



Santa Clara County Central Fire Protection District

**(A component of the County of Santa Clara)
Los Gatos, CA**

**Comprehensive Annual Financial Report
Year Ended June 30, 2017**

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**SANTA CLARA COUNTY CENTRAL FIRE
PROTECTION DISTRICT**

**(A Component Unit of the County of Santa
Clara)**

14700 Winchester Boulevard, Los Gatos, California
95032

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

Prepared by the Business Services Division

Fred Schulenburg

Director of Business Services

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**Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Comprehensive Annual Financial Report
June 30, 2017**

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INTRODUCTORY SECTION

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FIRE DEPARTMENT SANTA CLARA COUNTY



14700 Winchester Blvd., Los Gatos, CA 95032-1818
(408) 378-4010 • (408) 378-9342 (fax) • www.sccfd.org

November 16, 2017

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 (A Component Unit of the County of Santa Clara) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017.

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.

Maze & Associates, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT’S financial statements for the year ended June 30, 2017. 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 provide service to 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 of San Jose. 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 its 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.

In 2011, the City of Morgan Hill solicited bids from various local agencies to provide fire and emergency medical services in the City. The Fire District decided not to participate in this process and on January 3, 2013, the agreement between the City and the Fire District was allowed to expire. As part of the termination process, the Fire District sold the two fire stations located in the City of Morgan Hill back to the City.

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 technology and electronics research, development and manufacturing. Patent registrations and venture capital investment continue to be at higher levels than anywhere else in the country, and robotics and artificial intelligence are expected to fuel business growth in the future. The area also supports a wide variety of retail, office and personal service industries. Silicon Valley's economy continued to thrive in 2017. Employment levels have far surpassed pre-recession levels. Incomes continue to rise and unemployment is on the decline. Unfortunately, the Valley still struggles to solve the issues associated with extremely high housing costs, transportation, and disparities in income and employment opportunities.

Because of the huge presence of technology companies in the region, unemployment figures tend to rise and fall with the health of the tech sector. The unemployment rate for the region has continued to decline since reaching a high of 10.5% in August 2009. The unemployment rate was 3.6% in June 2017, under the national average of 4.4%.

The 2017 Silicon Valley Index Report, published by Joint Venture Silicon Valley, reports that income and wages in the region remain significantly higher than in the state or nation as a whole. Inflation adjusted per capita income increased across all racial and ethnic groups over the previous year. The region's per capita personal income was \$86,976 (compared to \$53,741 in California and \$48,112 in the United States.)

Median income in Silicon Valley is, on average, relatively high compared with other parts of the state, country and world. The percentage of Silicon Valley households living below the federal poverty limit is relatively low (8.3% in Santa Clara County and 15.3% in the state and 14.7% in the nation.) However, despite the low poverty levels, 29% of the region's population does not make enough money to meet their basic needs without public assistance. When cost of living is factored into the calculation, California has the highest poverty rate in the nation, at 20.6%. The cost of living in the Silicon Valley increased by 27% over the past year. The cost of goods and services in the Valley are 4% higher than other parts of California, and 10% higher than the national averages.

The percentage of first time homebuyers that can afford to purchase a median-priced home (Housing Affordability Index) in Santa Clara County fell in 2016 as part of a five- year downward trend. While 51% of California first-time homebuyers can afford a median-priced home, less than 40% can in Santa Clara County.

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. Property tax revenues in 2017 were 8.91% higher than the previous year, the fifth consecutive year of sustained growth, following four years of stagnant growth in tax roll. The County's Controller-Treasurer's Office is projecting 5.95% growth in property tax revenue in FY 2018.

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 56.5 percent of total General Fund expenditures. This amount exceeds the 10 – 15 percent corridor that the District has set for budgetary and planning purposes.

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 June 2012, the Fire District established an irrevocable trust to account for the funds being set aside for future retiree health care expenses and a 10-year funding plan was adopted to bring the annual contributions up to the actuarially determined amount. In February 2014, the Fire District's employees agreed to contribute 1% of base pay to the OPEB Trust to help ensure the long term financial viability of the Plan.

In order to prepare for future fire suppression staffing needs, and in consideration of the number of current employees who are eligible for retirement, 24 new recruits recently completed an 18-week fire academy, and were hired on as probationary firefighter/engineers.

The Fire District, with the help of an outside consultant, has completed a comprehensive Space Needs Study and published a Facilities Master Plan to better identify and plan for future improvements. The Space Needs Analysis has identified \$62 million in facility replacement and improvement projects that need to be addressed in the next three to five years. Projects include the replacement of four of the Fire District's older stations, a remodel or replacement of the District's headquarters building and the relocation and consolidation of the District's various support facilities to a central location. The Fire District is also exploring the possibility of purchasing surplus property from the County of Santa Clara to relocate its training facility.

In June 2017, the Fire District made the final payment and retired its only outstanding bond obligation. In light of the significant capital improvement program that the Fire District is about to undertake, the District will be exploring the use of debt financing to cover a portion of the costs associated with these new improvements.

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 to or in excess of appropriations). The Fire District's FY 2018 adopted budget includes \$21.1 million for capital equipment and facilities projects. This unusually large appropriation for capital assets will require the use of \$14.8 million in reserves to balance the budget. 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 to fund on-going operations, but will be used to purchase major capital assets, to meet temporary funding shortfalls, or to fund other unique one-time events. In June 2014, the Fire District obtained approval from its governing Board of Directors to commit \$10 million dollars of its fund balance for the future replacement of Fire District facilities and \$2.5 million of fund balance for the future replacement of fire apparatus. In June 2016, the Board of Directors approved the commitment of an additional \$12 million for the future replacement of Fire District facilities for a total of \$22 million.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fire District for its comprehensive annual financial report for the year ended June 30, 2016. This is the third time that the Fire District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Santa Clara County
Central Fire Protection District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



