans are based on the retiree's age, years of CalPERS credited service, and a benefit factor of 2.7% at 55 for Miscellaneous Plan members and 3% at 50 for Safety Plan members. These plans include a pre-retirement Option 2W Death Benefit.

- **Miscellaneous Plan**

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55), years of service, and final compensation (monthly average of the members highest 12 consecutive months' full-time equivalent monthly pay). The services retirement for this group is not capped.

- **Safety Plan**

Participants in this plan are eligible for service retirement benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (3% at 50), years of service, and final compensation (monthly average of the members highest 12 consecutive months' full-time equivalent monthly pay). The service retirement benefit for the Safety Plan is capped at 90% of final compensation.

**C. Funding Policy**

Permanent employees are required to make contributions to their account. The member employees' contribution rates are set by State statute and only change with significant contract amendments. During the fiscal year 2011-12, the Miscellaneous Plan Members rate, as a percentage of wages, was 8% while the Safety Plan Members rate was 9%.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 8. PENSION PLAN – Continued**

The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration (the employer rate). The District's payroll for employees covered by CalPERS for fiscal year ended June 30, 2012 was \$37,072,131 (consisting of \$5,088,927 for Miscellaneous Plan employees and \$31,983,204 for Public Safety Plan employees), out of the total payroll for the District of \$43,469,173. The CalPERS employer rate and annual costs are described below.

**D. Annual Pension Cost**

The required contribution for the year ended June 30, 2012 was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The Entry Age Normal Actuarial Cost Method is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. CalPERS uses a modification of the Entry Age Normal Actuarial Cost Method in which the District's total normal cost is expressed as a level percent of payroll. CalPERS also uses the level percentage of projected payroll method to amortize the any unfunded liabilities (or excess assets) on a closed basis over the remaining amortization period. The remaining amortization period as of June 30, 2009 was 19 years for the Miscellaneous Plan and 30 years for the Safety Plan. The asset valuation method is based on a 15 year smoothed market.

The significant assumptions used to compute the actuarially determined contribution requirement for the year ended June 30, 2012 included the following:

- A rate of return on the investment of present and future assets of 7.75% per year compounded annually.
- Projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for Miscellaneous Plan members, and 3.55% to 13.15% for Safety Plan members.
- Overall payroll growth of 3.25% compounded annually.
- Inflation factor of 3.00% compounded annually.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 8. PENSION PLAN – Continued**

The District's actuarial required contribution rates and incurred costs paid to CalPERS for the last three fiscal years are as follows:

Fiscal Year Ending	Required Contribution Rates for Safety	Required Contribution Rates for Miscellaneous	Annual Pension Cost (APC) for Safety and Miscellaneous Employees	Percentage of APC Contributed	Net Pension Obligation
6/30/10	26.490%	19.915%	\$ 9,489,417	100%	\$ -
6/30/11	26.709%	20.210%	\$ 9,805,566	100%	-
6/30/12	31.474%	23.124%	\$11,324,486	100%	-

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratios	Annual Covered Payroll	UAAL as a % of Payroll
<b><u>MISCELLANEOUS PLAN:</u></b>						
6/30/10	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.0%	\$434,023,381	111.1%
<b><u>SAFETY PLAN:</u></b>						
6/30/10	\$393,044,855	\$314,505,458	\$78,539,397	80.0%	\$32,467,063	241.9%

Above is the funded status as of the latest valuation date. The schedule of funding progress is presented in the RSI.

**NOTE 9. HEALTH BENEFIT**

**A. Plan Description**

The District's other postemployment benefit (OPEB) provides for lifetime medical coverage to retirees who meet certain eligibility requirements. Currently, employees who retire directly from the District, have accrued seven years of service and were hired between January 1, 1995 and December 31, 2006, inclusive, or retire directly from the District, have accrued 10 years of service and were hired after December 31, 2006 are eligible.

Presently the District offers two health plans: Kaiser Permanente (HMO) and a self-funded indemnity-type plan that has a preferred provider discount feature (Coastal Healthcare Administrators, a third party administrator). Each plan offers a prescription drug benefit.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 9. HEALTH BENEFIT – Continued**

The District began prefunding with the California Employers' Retiree Benefit Trust Fund (CERBT) in June of 2012. The CERBT is an IRS Section 115 trust maintained by CalPERS as a retiree welfare prefunding vehicle for any California public sector employer.

**B. Funding Policy**

The District provides lifetime medical insurance to a retiree and his/her spouse if the retiree retired on or before January 1, 1978. The District will pay for the spouse's coverage so long as the retiree maintains eligibility. An employee who retires after January 1, 1978 may include his/her dependent on the plan at the retiree's cost.

Based on the latest actuarial report as of June 30, 2011, the District's Annual Required Contribution (ARC) rate for 2011/2012 is 206% of annual covered payroll of \$36,846,900.

**C. Annual OPEB Cost**

Annual Required Contributions (ARC)	\$ 7,602,300
Interest on Net OPEB Obligation (NOO)	2,419,900
Amortization of NOO	( <u>1,962,600</u> )
Annual OPEB Cost (AOC)	8,059,600
Contributions made:	
Net Direct Benefit Payments	(\$2,478,200)
Contributions to irrevocable trust - CERBT	( <u>5,170,300</u> ) ( <u>7,648,500</u> )
Change in OPEB obligation	411,100
NOO at beginning of year	<u>34,570,600</u>
NOO at end of year	<u>\$34,981,700</u>

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/10	\$14,004,000	20%	\$23,321,600
6/30/11	14,216,100	21%	34,570,600
6/30/12	8,059,600	95%	34,981,700

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**NOTE 9. HEALTH BENEFIT – Continued**

The latest actuarial valuation report is as of June 30, 2011. For this valuation the modified Projected Unit Credit method was used, which spreads costs from hire to the projected date of full eligibility for plan benefits. The amortization used here is level percent of pay over a static 30 years, beginning 2011/2012 (whereas the June 30, 2010 valuation used a discount rate of 3% and level dollar method). Discount rate is 7% and compensation increase rate is 3% per annum. The actuarial valuation of the postretirement health benefits is available directly from the District.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratios	Annual Covered Payroll	UAAL as a % of Payroll
6/30/10	\$176,569,300	\$-	\$176,569,300	0%	\$38,956,000	453%
6/30/11	76,555,500	-	76,555,500	0%	36,846,900	208%

Above is the funded status as of the latest valuation date. The schedule of funding progress is presented in the RSI.

**NOTE 10. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was \$4,181,405.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financials until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Budgetary Comparison Schedule - General Fund (1524)**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary Fund Balance, Beginning	\$ 10,438,502	\$ 10,438,502	\$ 10,438,502	\$ -
<b>Resources (Inflows)</b>				
Property taxes and assessments	49,639,000	49,639,000	50,140,224	501,224
Licenses and permits	440,500	440,500	529,158	88,658
Intergovernmental revenues	829,000	829,000	1,313,012	484,012
Use of money and property	150,000	150,000	122,691	(27,309)
Charges for services	28,904,300	28,904,300	29,083,555	179,255
Miscellaneous revenues	650,000	650,000	883,978	233,978
Sale of capital assets	5,000	5,000	33,622	28,622
Amounts Available for Appropriation	<u>80,617,800</u>	<u>80,617,800</u>	<u>82,106,240</u>	<u>1,488,440</u>
<b>Charges to Appropriations (Outflows)</b>				
Public protection				
Salaries and benefits	70,018,400	70,018,400	68,948,710	1,069,690
Services & supplies and other charges	7,535,987	7,535,987	6,707,568	828,419
City provided services	5,000,000	5,000,000	4,608,650	391,350
Capital outlay	724,900	724,900	333,958	390,942
Debt service - principal	417,422	417,422	417,422	-
Debt service - interest	118,366	118,366	118,366	-
Total Charges to Appropriations	<u>83,815,075</u>	<u>83,815,075</u>	<u>81,134,674</u>	<u>2,680,401</u>
Budgetary Fund Balance, Ending	<u>\$ 7,241,227</u>	<u>\$ 7,241,227</u>	<u>\$ 11,410,068</u>	<u>\$ 4,168,841</u>

Continued

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Budgetary Comparison Schedule - General Fund (1524)**  
**Year Ended June 30, 2012**

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

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 82,106,240

Differences - budget to GAAP:

Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes (33,622)

Items reported in the Retiree Medical fund (0473) which are not subject to annual appropriations 26,113

Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ 82,098,731

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule \$ 81,134,674

Differences - budget to GAAP:

Items reported in the Retiree Medical fund (0473) which are not subject to annual appropriations 3,670,313

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ 84,804,987

Concluded



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Schedules of Funding Progress**  
**June 30, 2012**

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets (AVA)	(a)-(b) Unfunded Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratios	(c) Annual Covered Payroll	[(a)-(b)]/(c) UAAL as a % of Payroll
<b><u>CalPERS Retirement Plan - Miscellaneous:</u></b>						
6/30/2008	\$ 1,823,366,479	\$ 1,529,548,799	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
6/30/2009	\$ 2,140,438,884	\$ 1,674,260,302	\$ 466,178,582	78.2%	\$ 440,071,499	105.9%
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
<b><u>CalPERS Retirement Plan - Safety:</u></b>						
6/30/2008	\$ 323,645,269	\$ 275,529,958	\$ 48,115,311	85.1%	\$ 26,396,673	182.3%
6/30/2009	\$ 372,860,423	\$ 300,245,483	\$ 72,614,940	80.5%	\$ 30,871,454	235.2%
6/30/2010	\$ 393,044,855	\$ 314,505,458	\$ 78,539,397	80.0%	\$ 32,467,063	241.9%
<b><u>Other Postemployment Benefits - Health Benefit:</u></b>						
6/30/2008	\$ 165,398,000	\$ -	\$ 165,398,000	0%	\$ 33,269,000	497%
6/30/2010	\$ 176,569,300	\$ -	\$ 176,569,300	0%	\$ 38,956,000	453%
6/30/2011	\$ 76,555,500	\$ -	\$ 76,555,500	0%	\$ 36,846,900	208%

## **STATISTICAL SECTION**

## **SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**

### **Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the District's overall financial health.

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other agencies.

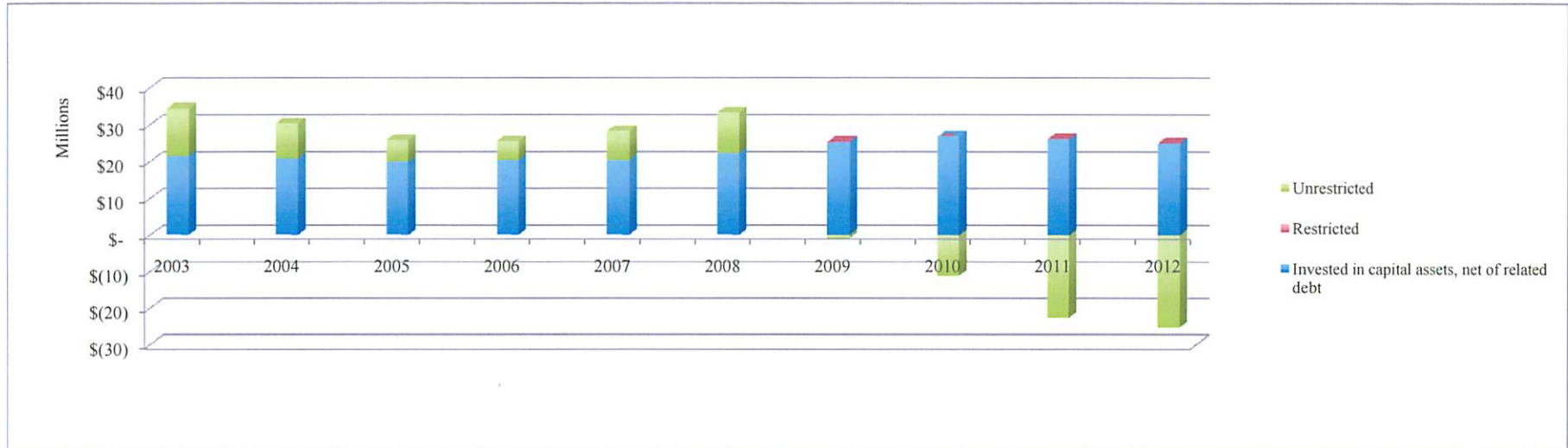
#### **Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

#### **Sources:**

Unless otherwise noted, the information in these schedules is derived from the audit reports for the relevant year.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(in thousands)**  
**(Unaudited)**



50

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 21,575	\$ 20,928	\$ 19,932	\$ 20,536	\$ 20,484	\$ 22,339	\$ 25,375	\$ 26,848	\$ 26,133	\$ 25,084
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,822	9,538	6,016	4,988	7,828	11,030	(890)	(11,101)	(22,564)	(25,314)
Total governmental activities net assets	<u>\$ 34,397</u>	<u>\$ 30,466</u>	<u>\$ 25,948</u>	<u>\$ 25,524</u>	<u>\$ 28,312</u>	<u>\$ 33,369</u>	<u>\$ 24,485</u>	<u>\$ 15,747</u>	<u>\$ 3,569</u>	<u>\$ (230)</u>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**