SANTA CLARA COUNTY FIRE DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DIRECTORY OF OFFICIALS



BOARD OF DIRECTORS

Dave Cortese, President
District 3

Mike Wasserman
District 1

Cindy Chavez
District 2

Ken Yeager
District 4

Joseph Simitian
District 5

PRINCIPAL STAFF

Kenneth R. Kehmna
Fire Chief

Tony Bowden
Assistant Fire Chief

John Justice
Deputy Chief

Joe Parker
Deputy Chief

Stephen Prziborowski
Deputy Chief

Daron Pisciotta
Deputy Chief

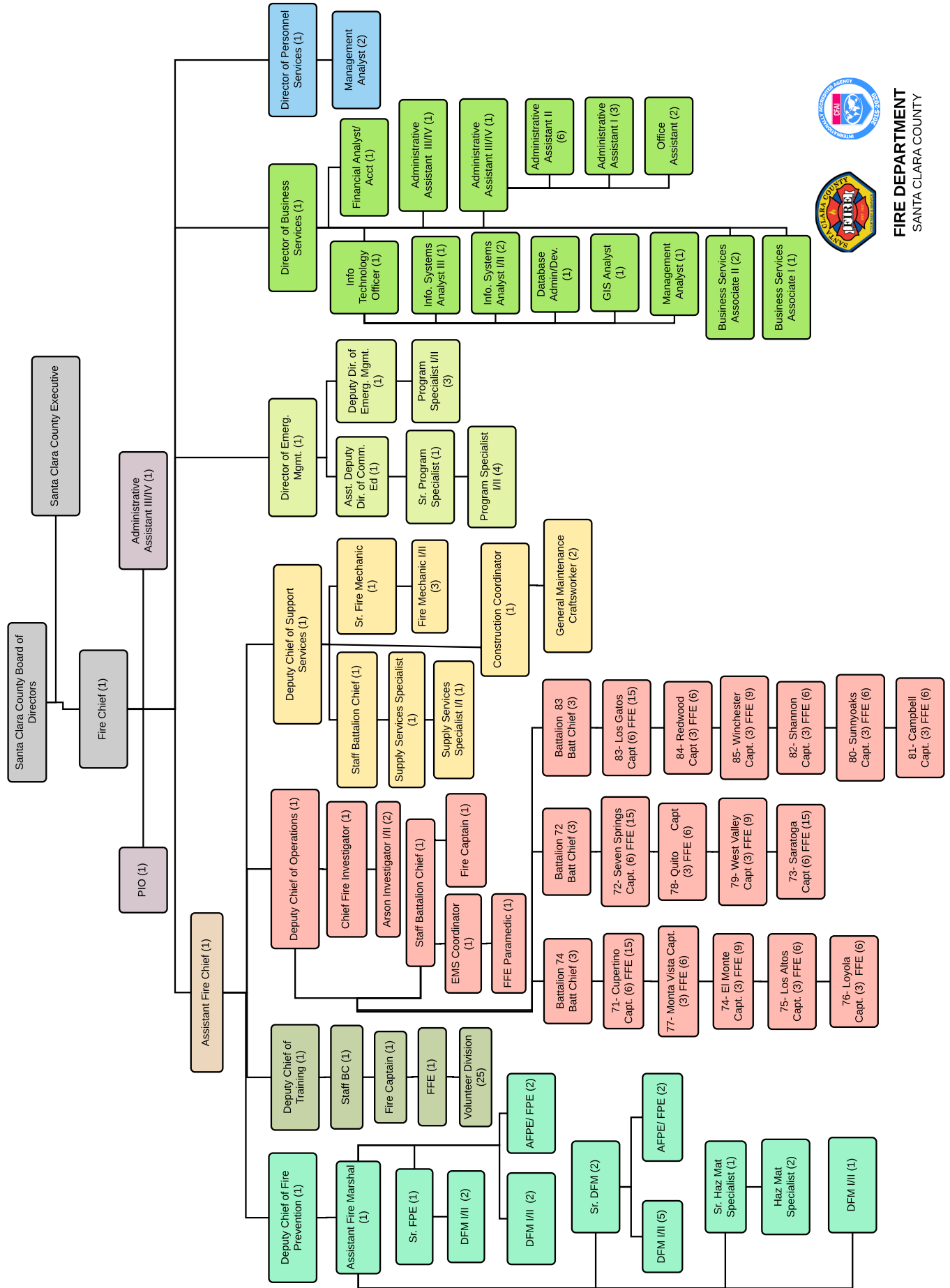
Fred Schulenburg
Director of Business Services

Doug Baker
Director of Personnel Services

Dana Reed
Director of Emergency Mgmt.

Eric Prosser
IT Officer

ORGANIZATION CHART



FIRE DEPARTMENT
SANTA CLARA COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Santa Clara County Central Fire Protection District (District), a component unit of the County of Santa Clara, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to 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.

Maze + Associates

Pleasant Hill, California
November 15, 2017

Management's Discussion and Analysis
(Required Supplementary Information)

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SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources at the close of the 2016-2017 fiscal year by \$105,816,036 (*net position*). Of this negative amount, negative \$131,610,450 (*unrestricted net position*) represents the District's current inability to meet its long-term obligation to fund the cost of its pension and retiree medical programs, and \$25,794,414 is net investment in capital assets.
- The District's total net position increased by \$9,920,312 and compared to the prior year net position increase of \$5,818,593, this year's activities improved due to the continued growth in property tax revenues (partially due to the construction of the new Apple headquarters campus) and historically low spending on capital assets.
- As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$56,886,969, an increase of \$11,551,487 in comparison with the prior year. Of this amount \$22 million is committed for major facility replacement, repair or maintenance; \$2.5 million is committed for fire apparatus replacement; and the remaining \$32.4 million is available to meet the District's current and future needs (*unassigned fund balance*).
- In the current year, the District reported an increase in the fund balance of \$11.6 million compared to last year's increase in the fund balance of 5.4 million due to a continued growth in property tax revenues historically low spending on capital assets.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$32,386,969 or 32% of total general fund expenditures.
- The District's total long-term debt increased \$29 million mainly due to the Net Pension Liability.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of these government-wide financial statements distinguish functions of the District that are principally supported by property taxes and assessments, and charges for services (*governmental activities*). 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. The funds 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
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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 proprietary funds: the health benefit and workers compensation funds which are internal service funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its health benefit and workers compensation functions. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The internal service funds are 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 no fiduciary fund.

Notes to the Financial Statements

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

Required Supplementary Information

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.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's net position at the close of the current fiscal year is negative \$105,816,036.

Net Position

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Assets:			
Current assets	\$ 72,917,283	\$ 61,234,823	19%
Capital assets, net	<u>25,794,414</u>	<u>27,295,563</u>	(6%)
Total assets	<u>98,711,697</u>	<u>88,530,386</u>	12%
Deferred Outflows of Resources			
Pension plan	<u>41,052,261</u>	<u>32,869,681</u>	25%
Liabilities:			
Current liabilities	4,404,393	5,906,225	(25%)
Long-term liabilities	<u>233,757,672</u>	<u>204,616,233</u>	14%
Total liabilities	<u>238,162,065</u>	<u>210,522,458</u>	13%
Deferred Inflows of Resources			
Deferred gain from refunded debt	-	67,142	(100%)
Pension plan	<u>7,417,929</u>	<u>26,546,815</u>	(72%)
Total Deferred Inflows of Resources	<u>7,417,929</u>	<u>26,613,957</u>	(72%)
Net position:			
Net investment in capital assets	25,794,414	26,908,421	(4%)
Unrestricted net position	(<u>131,610,450</u>)	(<u>142,644,769</u>)	8%
Total net position	<u>(\$105,816,036)</u>	<u>(\$115,736,348)</u>	9%

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

Analysis of Net Position

The larger portion of the District's net position, \$25,794,414, reflects its net 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 position is a negative \$131,610,450, which means the District is not currently able to meet its long-term obligation to fund its pension and retiree medical programs.

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

Changes in Net Position

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	Increase/ (Decrease)
Revenues:			
Program Revenues:			
Charge for Services	\$ 30,273,206	28,779,757	5%
Operating Grants and Contributions	5,048,211	5,268,740	(4%)
General Revenues:			
Property Taxes and Assessments	76,130,807	69,871,573	9%
Interest and Investment Income	490,777	327,879	50%
Miscellaneous	<u>1,205,892</u>	<u>1,310,663</u>	(8%)
Total Revenues	<u>113,148,893</u>	<u>105,558,612</u>	7%
Expenses:			
Public Protection	<u>103,228,581</u>	<u>99,740,019</u>	4%
Total Expenses	<u>103,228,581</u>	<u>99,740,019</u>	4%
Changes in Net Position	<u>9,920,312</u>	<u>5,818,593</u>	71%
Net Position, Beginning	<u>(115,736,348)</u>	<u>(121,554,941)</u>	5%
Net Position, Ending	<u>(105,816,036)</u>	<u>(115,736,348)</u>	9%

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

Analysis of Changes in Net Position

Governmental activities increased the District's net position by \$9,920,312 thereby accounting for 100% of the total increase in net position of the District. 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 \$6,259,234 or 9% due to a continuing improvement in residential and commercial property values and the impact of construction on the new Apple headquarters project.
- Charges for services increased \$1,493,449 or 5% due to cost of living adjustments included in service contracts with local agencies.
- Interest and investment income increased \$162,898 or 50% due to a higher level of funding under investment and an increased rate of return on investments.
- Miscellaneous revenues decreased \$104,771 or 8% due to a one-time receipt of funds in the prior year related to the administration of the District's self-funded medical Plan.

While the key elements noted above account for the year-to-year changes in major revenue and expense categories, the main reason for the \$9.9 million growth in net position is attributable to the continued growth in property tax revenues and mutual aid reimbursements.

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
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

At June 30, 2017, the District's governmental funds reported an ending fund balance of \$56,886,969, an increase of \$11,551,487 in comparison with the prior year. Of this fund balance, \$22 million is committed for major facility replacement, repair or maintenance; \$2.5 million is committed for fire apparatus replacement; and \$32.4 million is unassigned fund balance which 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 32% and 56%, respectively, of general fund expenditures of \$101,464,139.