**Changes in Net Assets  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(in thousands)  
(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>										
Governmental Activities:										
Public Protection	\$ 49,145	\$ 54,621	\$ 58,519	\$ 58,801	\$ 61,171	\$ 64,536	\$ 88,495	\$ 89,670	\$ 91,984	\$ 85,873
Interest on Long-Term Debt	204	196	209	176	166	155	143	131	63	46
Total Expenses	<u>\$ 49,349</u>	<u>\$ 54,817</u>	<u>\$ 58,728</u>	<u>\$ 58,977</u>	<u>\$ 61,337</u>	<u>\$ 64,691</u>	<u>\$ 88,638</u>	<u>\$ 89,801</u>	<u>\$ 92,047</u>	<u>\$ 85,919</u>
<b>PROGRAM REVENUES</b>										
Governmental Activities:										
Charges for Services	\$ 14,042	\$ 13,774	\$ 14,036	\$ 14,477	\$ 16,398	\$ 18,928	\$ 26,309	\$ 27,981	\$ 28,077	\$ 29,084
Total Program Revenues	<u>\$ 14,042</u>	<u>\$ 13,774</u>	<u>\$ 14,036</u>	<u>\$ 14,477</u>	<u>\$ 16,398</u>	<u>\$ 18,928</u>	<u>\$ 26,309</u>	<u>\$ 27,981</u>	<u>\$ 28,077</u>	<u>\$ 29,084</u>
<b>NET REVENUES (EXPENSES)</b>										
Governmental Activities:										
Net revenues (expenses)	<u>\$ (35,307)</u>	<u>\$ (41,043)</u>	<u>\$ (44,692)</u>	<u>\$ (44,500)</u>	<u>\$ (44,939)</u>	<u>\$ (45,763)</u>	<u>\$ (62,329)</u>	<u>\$ (61,820)</u>	<u>\$ (63,970)</u>	<u>\$ (56,835)</u>
<b>GENERAL REVENUES</b>										
Governmental Activities:										
Property Taxes and Assessments	\$ 35,368	\$ 36,109	\$ 39,071	\$ 42,486	\$ 46,040	\$ 48,621	\$ 51,748	\$ 50,392	\$ 49,321	\$ 50,140
Licenses and Permits	121	424	389	411	557	494	489	425	510	529
Intergovernmental Revenues	742	339	397	789	549	489	815	1,107	1,248	1,313
Use of money & property	331	221	233	264	452	586	353	190	131	149
Gain(loss) on sale of capital assets	(110)	6	(171)	3	-	(12)	(137)	1	11	34
Miscellaneous	49	13	255	123	129	642	177	967	571	872
Total General Revenues	<u>\$ 36,501</u>	<u>\$ 37,112</u>	<u>\$ 40,174</u>	<u>\$ 44,076</u>	<u>\$ 47,727</u>	<u>\$ 50,820</u>	<u>\$ 53,445</u>	<u>\$ 53,082</u>	<u>\$ 51,792</u>	<u>\$ 53,037</u>
<b>CHANGES IN NET ASSETS</b>										
Governmental Activities:										
Changes in net assets	<u>\$ 1,194</u>	<u>\$ (3,931)</u>	<u>\$ (4,518)</u>	<u>\$ (424)</u>	<u>\$ 2,788</u>	<u>\$ 5,057</u>	<u>\$ (8,884)</u>	<u>\$ (8,738)</u>	<u>\$ (12,178)</u>	<u>\$ (3,798)</u>
<b>NET ASSETS</b>										
Governmental Activities:										
Changes in net assets	\$ 1,194	\$ (3,931)	\$ (4,518)	\$ (424)	\$ 2,788	\$ 5,057	\$ (8,884)	\$ (8,738)	\$ (12,178)	\$ (3,798)
Net Assets, Beginning	33,203	34,397	30,466	25,948	25,524	28,312	33,369	24,485	15,747	3,569
Net Assets, Ending	<u>\$ 34,397</u>	<u>\$ 30,466</u>	<u>\$ 25,948</u>	<u>\$ 25,524</u>	<u>\$ 28,312</u>	<u>\$ 33,369</u>	<u>\$ 24,485</u>	<u>\$ 15,747</u>	<u>\$ 3,569</u>	<u>\$ (229)</u>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(in thousands)**  
**(Unaudited)**

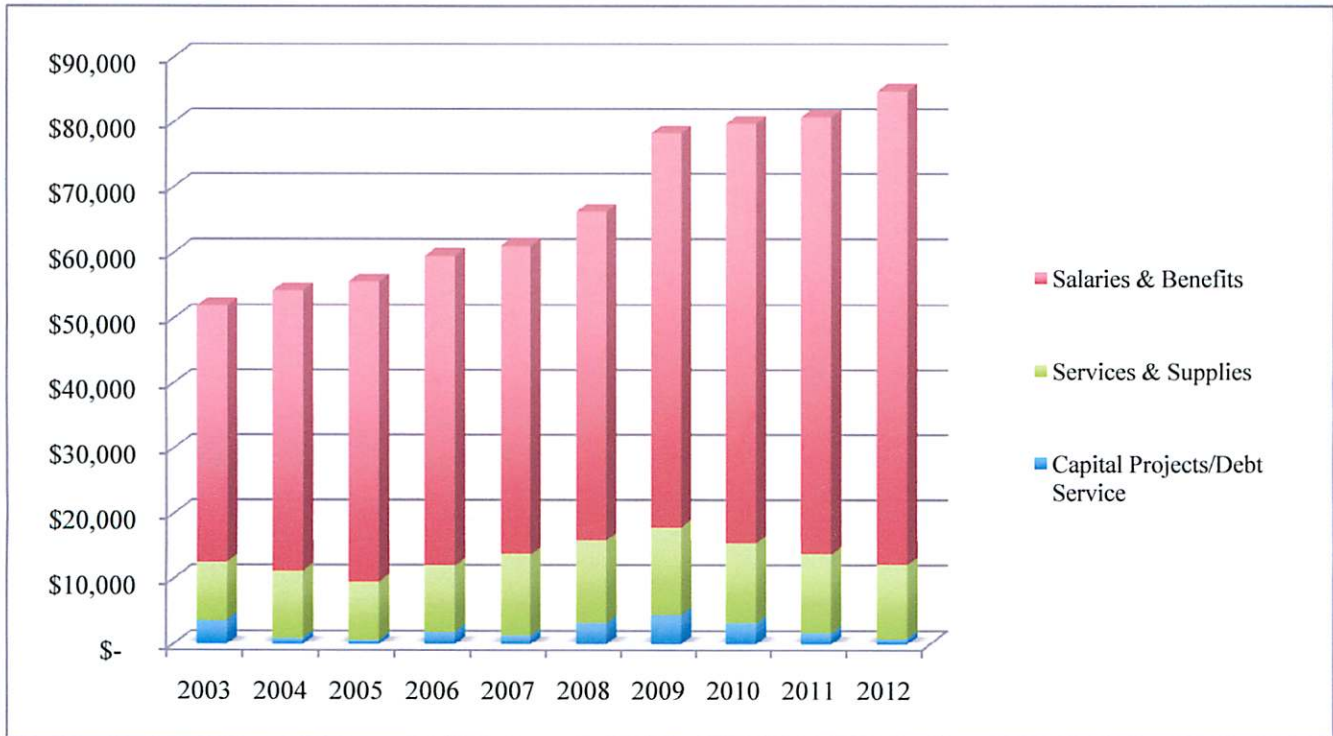
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GENERAL FUND</b>										
Reserved	\$ 1,163	\$ 1,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unreserved	12,491	9,874	9,796	8,748	11,742	15,841	17,451	14,523		
Total General Fund	<u>\$ 13,654</u>	<u>\$ 11,037</u>	<u>\$ 9,796</u>	<u>\$ 8,748</u>	<u>\$ 11,742</u>	<u>\$ 15,841</u>	<u>\$ 17,451</u>	<u>\$ 14,523</u>		
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unreserved, reported in:										
Capital project fund	1,198	538	549	570	598	-	-	-		
	<u>\$ 1,198</u>	<u>\$ 538</u>	<u>\$ 549</u>	<u>\$ 570</u>	<u>\$ 598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>GENERAL FUNDS</b>										
Committed									\$ 3,650	\$ 6
Unassigned									10,439	11,410
Total General Funds									<u>\$ 14,089</u>	<u>\$ 11,416</u>