Revenues for governmental functions totaled \$112,965,592 in fiscal year 2016-2017, which represents an increase of \$7,486,622 or 7% from the previous fiscal year. Expenditures for governmental functions, totaling \$101,464,139, increased by \$1,413,305 or 1% from the previous fiscal year. In fiscal year 2016-2017, revenues for governmental functions exceeded expenditures by \$11,501,453.

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 2017</u>		<u>FY 2016</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Change</u>
Property Taxes and Assessments	\$76,130,807	67%	\$69,871,573	66%	\$6,259,234	9%
Licenses and Permits	982,482	1%	757,478	1%	225,004	30%
Intergovernmental Revenues	5,048,211	5%	5,268,740	5%	(220,529)	(4%)
Use of Money and Property	490,777	0%	332,237	0%	158,540	48%
Charges for Services	29,107,423	26%	28,022,279	27%	1,085,144	4%
Miscellaneous Revenues	<u>1,205,892</u>	<u>1%</u>	<u>1,226,663</u>	<u>1%</u>	<u>(20,771)</u>	<u>(2%)</u>
Total	<u>\$112,965,592</u>	<u>100%</u>	<u>\$105,478,970</u>	<u>100%</u>	<u>\$7,486,622</u>	<u>7%</u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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

- Property taxes and assessments – Increased due to continued growth in residential and commercial property values, including construction at the new Apple Computer Headquarters project.
- Licenses and permits – Increased due to a higher level of construction activity in the District, including the new Apple Computer Headquarters project.
- Intergovernmental revenues – Decreased due to a lower number of reimbursements from state and federal mutual aid events.
- Use of money and property– Increased due to an increase in the amount of money under investment and a higher rate of return on pooled investments.
- Charges for services – Increased due to cost of living adjustments included in service contracts with local agencies.

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

Expenditures by Function Governmental Funds						
<u>Expenditures by Function</u>	<u>FY2017</u>		<u>FY2016</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	\$100,286,357	99%	\$96,387,928	96%	\$3,898,429	4%
Capital Outlay	843,832	1%	3,328,706	4%	(2,484,874)	(75%)
Debt. Service - Principal	320,000	0%	305,000	0%	15,000	5%
Debt. Service - Interest	<u>13,950</u>	<u>0%</u>	<u>29,200</u>	<u>0%</u>	<u>(15,250)</u>	<u>(52%)</u>
Total	<u>\$101,464,139</u>	<u>100%</u>	<u>\$100,050,834</u>	<u>100%</u>	<u>\$1,413,305</u>	<u>1%</u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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

- Public protection – Increased due to higher costs associated with salaries and benefits, including a 2% cost of living adjustment for all employees, and higher pension costs.
- Capital outlay – Decreased due to fewer new fire apparatus being purchased during the current fiscal year compared to the prior fiscal year and a significant reduction in expenditures for fire station improvements.
- Debt service-principal – Increased due to higher debt service payments for bonded debt.
- Debt service-interest – Decreased due to a reduction in the amount of outstanding debt.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management’s Discussion and Analysis
Year Ended June 30, 2017

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	\$112,965,592
Expenditures	(101,464,139)
Net other financing sources (uses)	<u>50,034</u>
Net change in fund balances	11,551,487
Fund balance, beginning	<u>45,335,482</u>
Fund balance, ending	<u>\$ 56,886,969</u>

The fund balance of the District’s General Fund increased by \$11,551,487 during the fiscal year. The increase is mainly due to the continued growth in residential and commercial property values, including construction at the new Apple Computer Headquarters project. As noted above, the District’s general fund public protection expenditures increased by 4% due mainly to a 2% wage increase in November 2016 and increased retirement costs. Overall, the general fund’s performance resulted in a net increase in fund balance for the fiscal year ended June 30, 2017 of \$11,551,487, an increase of 112% over the prior year’s net increase in fund balance of \$5,442,512.

Proprietary Funds – Internal Service

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 position of \$232,704 at June 30, 2017. The total increase in net position for the Health Benefit fund was \$9,771 due to normal fluctuations in the timing and extent of payments in the District’s self-funded health plan.

The Workers Compensation fund had unrestricted net position of \$2,063,936 at June 30, 2017. The total increase in net position for the Workers Compensation fund was \$173,530 due to normal fluctuations in the timing and extent of payments in the District’s self-funded workers’ compensation plan.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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>Workers Compensation</u>		
	<u>2017</u>	<u>2016</u>	Increase/ (Decrease)	<u>2017</u>	<u>2016</u>	Increase/ (Decrease)
Operating revenues	\$5,163,080	\$5,230,802	(1%)	\$3,114,640	\$3,079,642	1%
Operating expenses	(5,153,309)	(5,311,563)	(3%)	(2,941,110)	(4,020,311)	(27%)
Change in net position	<u>\$ 9,771</u>	<u>(\$ 80,761)</u>	112%	<u>\$173,530</u>	<u>(\$940,669)</u>	118%

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original and the final budget resulted in a \$1,800,000 increase in the amounts available for appropriations. The main components of those changes can be briefly summarized as follows:

- Intergovernmental revenues budget increased by \$1,800,000 due to higher than anticipated reimbursements from the State and federal government for out of County mutual aid events.

During the year, actual revenues were more than budgetary estimates by \$7,428,551. The main components of the positive variance are as follows:

- Property taxes and assessments had a positive variance of \$4,186,807 due to a strong growth in property values.
- Intergovernmental revenues had a positive variance of \$2,548,211 due to the high number of unanticipated mutual aid responses that were reimbursed by State and federal governmental agencies.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

The difference between the original and the final budget resulted in a \$1,796,683 increase in the total charges for appropriations. Those changes can be briefly summarized as follows:

- Salaries and benefits budget increased by \$1,800,000 due to higher than anticipated expenditures for overtime related to several large mutual events in other parts of the state.
- Services & supplies and other charges budget increased by \$618,683 due to a change in the District's capitalization policy that shifted expenditures from capital outlay to non-capitalized equipment.
- City provided services budget increased by \$306,000 due to higher than anticipated property values associated with the parcels covered by the contract with the City of San Jose.
- Capital outlay budget was reduced by \$928,000 to cover budget shortfalls in other object categories.

Actual expenditures were lower than budgetary estimates by \$9,247,609. The main components of the positive variance are as follows:

- Salaries and benefits had a positive variance of \$230,094 due to lower than anticipated salary costs (due to vacancies), offset by higher than forecasted overtime costs.
- Capital outlay had a positive variance of \$8,904,637 due to a delay in purchasing or constructing some of the items included in the capital outlay budget including \$5.5 million for a replacement fire station and \$2.5 million for various fire apparatus.

Overall, the net effect of over-realization of revenues and under-utilization of expenditures versus budgeted amounts resulted in a favorable variance of \$16,676,160.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets for its governmental activities as of June 30, 2017, amounted to \$25,794,414 (net of accumulated depreciation). These capital assets include land, buildings, improvements, vehicles, machinery, equipment, and furnishings. The total decrease in the District's capital assets for the current period was 5.5%.

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

- The purchase of computers and network equipment.
- The purchase of a portable fire ventilation/ rescue training prop.
- The sale and 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.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

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>2017</u>	<u>2016</u>	<u>% of</u> <u>Change</u>
Land	\$ 3,742,499	\$ 3,742,499	0 %
Construction in progress	-	629,443	(100%)
Buildings	15,270,896	15,270,896	0 %
Vehicles, machinery, equipment, and furnishings	<u>26,079,860</u>	<u>25,288,848</u>	3%
Total cost	45,093,255	44,931,686	0%
Less: accumulated depreciation	<u>(19,298,841)</u>	<u>(17,636,123)</u>	(9%)
Capital assets, net	<u>\$25,794,414</u>	<u>\$27,295,563</u>	(6%)

Additional information on the Santa Clara County Central Fire Protection District's capital assets can be found in Note 4 on page 41 of this report.