Note: Starting fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54 which classifies Governmental Fund Balances as nonspendable, restricted, committed, assigned and unassigned.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(in thousands)**  
**(Unaudited)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Property taxes and assessments	\$ 35,368	\$ 36,109	\$ 39,071	\$ 42,486	\$ 46,040	\$ 48,621	\$ 51,748	\$ 46,211	\$ 49,321	\$ 50,140
Licenses and permits	121	424	389	411	557	494	489	425	511	529
Intergovernmental revenues	742	339	398	789	549	489	815	1,107	1,248	1,313
Use of money and property	331	220	234	264	452	586	354	190	131	149
Charges for services	14,042	13,774	14,035	14,477	16,398	18,928	26,309	27,981	28,077	29,084
Miscellaneous revenues	49	13	255	122	129	642	177	967	570	884
Total Revenues	<u>50,653</u>	<u>50,879</u>	<u>54,382</u>	<u>58,549</u>	<u>64,125</u>	<u>69,760</u>	<u>79,892</u>	<u>76,881</u>	<u>79,858</u>	<u>82,099</u>
<b>EXPENDITURES</b>										
Public Protection										
Salaries and benefits	39,340	43,074	46,054	47,521	47,320	50,340	60,373	64,258	67,014	72,619
Services and supplies	3,998	4,285	4,126	4,812	5,219	5,905	6,498	6,285	6,258	6,003
City provided services	4,054	5,886	4,714	5,104	7,166	6,703	6,864	5,958	5,168	4,609
Other charges	836	110	109	185	60	143	100	85	686	705
Capital outlay	3,286	503	224	1,530	911	2,793	4,079	2,803	1,062	334
Debt service - principal	220	230	240	250	260	270	280	290	512	417
Debt service - interest	204	196	187	177	167	156	145	133	132	118
Total Expenditures	<u>51,938</u>	<u>54,284</u>	<u>55,654</u>	<u>59,579</u>	<u>61,103</u>	<u>66,310</u>	<u>78,339</u>	<u>79,812</u>	<u>80,832</u>	<u>84,805</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,285)</u>	<u>(3,405)</u>	<u>(1,272)</u>	<u>(1,030)</u>	<u>3,022</u>	<u>3,450</u>	<u>1,553</u>	<u>(2,931)</u>	<u>(974)</u>	<u>(2,706)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from the sale of capital assets	27	127	43	3	-	50	58	3	29	34
Proceeds from lease financing	-	-	-	-	-	-	-	-	511	-
Total other financing sources (uses)	<u>27</u>	<u>127</u>	<u>43</u>	<u>3</u>	<u>-</u>	<u>50</u>	<u>58</u>	<u>3</u>	<u>540</u>	<u>34</u>
Net Change in Fund Balances	<u>\$ (1,258)</u>	<u>\$ (3,278)</u>	<u>\$ (1,229)</u>	<u>\$ (1,027)</u>	<u>\$ 3,022</u>	<u>\$ 3,500</u>	<u>\$ 1,611</u>	<u>\$ (2,928)</u>	<u>\$ (434)</u>	<u>\$ (2,672)</u>
Debt service as a percentage of noncapital expenditures	0.87%	0.79%	0.77%	0.74%	0.71%	0.67%	0.57%	0.55%	0.81%	0.63%

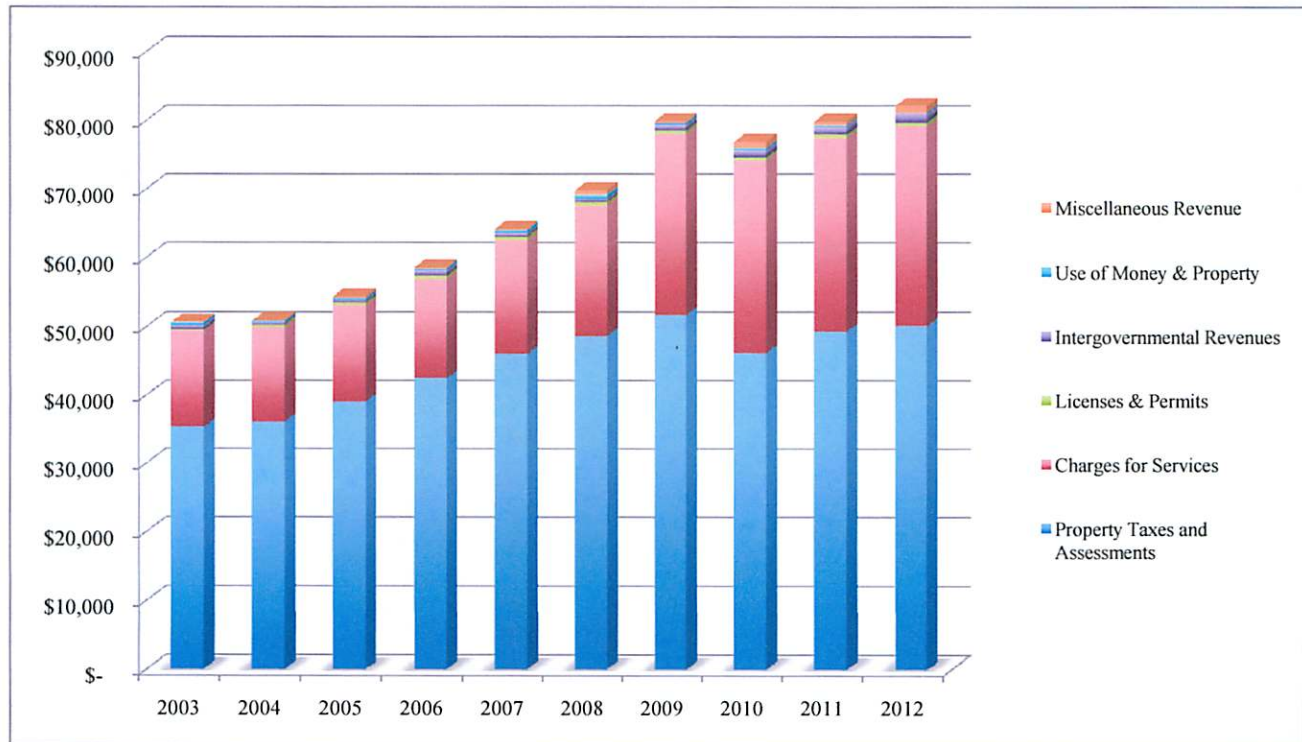
**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**General Expenditures by Function**  
**All Governmental Fund Types**  
**Last Ten Fiscal Years**  
**(in thousands)**  
**(Unaudited)**



Fiscal Year	Salaries & Benefits	Services & Supplies	Capital Projects/ Equipment/ Debt Service	Total
2003	\$ 39,341	\$ 8,887	\$ 3,710	\$ 51,938
2004	43,075	10,281	928	54,284
2005	46,054	8,949	651	55,654
2006	47,521	10,101	1,957	59,579
2007	47,320	12,445	1,338	61,103
2008	50,340	12,751	3,219	66,310
2009	60,373	13,462	4,504	78,339
2010	64,258	12,329	3,225	79,812
2011	67,014	12,112	1,706	80,832
2012	72,619	11,316	870	84,805



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**General Revenues by Source**  
**All Governmental Fund Types**  
**Last Ten Fiscal Years**  
**(in thousands)**  
**(Unaudited)**