Long-term debt

At June 30, 2017, the District had total long-term debt outstanding of \$233,757,672 as compared to \$204,616,233 in the prior year. This amount was comprised of \$7,271,209 for compensated absences; \$11,029,000 for insurance claims payable (worker's comp); \$44,131,989 for net OPEB obligations; and \$171,325,474 for net pension liability. During the year the District made its final principal payment of \$320,000 for its only outstanding bond issue. Compensated absences increased by \$173,510; insurance claims payable increased by \$979,000; an additional \$996,391 in net OPEB obligation was recognized; and an increase of \$26,992,538 in net pension liability was recorded.

Additional information on the Santa Clara County Central Fire Protection District's long-term debt can be found in Note 6 on page 42 of this report.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Management's Discussion and Analysis
Year Ended June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the District and were considered in developing the 2017-18 fiscal year budget.

- The District's current labor agreements with its represented bargaining units will expire on November 6, 2017. The District's 2018 adopted budget includes funding for a 4% salary increase on November 7, 2017, but the cost of the actual increase will not be known until a successor agreement is approved by both parties.
- Retirement costs are projected to increase by more than 50% over the next 4 years.
- The District is forecasting growth in property tax revenues of 6.9% in the coming fiscal year due to a strong residential and commercial market and the Apple Campus Headquarters project, which is nearing completion.
- Revenues from contract agencies are expected to grow by 2% to 3% in the coming year.

All of these factors were considered in preparing the District's budget for fiscal year 2018.

During the current fiscal year, the total fund balance in the general fund increased to approximately \$56.9 million. Unassigned fund balance increased to approximately \$32.4 million due to the continued strong growth in property tax revenues.

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
(A Component Unit of the County of Santa Clara)
STATEMENT OF NET POSITION
As of June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and investments	
Unrestricted	\$ 69,131,204
Restricted with fiscal agents	250,791
Accounts receivable	889,427
Interest receivable	205,314
Due from other Governmental agencies	2,440,547
Capital assets	
Land	3,742,499
Depreciable capital assets, net	<u>22,051,915</u>
Total Assets	<u>98,711,697</u>
Deferred Outflows of Resources	
Pension plan	<u>41,052,261</u>
Total Deferred Outflows of Resources	<u>41,052,261</u>
Liabilities	
Accounts payable	27,681
Accrued salaries and benefits	2,326,178
Other accrued Liabilities	3,850
Unearned revenue	346,965
Insurance claims payable	11,029,000
Compensated absences, due within one year	1,699,719
Compensated absences, due beyond one year	7,271,209
Net OPEB Obligation	44,131,989
Net Pension Liability	<u>171,325,474</u>
Total Liabilities	<u>238,162,065</u>
Deferred Inflows of Resources	
Pension Plan	<u>7,417,929</u>
Total Deferred Inflows of Resources	<u>7,417,929</u>
Net Position	
Net investment in capital assets	25,794,414
Unrestricted	<u>(131,610,450)</u>
Total Net Position	<u><u>\$(105,816,036)</u></u>

See accompanying notes to financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities Operations	
Functions/Programs				
Governmental Activities				
Public protection	\$ 103,228,581	\$ 30,273,206	\$ 5,048,211	\$ (67,907,164)
Total Governmental Activities	<u>\$103,228,581</u>	<u>\$30,273,206</u>	<u>\$5,048,211</u>	<u>(67,907,164)</u>
General Revenues				
Property taxes and assessments				76,130,807
Interest and investment income				490,777
Miscellaneous				<u>1,205,892</u>
Total General Revenues				<u>77,827,476</u>
Change in Net Position				9,920,312
Net Position, Beginning				<u>(115,736,348)</u>
Net Position, Ending				<u>\$ (105,816,036)</u>

See accompanying notes to financial statements

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Basic Financial Statements
Fund Financial Statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Balance Sheet - Governmental Fund
June 30, 2017

ASSETS	<u>General Fund</u>
Cash and Investments	
Unrestricted	\$ 56,068,796
Restricted	18,086
Accounts receivable	889,428
Interest receivable	174,786
Due from other governmental agencies	<u>2,440,547</u>
Total Assets	<u><u>\$59,591,643</u></u>
LIABILITIES	
Accounts payable	\$ 27,681
Accrued salaries and benefits	1,846,360
Other accrued liabilities	3,850
Insurance claims payable	479,818
Unearned revenue	<u>346,965</u>
Total Liabilities	<u>2,704,674</u>
FUND BALANCES	
Committed	
Major facility replacement, repair or maintenance	22,000,000
Fire Apparatus replacement	2,500,000
Unassigned	<u>32,386,969</u>
Total Fund Balance	<u>56,886,969</u>
Total Liabilities and Fund Balances	<u><u>\$ 59,591,643</u></u>

See accompanying notes to financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Reconciliation of the Governmental Fund Balance Sheet to the
Government- Wide Statement of Net Position - Governmental Activities
June 30, 2017

Fund Balances - Total Governmental Funds	\$ 56,886,969
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	25,794,414
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 position	2,296,640
Deferred outflow of resources from pension plan	41,052,261
Deferred inflow of resources from pension plan	(7,417,929)
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	\$ (8,970,928)
Net OPEB Obligation	(44,131,989)
Net Pension Liability	<u>(171,325,474)</u>
	<u>(224,428,391)</u>
Net Position of Governmental Activities	<u><u>\$(105,816,036)</u></u>

See accompanying notes to basic financial statements

SANTA CLARA COUNTY CENTRAL PROTECTION DISTRICT
(A Component Unity of the County of Santa Clara)
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>
REVENUES:	
Property taxes and assessments	\$ 76,130,807
Licenses and permits	982,482
Intergovernmental revenues	5,048,211
Use of money and property	490,777
Charges for services	29,107,423
Miscellaneous revenues	<u>1,205,892</u>
Total Revenues	<u>112,965,592</u>
EXPENDITURES:	
Public Protection	
Salaries and benefits	83,986,906
Services and supplies	9,002,356
City provided services	6,490,240
Other charges	806,855
Capital outlay	843,832
Debt service - principal	320,000
Debt service - interest	<u>13,950</u>
Total Expenditures	<u>101,464,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,501,453</u>
OTHER FINANCING SOURCES (Uses)	
Sales of capital assets	<u>50,034</u>
Net Other Financing Sources (Uses)	<u>50,034</u>
NET CHANGE IN FUND BALANCES	11,551,487
Fund Balance, Beginning	<u>45,335,482</u>
Fund Balance, Ending	<u><u>\$ 56,886,969</u></u>

See accompanying notes to basic financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Government-wide Statement of Activities
 Governmental Activities
 For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 11,551,487

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays 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	\$ 843,832	
Less: current year depreciation	<u>(2,302,906)</u>	(1,459,074)

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 position differs from the change in fund balance by the cost of the asset sold, net of related accumulated depreciation (42,075)

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

Principal repayments		
Bonds Payable		320,000

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. 183,301

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.