Fiscal Year	Property Taxes and Assessments	Charges for Services	Licenses & Permits	Intergovernmental Revenues	Use of Money & Property	Miscellaneous Revenue	Total
2003	\$ 35,368	\$ 14,042	\$ 121	\$ 742	\$ 331	\$ 49	\$ 50,653
2004	36,109	13,774	424	339	220	13	50,879
2005	39,071	14,036	389	397	234	255	54,382
2006	42,486	14,477	411	789	264	122	58,549
2007	46,040	16,398	557	549	452	129	64,125
2008	48,621	18,928	494	489	586	642	69,760
2009	51,748	26,309	489	815	354	177	79,892
2010	46,211	27,981	425	1,107	190	967	76,881
2011	49,321	28,077	511	1,248	131	570	79,858
2012	50,140	29,084	529	1,313	149	884	82,099

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Assessed Valuations and Tax Rates**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Assessed Valuations

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2002-03	\$19,205,595,594	\$3,934,507	\$799,618,540	\$20,009,148,641
2003-04	20,308,549,909	6,084,407	837,020,202	21,151,654,518
2004-05	21,635,634,752	6,205,719	577,286,294	22,219,126,765
2005-06	23,626,644,050	6,164,522	572,254,435	24,205,063,007
2006-07	25,712,314,832	6,062,909	605,512,054	26,323,889,795
2007-08	27,364,514,995	5,593,056	640,517,434	28,010,625,485
2008-09	29,603,384,623	2,289,400	774,871,947	30,380,545,970
2009-10	30,206,569,891	2,289,400	842,571,313	31,051,430,604
2010-11	30,154,364,420	2,289,400	723,210,748	30,879,864,568
2011-12	30,835,886,894	2,318,920	773,485,166	31,611,690,980

Tax Rates (TRA 13-003 – 2011-12 Assessed Valuation: \$6,193,337,744)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
County-wide	1.0000	1.0000	1.0000	1.0000	1.0000
County Retirement Levy	.0388	.0388	.0388	.0388	.0388
County Library Retirement	.0024	.0024	.0024	.0024	.0024
Cupertino Elementary School District Bonds	.0329	.0357	.0360	.0350	.0289
Fremont High School District Bond	.0246	.0249	.0268	.0260	.0243
Foothill-De Anza Community College District Bond	<u>.0108</u>	<u>.0110</u>	<u>.0129</u>	<u>.0119</u>	<u>.0346</u>
Total All Property Tax Rate	1.1095	1.1128	1.1169	1.1141	1.1290
Santa Clara Valley Water District State Water Project	.0063	.0075	.0086	.0069	.0070
Santa Clara Valley Water District, Zone W-1 Bond	<u>.0009</u>	<u>.0012</u>	<u>.0006</u>	<u>.0009</u>	<u>.0002</u>
Total Land and Improvement Tax Rate	.0072	.0087	.0092	.0078	.0072
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
County-wide	1.0000	1.0000	1.0000	1.0000	1.0000
County Retirement Levy	.0388	.0388	.0388	.0388	.0388
County Library Retirement	.0024	.0024	.0024	.0024	.0024
County Hospital Bonds	-	-	.0122	.0095	.0047
Cupertino Elementary School District Bonds	.0337	.0306	.0312	.0308	.0290
Fremont High School District Bond	.0241	.0339	.0306	.0365	.0415
Foothill-De Anza Community College District Bond	<u>.0113</u>	<u>.0123</u>	<u>.0322</u>	<u>.0326</u>	<u>.0297</u>
Total All Property Tax Rate	1.1103	1.1180	1.1474	1.1506	1.1461
Santa Clara Valley Water District State Water Project	.0067	.0059	.0071	.0070	.0063
Santa Clara Valley Water District, Zone W-1 Bond	<u>.0004</u>	<u>.0002</u>	<u>.0003</u>	<u>.0002</u>	<u>.0001</u>
Total Land and Improvement Tax Rate	.0071	.0061	.0074	.0072	.0064

YV:(\$50)

Source: California Municipal Statistics

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Largest Local Secured Taxpayers**  
**Year Ended June 30, 2012**  
**(Unaudited)**

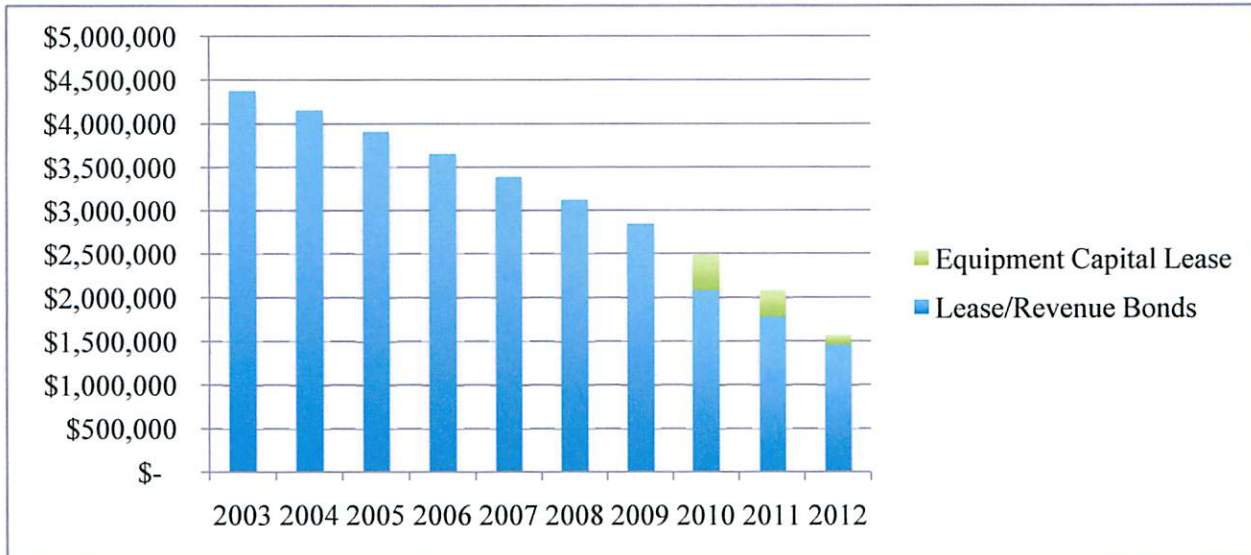
	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2011-12 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Campus Holdings Inc.	Office Building	\$ 545,464,480	1.77%
2.	Apple Computer Inc.	Office Building	440,120,324	1.43
3.	Heidelberg Cement Inc.	Industrial	184,361,220	0.60
4.	SI 32 LLC	Apartments	135,209,517	0.44
5.	Cupertino City Center Buildings	Office Building	95,152,610	0.31
6.	Vallco Shopping Mall LLC	Shopping Center	92,573,571	0.30
7.	Irvine Company LLC	Apartments	71,194,693	0.23
8.	San Jose Water Works	Water Company	71,014,672	0.23
9.	ECI Two Results LLC	Industrial	64,836,485	0.21
10.	Rocktino Fee LLC	Office Building	61,822,271	0.20
11.	Cupertino Village LP	Shopping Center	54,910,380	0.18
12.	500 Forbes LLC	Undeveloped	54,850,604	0.18
13.	Villa Serra Apartments	Apartments	54,556,471	0.18
14.	Seagate Technology LLC	Office Building	52,479,909	0.17
15.	Berg Family Partners LP	Office Building	52,342,382	0.17
16.	Knowles Los Gatos LLC	Industrial	46,123,468	0.15
17.	WW Dasc Owner LLC	Office Building	44,331,319	0.14
18.	SFERS Real Est. Corp. UU	Apartments	43,001,856	0.14
19.	KSL Capital Partners	Recreational	41,698,751	0.14
20.	MOF II Tantau Holdings Inc.	Office Building	<u>38,079,933</u>	<u>0.12</u>
			<u>\$2,244,124,916</u>	<u>7.28%</u>

(1) 2011-12 Local Secured Assessed Valuation: \$30,835,886,894

JC:(\$300)

Source: California Municipal Statistics  
data for fiscal year 2003, not available

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**



Fiscal Year	Lease/ Revenue Bonds	Equipment Capital Leases	Total Outstanding Debt	Debt Per Capita*
2003	\$ 4,380,000	\$ -	\$ 4,380,000	16.709203
2004	4,150,000	-	4,150,000	15.815067
2005	3,910,000	-	3,910,000	14.779424
2006	3,660,000	-	3,660,000	13.764780
2007	3,400,000	-	3,400,000	12.588024
2008	3,130,000	-	3,130,000	11.425151
2009	2,850,000	-	2,850,000	9.300383
2010	2,090,000	401,574	2,491,574	8.286051
2011	1,785,000	304,007	2,089,007	7.821711
2012	1,465,000	105,300	1,570,300	5.255513

\* - Calculation included population data from both the Fire District and its contract agencies.

Source: Santa Clara County Central Fire Protection District and State of California Department of Finance (population)

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Direct and Overlapping Debt**  
**June 30, 2012**  
**(Unaudited)**

2011-12 Assessed Valuation: \$31,611,690,980  
 Redevelopment Incremental Valuation: 952,457,413  
 Adjusted Assessed Valuation: \$30,659,233,567

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/12	% Applicable (1)	District's Share of Debt 6/30/12
Santa Clara County	\$316,800,000	11.424%	\$ 36,191,232
Foothill-De Anza Community College District	628,424,288	15.885	99,825,198
West Valley-Mission Community College District	210,961,930	21.715	45,810,383
Santa Clara Unified School District	441,095,000	2.050	9,042,448
Campbell Union High School District	161,195,000	14.537	23,432,917
Fremont Union High School District	260,605,108	34.261	89,285,916
Los Gatos Joint Union High School District	51,160,000	63.993	32,738,819
Mountain View-Los Altos Union High School District	47,971,663	0.002	959
Cambrian School District	18,304,944	0.444	81,274
Campbell Union School District	148,704,944	16.600	24,685,021
Cupertino Union School District	120,655,057	56.065	67,655,057
Lakeside Joint School District	619,465	29.002	179,657
Loma Prieta Joint Union School District	4,374,840	19.254	842,332
Los Gatos Union School District	94,060,000	98.348	92,506,129
Moreland School District	85,223,316	12.795	10,904,323
Mountain View-Whisman School District	24,662,490	0.006	1,480
Saratoga Union School District	45,413,558	38.278	17,383,402
Union School District	70,008,042	21.664	15,166,542
City of Saratoga	11,995,000	52.268	6,269,547
El Camino Hospital District	142,380,000	1.396	1,986,229
Town of Los Gatos 1915 Act Bonds	260,000	100.000	260,000
Santa Clara Valley Water Benefit Assessment District	133,440,000	11.424	<u>15,244,186</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$589,493,051</u></b>

Ratio to 2011-12 Assessed Valuation:  
 Total Overlapping Tax and Assessment Debt..... 1.86%

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$ 770,947,000	11.424%	\$ 88,072,985
Santa Clara County Pension Obligations	383,034,8232	11.424	43,757,898
Santa Clara County Board of Education Certificates of Participation	11,540,000	11.424	1,318,330
Foothill-De Anza Community College District Certificates of Participation	18,890,000	15.885	3,000,677
West Valley Mission Community College District Certificates of Participation	65,715,000	21.715	14,270,012
Santa Clara Unified School District Certificates of Participation	12,980,000	2.050	266,090
Campbell Union High School District Certificates of Participation	12,451,514	14.537	1,810,077
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	9,070,000	63.993	5,804,165
Mountain View-Los Altos Union High School District Certificates of Participation	5,710,000	0.002	114
Saratoga Union School District Certificates of Participation	5,830,000	38.278	2,231,607
City of Cupertino Certificates of Participation	43,940,000	100.000	43,940,000
Town of Los Gatos Certificates of Participation	23,985,000	100.000	23,985,000
Santa Clara County Vector Control Certificates of Participation	3,630,000	11.424	414,691
Midpeninsula Regional Open Space District General Fund Obligations	138,474,717	18.247	25,267,482
<b>Santa Clara County Central Fire Protection District</b>	<b>0</b>	<b>100.000</b>	<b>0</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b><u>\$254,139,128</u></b>

**TOTAL DIRECT DEBT** **\$0**  
**TOTAL OVERLAPPING DEBT** **\$843,632,179**  
**COMBINED TOTAL DEBT** **\$843,632,179**

Ratio to Adjusted Assessed Valuation:  
 Total Direct Debt..... 0.00%  
 Combined Total Debt..... 2.75%

AB:(\$450)

Source: California Municipal Statistics

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Computation of Legal Bonded Debt Margin**  
**June 30, 2012**  
**(Unaudited)**

<b>ASSESSED VALUATION</b>		
Secured Property assessed value, net of exempt real property	\$ 30,835,886,894	
		<b>\$ 1,156,345,759</b>
<b>BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)</b>		
<b>AMOUNT OF DEBT SUBJECT TO LIMIT:</b>		
Total Bonded Debt	\$ 1,570,300	
Less Lease Revenue Bonds and Equipment Leases not subject to limit	1,570,300	
Amount of debt subject to limit		-
<b>LEGAL BONDED DEBT MARGIN</b>		<b>\$ 1,156,345,759</b>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2003	\$ 720,209,835	\$ -	\$ 720,209,835	0.00%
2004	761,570,622	-	761,570,622	0.00%
2005	811,336,303	-	811,336,303	0.00%
2006	885,999,152	-	885,999,152	0.00%
2007	964,211,806	-	964,211,806	0.00%
2008	1,026,169,312	-	1,026,169,312	0.00%
2009	1,110,126,923	-	1,110,126,923	0.00%
2010	1,132,746,371	-	1,132,746,371	0.00%
2011	1,130,788,666	-	1,130,788,666	0.00%
2012	1,156,345,759	-	1,156,345,759	0.00%

**NOTE:**

(a) California Health & Safety Code, Section 13937 sets the debt limit at 10%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: California Municipal Statistics

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Principal Employers**  
**Current Year**  
**(Unaudited)**

<b>Employer</b>	<b>2010-11 (Latest Available)</b>		
	<b>City/Town</b>	<b>Number of Employees</b>	<b>Percentage of Total District Employment</b>
Apple	Cupertino	12,000	6.66%
Hewlett-Packard	Cupertino	3,000	1.67%
Columbia Health Care Assoc/Mission Oaks Hospital	Los Gatos	2,000	1.11%
Cupertino Union School District	Cupertino	1,490	0.83%
Foothill/DeAnza Community College District	Cupertino	1,290	0.72%
Fremont Union High School District	Cupertino	837	0.46%
Morgan Hill Unified School District	Morgan Hill	753	0.42%
El Camino Hospital of Los Gatos	Los Gatos	700	0.39%
Los Gatos School District	Los Gatos	568	0.32%
Arc Sight Inc	Cupertino	512	0.28%
Oracle	Cupertino	500	0.28%

Note: List was compiled to include data from employers located in the District and contracting agencies.