Amortization of deferred gain from refunded debt	\$ 67,142	
Change in net OPEB obligation	(996,391)	
Pension expense	318,928	
Change in compensated absences	<u>(23,006)</u>	<u>(633,327)</u>

Change in Net Position of Governmental Activities \$ 9,920,312

See accompanying notes to basic financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Statement of Net Position - Proprietary Funds - Internal Service
As of June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	
Unrestricted	\$ 13,062,408
Restricted	232,705
Accounts receivable	430,449
Interest receivable	<u>30,528</u>
Total Assets	<u>13,756,090</u>
Liabilities	
Noncurrent Liabilities	
Insurance claims payable	<u>11,459,450</u>
Total non-current liabilities	<u>11,459,450</u>
Net Position	
Unrestricted	<u>2,296,640</u>
Total Net Position	<u><u>\$ 2,296,640</u></u>

See accompanying notes to financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds - Internal Service
As of June 30, 2017

	Governmental Activities
Operating Revenues	
Plan Contributions	\$ 8,163,080
Interest and investment income	114,640
Total Operating Revenues	8,277,720
Operating Expenses	
Claims Expenses	8,094,419
Total Operating Expenses	8,094,419
Change in Net Position	183,301
Net Position, Beginning	2,113,339
Net Position, Ending	\$ 2,296,640

See accompanying notes to financial statements

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Statement of Cash Flows - Proprietary Funds - Internal Service
As of June 30, 2017

	Governmental Activities
Cash Flows from Operating Activities	
Cash Receipts from interfund services provided - contributions to the plan	\$ 8,280,684
Cash payment for interfund services used - paid claims	(7,127,499)
Net increase in cash and investments	1,153,185
Cash and Investments, Beginning	12,141,928
Cash and Investments, Ending	\$13,295,113
Reconciliation of change in net position to net cash provided (used) by operating activities	
Change in Net Position	\$ 183,301
Adjustment to reconcile change in net position to net cash provided (used) by operating activities	
Decrease (increase) in assets	
Accounts receivable	12,080
Interest receivable	(9,116)
Increase (decrease) in liabilities	
Insurance claims payable	966,920
Net cash provided by operating activities	\$ 1,153,185

See accompanying notes to financial statements

Basic Financial Statements –
Notes to the Basic Financial Statements

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SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

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 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. The debt was fully repaid during the fiscal year ended June 30, 2017.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund activities. 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.

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

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds are presented 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

Proprietary Funds

The District reports the following proprietary funds:

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 the following Internal Service funds:

- *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 Delta Health Systems, a third party administrator).
- *Workers' Compensation* Fund is used to account for assets held by the District to meet present and future workers' compensation claims liabilities.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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, the District's major revenue source, 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.

Property taxes, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues for the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of the year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 (with a value of \$5,000 or more) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation expense is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives, by type of asset, are as follows:

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.

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

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

H. Long-term Debt

All long-term debt to be paid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of compensated absences, insurance claims payable, net OPEB obligation, net pension liability, 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.

I. 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 the compensated absence liabilities payable from expendable available financial resources, only if they have matured.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Standard No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date-(MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

K. Equity Classifications

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

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

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

- *Nonspendable Fund Balance* - includes amounts that are (a) not in spendable form – such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact-such as a trust that must be retained in perpetuity. The "not in spendable form" criterion includes items that are expected to be converted to cash.
- *Restricted Fund Balance* - constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* - amounts that can be used only 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. The formal action that is required to be taken by the Board to establish, modify, or rescind a commitment is through a board resolution.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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.

L. 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.

M. Subsequent Events

Management has evaluated subsequent events through November 15, 2017 and has determined that there were no events that required disclosure.

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.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS

The cash balance of the District's General Fund and the Workers Compensation 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 the 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 the different categories of investments, can be found in the County's notes to the basic financial statements.

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

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Investments with the County Treasury common pool:		
General Fund	\$ 56,066,696	\$ 55,936,834
General Fund - Payroll (Restricted)	18,086	18,086
Proprietary - Workers' Compensation	13,062,408	13,089,777
Proprietary - Health Benefit (Restricted)	232,705	232,705
Petty Cash	2,100	2,100
Total	<u>\$ 69,381,995</u>	<u>\$ 69,279,502</u>

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 \$129,862 for the General Fund and increase by \$27,369 for 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
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Dispositions	Transfers	Balance June 30, 2017
Nondepreciable capital assets:					
Land	\$ 3,742,499	\$ -	\$ -	\$ -	\$ 3,742,499
Construction in progress	629,443	-	-	(\$629,443)	-
Total capital assets not being depreciated	<u>4,371,942</u>	<u>-</u>	<u>-</u>	<u>(629,443)</u>	<u>3,742,499</u>
Capital assets being depreciated:					
Buildings	15,270,896				15,270,896
Vehicles, Machinery, Equipment, and Furnishings	<u>25,288,848</u>	<u>\$843,832</u>	<u>(\$682,263)</u>	<u>629,443</u>	<u>26,079,860</u>
Total capital assets being depreciated	<u>40,559,744</u>	<u>843,832</u>	<u>(682,263)</u>	<u>629,443</u>	<u>41,350,756</u>
Less accumulated depreciation for:					
Buildings and building improvements	(6,049,395)	(305,153)	-	-	(6,354,548)
Vehicles, Machinery, Equipment, and Furnishings	<u>(11,586,728)</u>	<u>(1,997,753)</u>	<u>640,188</u>	<u>-</u>	<u>(12,944,293)</u>
Total accumulated depreciation	<u>(17,636,123)</u>	<u>(2,302,906)</u>	<u>640,188</u>	<u>-</u>	<u>(19,298,841)</u>
Total depreciable assets	<u>22,923,621</u>	<u>(1,459,074)</u>	<u>(42,075)</u>	<u>629,443</u>	<u>22,051,915</u>
Governmental activity capital assets, net	<u>\$ 27,295,563</u>	<u>\$ (1,459,074)</u>	<u>\$ (42,075)</u>	<u>\$ -</u>	<u>\$25,794,414</u>

For the year ended June 30, 2017, depreciation expense charged to services and supplies under governmental activities was \$2,302,906.

NOTE 5 - 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 District's policy is to accrue a liability for anticipated losses as claims are received based upon the probability of payout against each claim, as measured by the actuarial report and the County Workers Compensation Department (ESA).

The changes in the balances of the insurance claims payable for each of the two most recent fiscal periods are as follows:

	2016/2017	2015/2016
Liability - July 1	\$ 10,050,000	\$ 8,643,000
Incurred claims and changes in estimates	3,920,110	5,247,311
Claims payments	<u>(2,941,110)</u>	<u>(4,020,311)</u>
Liability - June 30	<u>\$ 11,029,000</u>	<u>\$10,050,000</u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

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 position.

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. The bond was fully repaid during the fiscal year ended June 30, 2017.

B. Changes in Long-term Debt

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due within one year	Due beyond one year
Bonds Payable	\$ 320,000	\$ -	\$ (320,000)	\$ -	\$ -	\$ -
Compensated Absences	8,947,922	142,023	(119,017)	8,970,928	1,699,719	7,271,209
Note 5)	10,050,000	8,141,842	(7,162,842)	11,029,000	-	11,029,000
Net OPEB Obligation (see Note 8)	43,135,598	6,949,800	(5,953,409)	44,131,989	-	44,131,989
Net Pension Liability (see Note 7)	144,332,936	26,992,538	-	171,325,474	-	171,325,474
Totals	<u>\$ 206,786,456</u>	<u>\$ 42,226,203</u>	<u>\$ (13,555,268)</u>	<u>\$ 235,457,391</u>	<u>\$ 1,699,719</u>	<u>\$ 233,757,672</u>

Other long-term liabilities have normally been liquidated by the general fund in the prior years.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN

A. Plan Description

All eligible Fire District employees participate in the California Public Employees Retirement System (CalPERS). The Fire District participates in two plans (Miscellaneous and Safety) with CalPERS. CalPERS provide retirement, disability, and death benefits based on the employees' years of service, age and final compensation. The provisions and all other requirements are established by State Statute and Fire District resolutions. Copies of the CalPERS' annual financial report may be obtained from their executive office at 400 Q Street, Sacramento, California 95811. Separate reports for the Fire District's plans in CalPERS are not available.

The Safety Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). As of June 30, 2015, the Safety Plan had 228 active members, 83 inactive members entitled to, but not yet receiving benefits and 423 inactive members currently receiving benefits. The Miscellaneous Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information for both Plans is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided for both Plans can be obtained in Appendix B of the June 30, 2014 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Effective with the June 30, 2003 valuation, CalPERS converted the Fire District's miscellaneous employees' defined benefit retirement plan from an agent multiple-employer to a cost sharing multiple-employer. The Fire District's miscellaneous employees' retirement plan is under the CalPERS Miscellaneous 2.7% at 55 Risk Pool. The Fire District's Safety plan is an agent multiple-employer defined benefit retirement plan. CalPERS act as a common investment and administrative agent for various local and state governmental agencies within the state.