Sources: Cupertino, Los Gatos, Saratoga, Campbell, Los Altos and Morgan Hill CAFR's  
California Employment Development Department

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Demographic and Economic Statistics - County of Santa Clara**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>County Population <sup>(1)</sup></u>	<u>Total Personal Income (000's) <sup>(2)</sup></u>	<u>Per Capita Personal Income <sup>(2)</sup></u>	<u>Median Age <sup>(3)</sup></u>	<u>School Enrollment <sup>(4)</sup></u>	<u>Unemployment Rate <sup>(5)</sup></u>
2003	1,729,900	\$78,165,179	\$46,640	35.7	250,435	8.6%
2004	1,731,300	82,638,917	49,132	36.0	251,198	6.3%
2005	1,759,585	87,154,432	51,112	36.2	253,065	5.8%
2006	1,773,258	95,911,624	55,735	36.1	254,622	5.0%
2007	1,808,056	104,102,421	60,107	36.4	255,722	4.4%
2008	1,837,075	103,992,999	59,227	36.6	259,116	5.1%
2009	1,857,621	99,549,995	55,781	36.2	259,800	8.7%
2010	1,880,876	103,636,350	58,018	36.2	262,126	11.6%
2011	1,797,375	n/a	n/a	n/a	265,543	10.5%
2012	1,816,486	n/a	n/a	n/a	269,858	9.0%

Sources:

- (1) State of California - Department of Finance
- (2) U.S. Department of Commerce - Bureau of Economic Analysis
- (3) Association of Bay Area Census (California)
- (4) Santa Clara County Office of Education
- (5) State of California - Employment Development Department



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Demographic and Economic Indicators - District Population**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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	<b>Population</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Fire District</b>										
Cupertino	51,910	51,858	52,590	53,012	53,549	54,584	55,045	55,838	58,302	58,302
Monte Sereno	3,427	3,402	3,426	3,467	3,504	3,582	3,657	3,341	3,341	3,373
Saratoga (CFPD)	15,241	15,150	15,425	15,418	15,676	15,796	15,840	15,999	15,098	15,181
Unincorporated	10,000	10,000	10,000	10,000	10,000	10,077	4,000	1,942	1,500	1,212
Los Gatos	28,870	28,911	28,965	29,116	29,362	30,170	30,497	30,802	29,651	29,854
<b>Total Zone 2</b>	<b>109,448</b>	<b>109,321</b>	<b>110,406</b>	<b>111,013</b>	<b>112,091</b>	<b>114,209</b>	<b>109,039</b>	<b>107,922</b>	<b>107,892</b>	<b>107,922</b>
<b>Zone 1</b>	<b>40,500</b>	<b>40,500</b>	<b>40,500</b>	<b>40,500</b>	<b>40,600</b>	<b>40,855</b>	<b>56,567</b>	<b>52,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Subtotal Fire District</b>	<b>149,948</b>	<b>149,821</b>	<b>150,906</b>	<b>151,513</b>	<b>152,691</b>	<b>155,064</b>	<b>165,606</b>	<b>159,922</b>	<b>157,892</b>	<b>157,922</b>
<b>Contract Agencies</b>										
Campbell	38,300	38,179	38,415	38,408	39,748	40,161	40,420	39,363	39,664	39,882
Morgan Hill	34,918	35,489	36,423	37,091	38,418	39,218	39,814	40,246	38,309	39,127
Los Altos	27,665	27,619	27,513	27,584	27,941	28,165	28,457	28,863	28,863	29,460
Los Altos Hills County FD	11,300	11,300	11,300	11,300	11,300	11,349	11,400	11,400	11,450	11,500
Saratoga Fire District	-	-	-	-	-	-	20,743	20,902	20,900	20,900
<b>Total Contract</b>	<b>112,183</b>	<b>112,587</b>	<b>113,651</b>	<b>114,383</b>	<b>117,407</b>	<b>118,893</b>	<b>140,834</b>	<b>140,774</b>	<b>139,186</b>	<b>140,869</b>
<b>Toal Service Area</b>	<b>262,131</b>	<b>262,408</b>	<b>264,557</b>	<b>265,896</b>	<b>270,098</b>	<b>273,957</b>	<b>306,440</b>	<b>300,696</b>	<b>297,078</b>	<b>298,791</b>

Source: City and Fire District data collected from respective annual financial reports. Zone 1 and unincorporated population data estimated from parcel data provided by the Santa Clara County Assessor's Office.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Demographic and Economic Indicators for Major Cities Served by Fire District**  
**Fiscal Years 2002 through 2011**  
**(Unaudited)**

**DISTRICT CITIES**

**Saratoga**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>
2002	n/a	n/a	n/a	n/a	n/a
2003	30,482	n/a	n/a	n/a	n/a
2004	30,300	n/a	n/a	n/a	n/a
2005	30,850	\$ 1,586,245	\$ 51,418	2.5%	12,600
2006	30,835	1,719,175	55,754	2.1%	12,700
2007	31,352	1,859,362	59,306	2.3%	12,900
2008	31,592	1,843,425	58,351	3.2%	13,100
2009	31,679	1,747,699	55,169	6.0%	13,300
2010	31,997	n/a	n/a	5.8%	12,500
2011	30,195	n/a	n/a	5.2%	13,200

**Los Gatos**

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>
2002	28,864	\$ 1,564,284	\$ 54,195	41.89
2003	28,870	1,432,385	49,615	41.89
2004	28,911	1,338,724	46,305	42.52
2005	28,965	1,342,904	46,363	44.04
2006	29,116	1,430,527	49,132	44.19
2007	29,362	1,500,751	51,112	44.64
2008	30,170	1,681,525	55,735	44.86
2009	30,497	1,833,083	60,107	45.35
2010	30,802	1,303,695	42,325	45.09
2011	29,651	1,254,979	42,325	44.22

**Cupertino**

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Median Age</u>
2002	50,913	\$ 2,221,262	\$ 43,629	3.2%	n/a
2003	51,910	2,278,527	43,894	5.4%	n/a
2004	51,858	2,368,206	45,667	5.4%	n/a
2005	52,590	2,595,892	49,361	4.1%	n/a
2006	53,012	2,805,559	52,923	3.4%	n/a
2007	53,549	3,117,408	58,216	2.8%	n/a
2008	54,584	3,369,668	61,734	3.0%	n/a
2009	55,045	3,442,884	62,547	3.8%	n/a
2010	55,838	3,350,250	59,999	7.2%	40.5
2011	58,302	2,586,120	44,357	7.3%	39.1

Continued

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Demographic and Economic Indicators for Major Cities Served by Fire District**  
**Fiscal Years 2002 through 2011**  
**(Unaudited)**

**CONTRACT CITIES**

**Morgan Hill**

<u>Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Median Persons Per Household</u>	<u>Per Capita Median Income</u>	<u>Median Age</u>
2002	34,785	\$ 81,958	3.042	\$ 26,942	34.0
2003	34,918	88,175	3.042	28,986	34.0
2004	35,489	94,862	3.037	31,235	34.0
2005	36,423	94,950	3.034	31,295	34.0
2006	37,091	105,000	3.490	30,086	34.0
2007	38,418	105,954	3.000	35,318	34.0
2008	39,218	95,033	3.050	31,158	34.9
2009	39,814	96,703	3.100	31,195	36.1
2010	40,246	97,957	3.490	28,068	36.3
2011	38,309	99,243	3.060	32,432	33.5

**Campbell**

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	38,401	\$ 1,778,158	\$ 46,305	6.3%
2003	38,300	1,775,703	46,363	7.5%
2004	38,179	1,875,811	49,132	6.4%
2005	38,415	2,006,646	52,236	4.9%
2006	38,408	2,170,897	56,522	4.1%
2007	39,748	2,386,390	60,038	3.8%
2008	40,161	2,371,828	59,058	4.4%
2009	40,421	2,254,668	55,781	7.7%
2010	39,363	2,139,937	54,364	9.7%
2011	39,664	2,210,423	55,729	9.1%

**Los Altos**

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Median Age</u>
2002	27,825	\$ 1,885,422	\$ 67,760	4.2%	n/a
2003	27,722	1,889,504	68,159	4.2%	n/a
2004	27,512	1,948,592	70,827	3.2%	n/a
2005	27,614	2,109,268	76,384	2.7%	n/a
2006	27,608	2,256,761	81,743	2.3%	n/a
2007	28,104	2,521,097	89,706	2.3%	n/a
2008	28,291	2,687,617	94,999	3.0%	n/a
2009	28,458	2,738,286	96,222	5.6%	n/a
2010	28,863	2,666,624	92,389	5.5%	46.9
2011	28,863	2,118,948	73,414	5.7%	45.3

Concluded

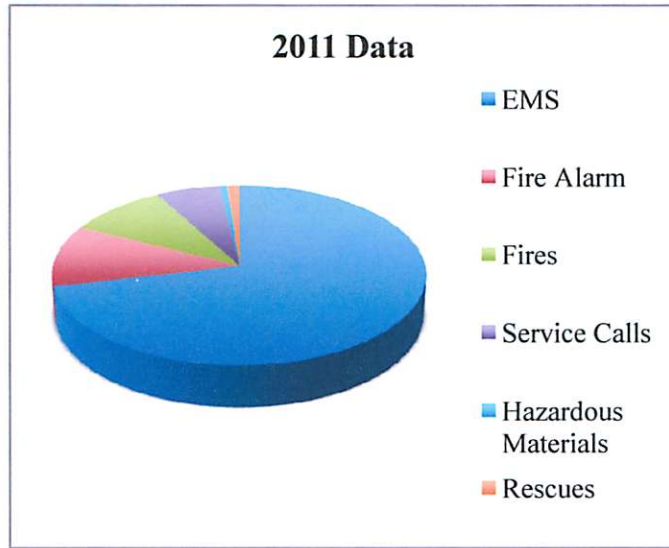
Source: Data collected from statistical section of individual City CAFRs

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Full-time and Part Time Employees by Function/Department**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Function/Department</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Public Safety:</b>										
Executive Management	9	9	9	9	9	9	9	9	9	9
Operations	219	219	219	219	219	242	245	245	245	245
Fire Prevention	23	23	23	23	23	23	23	23	23	23
Training	8	8	8	9	9	9	9	9	10	10
Support Services	10	10	10	10	10	10	10	10	10	10
Administration	13	13	13	13	13	15	15	15	16	16
	<u>282</u>	<u>282</u>	<u>282</u>	<u>283</u>	<u>283</u>	<u>308</u>	<u>311</u>	<u>311</u>	<u>313</u>	<u>313</u>

Source: Santa Clara County Central Fire Protection District

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Incidents by Type and Total**  
**Last Eight Calendar Years**  
**(Unaudited)**



<u>For the Year Ended December 31</u>	<u>EMS</u>	<u>Fire Alarm</u>	<u>Fires</u>	<u>Service Calls</u>	<u>Hazardous Materials</u>	<u>Rescues</u>	<u>Total</u>
2004	9,860	1,783	1,537	1,136	248	n/a	14,564
2005	8,946	2,625	2,263	1,307	230	n/a	15,371
2006	10,768	1,873	1,717	1,092	156	n/a	15,606
2007	11,081	2,052	1,770	1,194	165	n/a	16,262
2008	12,491	2,121	1,958	1,396	163	n/a	18,129
2009	12,523	2,188	1,745	1,247	151	254	18,108
2010	12,584	2,071	1,701	1,219	155	277	18,007
2011	13,344	2,061	1,772	1,150	136	218	18,681

Source: Santa Clara County Central Fire Protection District

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Capital Asset Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Number of Stations</b>										
District Owned	8	8	8	8	8	8	8	8	8	8
Operated by Contract	8	8	8	8	8	8	9	9	9	9
Total Fire Stations	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>
<b>Other Facilities</b>										
Fleet Maintenance Shop	1	1	1	1	1	1	1	1	1	1
Craftworkers Maintenance Shop	-	-	-	-	-	1	1	1	1	1
Training Center	1	1	1	1	1	1	1	1	1	1
Headquarters Building	1	1	1	1	1	1	1	1	1	1
Storage Facility	1	1	1	1	1	1	1	1	1	1
Total - Other Facilities	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>Equipment</b>										
<b>Engines</b>										
Frontline	14	14	14	14	14	15	15	15	15	15
Reserve	6	6	6	6	6	8	8	8	8	8
Subtotal - Engines	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>23</u>	<u>23</u>	<u>23</u>	<u>23</u>	<u>23</u>
<b>Rescues</b>										
Frontline	2	2	2	2	2	3	3	3	3	3
Reserve	1	1	1	1	1	-	-	-	-	-
Subtotal - Rescues	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>Trucks</b>										
Frontline	4	4	4	4	4	4	4	4	4	4
Reserve	1	1	1	1	1	1	1	1	1	1
Subtotal - Trucks	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>Type III/IV Engines</b>										
Frontline	5	5	5	5	5	5	6	6	6	6
Reserve	0	0	0	0	0	0	4	4	4	2
Subtotal - Type III/IV's	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>8</u>
<b>Command Vehicles</b>										
Frontline	3	4	4	4	4	6	8	8	8	8
Reserve	1	2	2	2	2	1	1	1	2	2
Subtotal - Command Vehicles	<u>4</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>
<b>Specialized/Support Vehicles</b>										
HazMAT	1	2	2	2	2	2	2	2	2	2
Breathing Support	-	-	-	1	1	1	1	1	1	1
Prime Mover	-	-	-	-	-	1	1	1	1	1
Trailer	2	2	2	2	4	6	7	7	7	7
S.A.F.E. House Trailer	1	1	1	1	1	1	1	1	1	-
USAR 5	1	1	1	1	1	1	1	1	1	1

Source: Santa Clara County Central Fire Protection District