B. Pension Plan Benefits

1. Classic Plan

Benefits for employees in the Miscellaneous and Safety Plans vest after fives of CalPERS credited service. The retirement benefits under both plans are based on the retirees 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 included a pre-retirement Option 2W Death Benefit.

2. 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 the final compensation (monthly average of the members highest 12 consecutive months' full time equivalent pay). The services retirement for this group is not capped.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

3. Safety Plan

Participants in this plan are eligible for service retirement 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 (3.0% at 50), years of service, and the final compensation (monthly average of the members highest 12 consecutive months' full time equivalent pay). The services retirement for the Safety Plan is capped at 90% of final compensation.

4. PEPRA Plan

The Public Employee' Pension Reform Act of 2013 (PEPRA) required that all state, school, and local government employers offer a reduced benefit formula with increased retirement ages to new public employees, who first became CalPERS members on or after January 1, 2013. The new defined benefit formula is 2% at age 62 for newly hired miscellaneous employees and 2.7% at age 57 for newly hired Safety employees.

PEPRA also imposes the following changes to both Miscellaneous and Safety Plans for new members:

- A pensionable compensation cap of \$142,530 for agencies that do not participate in social security (the Fire District does not participate). Future adjustments to the cap will be based on changes to the CPI All Urban Consumers index.
- The employee contribution rate will be at least 50% of the total normal cost rate.
- Final compensation will be based on the highest average annual pensionable compensation earned by a member during a period of a least 36 consecutive months.

C. Funding Policy

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Fire District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Fire District does not pay any portion of the employees' share of the required contribution.

For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The Fire District is required to contribute the difference between the actuarially determined rate and the contribution rate of its employees. The Fire District does not pay any portion of the employees' share of the required contribution.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Below is a summary of the employee contribution rates and employer contributions rates for fiscal year 2016-2017:

Plan		Employee Contribution Rate	Employer Contribution Rate	Employer Contributions
Classic	Miscellaneous	8.000%	28.942%	\$ 1,597,218
	Safety	9.000%	40.156%	\$ 12,040,046
PEPRA	Miscellaneous	6.500%	6.946%	\$ 124,148
	Safety	10.250%	40.156%	\$ 913,270

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined based on the following actuarial methods and assumptions:

Actuarial cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses,
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 CalPERS Experience Study Report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

D. Safety - Agent Multiple-Employer Plan (as prepared by CalPERS)

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive Assets	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For The Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2015 (VD) ¹	\$ 498,746,721	\$ 366,120,513	\$ 132,626,208
Changes Recognized for the Measurement Period:			
Service Cost	\$ 8,680,538	\$ -	\$ 8,680,538
Interest on Total Pension Liability	37,171,515	-	37,171,515
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(4,404,323)	-	(4,404,323)
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	12,005,953	(12,005,953)
Contributions - Employees	-	3,102,315	(3,102,315)
Net Investment Income ²	-	1,838,268	(1,838,268)
Benefit Payments, including Refunds of Employee Contributions	(25,561,016)	(25,561,016)	-
Administrative Expense	-	(223,131)	223,131
Other Miscellaneous Income	-	-	-
Net Changes during 2015-16	\$ 15,886,714	\$ (8,837,611)	\$ 24,724,325
Balance at: 6/30/2016 (MD) ¹	\$ 514,633,435	\$ 357,282,902	\$ 157,350,533

¹The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan asset reported in the funding actuarial valuation report.

²Net of administrative expenses. For details, see note in Appendix B-2 of the Fire District's GASB 68 Accounting Valuation Report prepared by CalPERS.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 223,984,505	\$ 157,350,533	\$ 103,251,953

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

The EARSL for the Plan for the 2015-16 measurement period is 3.6 years, which was obtained by dividing the total service years of 2,676 (the sum of remaining service lifetimes of the active employees) by 734 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016 (the measurement date), the Fire District incurred a pension expense/(income) of \$15,093,972 for the Plan.

As of June 30, 2016, the Santa Clara County Central Fire Protection District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ -	\$ (3,699,906)
Differences between Expected and Actual Experience	970,378	(3,180,900)
Pension contribution subsequent to the measurement date	12,953,316	-
Net Difference between Projected and Actual Earnings on Pension Plan	19,662,006	-
Total	\$ 33,585,700	\$ (6,880,806)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2017	\$ (320,330)
2018	589,518
2019	8,338,331
2020	5,144,059
Total	\$ 13,751,578

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

E. Miscellaneous - Cost-Sharing Multiple-Employer Plan (as prepared by CalPERS)

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive Assets	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period. At the end of the measurement period, Fire District's portion of the plan's net pension liability was 0.19273 percent, an increase of 0.02218 percent over the prior year amount of 0.17055 percent.

	Total Pension Liability (a)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/15 (MD)	\$ 42,790,395	\$ 31,083,667	\$ 11,706,728
Balance at: 6/30/16 (MD)	47,211,802	33,236,861	13,974,941
Net Changes during 2015-16	\$ (4,421,407)	\$ (2,153,194)	\$ (2,268,213)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 20,331,120	\$ 13,974,941	\$ 8,721,874

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

The EARSL for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows

For the measurement period ended June 30, 2016 (the measurement date), the Fire District incurred a pension expense/ (income) of \$1,417,291 for the Plan.

As of June 30, 2016, Fire District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 1,721,366	\$ -
Differences between Expected and Actual Experience	55,430	(12,701)
Changes of Assumptions	-	(524,422)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,729,442	-
Changes in employers Proportions	2,731,705	-
Difference in actual and proportionated contributions	228,618	-
Total	\$ 7,466,561	\$ (537,123)

In addition to the figures shown in the table above, the Fire District is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions (as defined in Paragraph 55 of GASB 68).

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7 - PENSION PLAN (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2017	\$ 1,302,703
2018	1,309,725
2019	1,888,687
2020	<u>706,957</u>
Total	\$ 5,208,072

The deferred outflows and deferred inflows and schedules of future amortizations for the Risk Pool in aggregate are summarized in Appendix A of the Fire District's Accounting Valuation Report.

NOTE 8 - HEALTH BENEFIT

A. Plan Description

The District's other post-employment 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 (Delta Health Systems, a third party administrator). Each plan offers a prescription drug benefit.

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 pays the cost of postemployment health care benefits for 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 eligible dependent on the plan by self-paying the additional cost for that dependent.

As part of the current labor agreement, adopted on February 3, 2014, Plan members contribute 1% of base pay to the CERBT Trust to prefund future District retiree welfare benefits payments. Contributions from non-represented employees have a maximum annual contribution limit of \$1,500.

Based on the latest actuarial report as of June 30, 2015, the District's Annual Required Contribution (ARC) rate for 2016/2017 is 16% of annual covered payroll of \$40,282,381.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 8 - HEALTH BENEFIT (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

Annual required contribution		\$ 6,646,000
Interest on net OPEB obligation		3,019,500
Amortization of Beginning NOO		<u>(2,715,700)</u>
Annual OPEB cost		6,949,800
Contributions made:		
Direct Benefit Payments	(3,905,091)	
Adjustment for Implicit Subsidy	(256,800)	
Retiree Contributions	1,023,500	
Contributions to Irrevocable Trust - CERBT	<u>(2,815,018)</u>	<u>(5,953,409)</u>
Increase (decrease) in net OPEB obligation		996,391
Net OPEB obligation - beginning of the year		<u>43,135,598</u>
Net OPEB obligation - ending of the year		<u><u>\$ 44,131,989</u></u>

Fiscal Year Ending June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 6,836,700	78%	\$ 41,719,704
2016	6,795,800	79%	43,135,598
2017	6,949,800	86%	44,131,989

D. Funded Status and Funding Progress

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 8 - HEALTH BENEFIT (Continued)

The Schedule of Funding Progress below, and the required supplementary information provided immediately following the footnotes, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

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
6/30/2015	\$ 90,960,000	\$ 13,282,900	\$ 77,677,100	15%	\$ 37,354,300	208%

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2015 actuarial valuation, the Entry Age Normal actuarial cost method was used. Under this method, the actuarial present value of the projected benefits for each active employee is allocated evenly over their years from hire to expected retirement age. 7.00% was both the assumed long-term rate of investment return on CERBT assets and (because the District contributes approximately 100% of ARC to the CERBT) the assumed valuation discount rate. The assumed annual healthcare trend rates for the various benefit types were initially between 4.75% and 7.50%, and each graded down to an ultimate rate of 4.0% by fiscal year 2023/2024. All discount and trend rates included an assumed 3.0% general inflation assumption. The actuarial value of CERBT assets was set equal to the market value of assets.

The ARC for the 2016/17 fiscal year was determined as part of the June 30, 2015 actuarial valuation report which used the following methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of payroll over a closed 30 year period beginning 2011/2012.
Remaining amortization period	25 years
Inflation rate	3.00%
Asset valuation method	Market Value of Assets
Investment return	7.00%
Projected salary increases	3.00%
Initial Healthcare cost trend rate	Self-funded medical 6.75%, Self-funded drug 5.25%, Kaiser 7.50%
Ultimate Healthcare cost trend rate	4.00%

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Required Supplementary Information
(Other than MD&A)

(A Component Unit of the County of Santa Clara)
 Budgetary Comparison Schedule - General Fund (1524)
 For the Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amount Expenditures</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary Fund Balance, Beginning	\$ 45,335,482	\$ 45,335,482	\$ 45,335,482	\$ -
Resources (Inflows):				
Property taxes and assessments	71,944,000	71,944,000	76,130,807	\$4,186,807
Licenses and permits	636,500	636,500	982,482	345,982
Intergovernmental revenues	700,000	2,500,000	5,048,211	2,548,211
Use of money and property	250,000	250,000	490,777	240,777
Charges for services	29,281,575	29,281,575	29,107,423	(174,152)
Miscellaneous revenues	955,000	955,000	1,205,892	250,892
Sale of Capital Assets	20,000	20,000	50,034	30,034
Amounts Available for Appropriation	<u>103,787,075</u>	<u>105,587,075</u>	<u>113,015,626</u>	<u>7,428,551</u>
Charges to Appropriations (Outflows)				
Public protection				
Salaries and benefits	82,417,000	84,217,000	83,986,906	230,094
Services & supplies and other charges	9,302,646	9,921,329	9,809,211	112,118
City provided services	6,185,000	6,491,000	6,490,240	760
Capital outlay	10,676,469	9,748,469	843,832	8,904,637
Debt service - principal	320,000	320,000	320,000	-
Debt services - interest	13,950	13,950	13,950	-
Total Charges to Appropriations	<u>108,915,065</u>	<u>110,711,748</u>	<u>101,464,139</u>	<u>9,247,609</u>
Budgetary Fund Balance, Ending	<u>\$ 40,207,492</u>	<u>\$ 40,210,809</u>	<u>\$ 56,886,969</u>	<u>\$ 16,676,160</u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Budgetary Comparison Schedule - General Fund (1524)
For the Year Ended June 30, 2017

**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	\$ 113,015,626
Differences - budget to GAAP	
Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(50,034)</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 112,965,592</u></u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" form the budgetary comparison schedule	<u>\$ 101,464,139</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 101,464,139</u></u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Schedule of Funding Progress
Year Ended June 30, 2017

	(a)	(b)	(a)-(b)	(b)/(a)	(c)	[(a)-(b)]/(c)
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
Other Postemployment Benefits - Health Benefit:						
6/30/2011	\$ 76,555,500	\$ -	\$ 76,555,500	0%	\$ 36,846,900	208%
6/30/2013	84,335,400	7,296,400	77,039,000	9%	37,232,700	207%
6/30/2015	90,960,000	13,282,900	77,677,100	15%	37,354,300	208%

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Schedule of Changes in Net Pension Liability and Related Ratios
Safety Plan
Last Ten Fiscal Years*

Fiscal year	2016-17	2015-16	2014-15
Measurement period	2015-16	2014-15	2013-14
Total Pension Liability			
Service Cost	\$ 8,680,538	\$ 8,356,987	\$ 8,571,796
Interest	37,171,515	36,014,294	34,357,237
Differences between expected and actual experience	(4,404,323)	(8,633,116)	-
Changes in assumptions	-	2,264,214	-
Benefit payments, including refunds of employee contributions	(25,561,016)	(24,442,299)	(23,105,970)
Net change in total pension liability	15,886,714	13,560,080	19,823,063
Total pension liability - beginning	498,746,721	485,186,641	465,363,578
Total pension liability - ending (a)	\$ 514,633,435	\$ 498,746,721	\$ 485,186,641
Plan fiduciary net position			
Contributions - employer	\$ 12,005,953	\$ 11,069,715	\$ 10,233,261
Contributions - employee	3,102,315	2,985,876	3,886,260
Net investment income	1,838,268	8,111,497	55,532,305 ¹
Plan to plan resource movement	-	(24,442,299)	(23,105,970)
Administrative expenses	(223,131)	(3,277)	-
Benefit payments, including refunds of employee contributions	(25,561,016)	(412,082)	-
Net change in plan fiduciary net position	(8,837,611)	(2,690,570)	46,545,856
Plan fiduciary net position - beginning	366,120,513	368,811,083	322,265,227
Plan fiduciary net position - ending (b)	\$ 357,282,902	\$ 366,120,513	\$ 368,811,083
Net pension liability - ending (a)-(b)	\$ 157,350,533	\$ 132,626,208	\$ 116,375,558
Plan fiduciary net position as a percentage of the total pension liability	69.42%	73.41%	76.01%
Covered payroll	\$ 33,374,871	\$ 31,991,681	\$ 31,130,546
Net pension liability as percentage of covered-employee payroll	471.46%	414.56%	373.83%

¹ Net of administrative expenses (2013-14 measurement period)

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 20, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes in assumptions. In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

* - Fiscal year 2015 was the 1st year of implementation.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Schedule of Plan Contributions
Safety Plan
Last Ten Fiscal Years*

Fiscal Year	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 12,953,316	\$ 12,025,321	\$ 11,045,487	\$ 10,233,261
Contributions in Relation to the Actuarially Determined Contribution	(12,953,316)	(12,025,321)	(11,045,487)	(10,233,261)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 33,459,472	\$ 33,374,871	\$ 31,991,681	\$ 31,130,546
Contributions as a Percentage of Covered Employee Payroll	38.71%	36.03%	34.53%	32.87%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the compiled, the District will present information for those years for which information is available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see the June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, including inflation
Retirement	The Probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2001
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from 2015 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Schedule of Plan's Proportionate Share of Net Pension Liability
Miscellaneous Plan
Last Ten Fiscal Years*

Measurement date	6/30/2016	6/30/2015	6/30/2014
Plan's Proportion of Net Pension Liability/(Asset)	0.19375%	0.17055%	0.16073%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 13,974,941	\$ 11,706,728	\$ 10,001,620
Plan's Employee Payroll	\$ 7,204,932	\$ 5,625,208	\$ 5,636,188
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of is Covered- Employee Payroll	193.96%	208.11%	177.45%
Plan's Fiduciary Net Position	\$ 33,236,861	\$ 35,829,637	\$ 31,156,173
Pool's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.87%	78.40%	79.82%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	70.40%	72.64%	75.70%
Plan's Proportionate Share of Aggregate Employer Contributions ^{1,2}	\$ 1,237,715	\$ 1,075,210	\$ 842,514

¹ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

² This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but is being shown here because it is used in the calculation of the Plan's pension expense.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Schedule of Plan Contributions
Miscellaneous Plan
Last Ten Fiscal Years*

Fiscal Year	2016-17	2015-16	2014-15	2013-14
Contractually Required Contributions (Actuarially Determined) (CRC) ¹	\$ 1,721,366	\$ 1,551,007	\$ 1,363,021	\$ 1,275,051
Contributions in Relation to the CRC ¹	(1,721,366)	(1,551,007)	(1,363,021)	(1,275,051)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$ 7,204,932	\$ 6,608,223	\$ 5,625,208	\$ 5,636,188
Contributions as a Percentage of Covered Employee Payroll	23.89%	23.47%	24.23%	22.62%

¹ Employers are assumed to make contributions equal to the contractually required contributions (actuarially determined). However, some employers may choose to make additional contributions towards their unfunded liability. Such employer contributions would create a contribution excess in relation to the contractually required contributions

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in Assumptions: In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Other Supplementary Information

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SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Internal Service Funds

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 the following Internal service funds:

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 Costal Healthcare Administrators, a third party administrator).

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

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position - Proprietary Funds - Internal Service
As of June 30, 2017

	Governmental Activities		
	Health Benefit	Workers' Compensation	Total
Assets			
Current Assets			
Cash and investments			
Unrestricted	\$ -	\$ 13,062,408	\$ 13,062,408
Restricted	232,705	-	232,705
Accounts receivable	430,449	-	430,449
Interest receivable	-	30,528	30,528
Total Assets	663,154	13,092,936	13,756,090
Liabilities			
Noncurrent Liabilities			
Insurance claims payable	430,450	11,029,000	11,459,450
Total current liabilities	430,450	11,029,000	11,459,450
Net Position			
Unrestricted	232,704	2,063,936	2,296,640
Total Net Position	\$ 232,704	\$ 2,063,936	\$ 2,296,640

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds - Internal Service
As of June 30, 2017

	Governmental Activities		
	Health Benefit	Workers' Compensation	Total
Operating Revenues			
Plan Contributions	\$ 5,163,080	\$ 3,000,000	\$ 8,163,080
Interest and investment income	-	114,640	114,640
Total Operating Revenues	<u>5,163,080</u>	<u>3,114,640</u>	<u>8,277,720</u>
Operating Expenses			
Claims Expenses	<u>5,153,309</u>	<u>2,941,110</u>	<u>8,094,419</u>
Total Operating Expenses	<u>5,153,309</u>	<u>2,941,110</u>	<u>8,094,419</u>
Change in Net Position	9,771	173,530	183,301
Net Position, Beginning	<u>222,933</u>	<u>1,890,406</u>	<u>2,113,339</u>
Net Position, Ending	<u>\$232,704</u>	<u>\$ 2,063,936</u>	<u>\$ 2,296,640</u>

SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Combining Statement of Cash Flows - Proprietary Funds - Internal Service
As of June 30, 2017

	Governmental Activities		
	Health Benefit	Workers' Compensation	Total
Cash Flows from Operating Activities			
Cash Receipts from interfund services provided - contributions to the plan	\$ 5,175,160	\$ 3,105,524	\$ 8,280,684
Cash payment for interfund services used - paid claims	<u>(5,165,389)</u>	<u>(1,962,110)</u>	<u>(7,127,499)</u>
Net increase in cash and investments	9,771	1,143,414	1,153,185
Cash and Investments, Beginning	<u>222,934</u>	<u>11,918,994</u>	<u>12,141,928</u>
Cash and Investments, Ending	<u>\$ 232,705</u>	<u>\$13,062,408</u>	<u>\$13,295,113</u>
Reconciliation of change in net position to net cash provided (used) by operating activities			
Change in Net Position	\$9,771	\$173,530	\$183,301
Adjustment to reconcile change in net position to net cash provided (used) by operating activities			
Decrease (increase) in assets			
Accounts receivable	12,080	-	12,080
Interest receivable	-	(9,116)	(9,116)
Increase (decrease) in liabilities			
Insurance claims payable	<u>(12,080)</u>	<u>979,000</u>	<u>966,920</u>
Net cash provided by operating activities	<u>\$ 9,771</u>	<u>\$ 1,143,414</u>	<u>\$ 1,153,185</u>

(Statistical Section)

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SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
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
(A Component Unit of the County of Santa Clara)

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Unaudited



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government Activities:										
Net investment in capital assets	\$ 22,339	\$ 25,375	\$ 26,848	\$ 26,133	\$ 25,084	\$ 23,043	\$ 22,377	\$ 26,665	\$ 26,908	\$ 25,794
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	11,030	(890)	(11,101)	(22,564)	(25,314)	(15,073)	(9,476)	(148,539)	(148,220)	(131,610)
Total governmental activities net position	<u>\$ 33,369</u>	<u>\$ 24,485</u>	<u>\$ 15,747</u>	<u>\$ 3,569</u>	<u>\$ (230)</u>	<u>\$ 7,970</u>	<u>\$ 12,901</u>	<u>\$ (121,874)</u>	<u>\$ (121,312)</u>	<u>\$ (105,816)</u>

Amounts are reported in thousands

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District

(A Component Unit of the County of Santa Clara)

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Governmental Activities:										
Public Safety	\$ 64,536	\$ 88,495	\$ 89,670	\$ 91,984	\$ 85,873	\$ 85,928	\$ 85,989	\$ 87,742	\$ 99,740	\$ 103,228
Interest on Long-Term Debt	155	143	131	63	47	7	-	-	-	-
Loss on Disposal of Capital Assets	12	137	-	-	-	-	363	-	-	-
Total Governmental Activities	64,703	88,775	89,801	92,047	85,920	85,935	86,352	87,742	99,740	103,228
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services*	19,911	27,613	29,513	29,835	30,926	30,231	26,637	27,525	28,780	30,273
Operating Grants & Contributions	-	-	-	-	-	1,273	3,873	3,977	5,268	5,048
Total Program Revenues	19,911	27,613	29,513	29,835	30,926	31,504	30,510	31,502	34,048	35,321
Net revenues (expenses)	\$ (44,792)	\$ (61,162)	\$ (60,288)	\$ (62,212)	\$ (54,994)	\$ (54,431)	\$ (55,842)	\$ (56,240)	\$ (65,692)	\$ (67,907)
GENERAL REVENUES										
Governmental Activities:										
Property Taxes	\$ 48,621	\$ 51,748	\$ 50,392	\$ 49,321	\$ 50,140	\$ 55,282	\$ 59,107	\$ 64,271	\$ 69,872	\$ 76,131
Use of money & property	586	353	190	131	149	403	154	195	328	490
Gain on sale of capital assets	-	-	1	11	22	1,933	-	-	-	-
Miscellaneous	642	177	967	571	884	1,032	1,382	1,169	1,311	1,206
Total General Revenues	49,849	52,278	51,550	50,034	51,195	58,650	60,643	65,635	71,511	77,827
Change in net assets	\$ 5,057	\$ (8,884)	\$ (8,738)	\$ (12,178)	\$ (3,799)	\$ 4,219	\$ 4,801	\$ 9,395	\$ 5,819	\$ 9,920
CHANGES IN NET POSITION										
Governmental Activities:										
Changes in net position	\$ 5,057	\$ (8,884)	\$ (8,738)	\$ (12,178)	\$ (3,799)	\$ 4,219	\$ 4,801	\$ 9,395	\$ 5,819	\$ 9,920
Net Position, Beginning	28,312	33,369	24,485	15,747	3,569	(230)	7,970	12,771	(121,555)	(115,736)
Prior period adjustment	-	-	-	-	-	3,981	-	(143,721)	-	-
Net Position, Beginning, as restated	28,312	33,369	24,485	15,747	3,569	3,751	7,970	(130,950)	(121,555)	(115,736)
Net Position, Ending,	\$ 33,369	\$ 24,485	\$ 15,747	\$ 3,569	\$ (230)	\$ 7,970	\$ 12,771	\$ (121,555)	\$ (115,736)	\$ (105,816)

Amounts are reported in thousands

* - Revenue from Intergovernmental Revenues was previously reported under General Revenues. All prior year activity has been reclassified to Program Revenues - Charges for Services.

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND										
Reserved	\$ -	\$ -	\$ -	\$ -						
Unreserved	15,841	17,451	14,523							
Total General Fund	\$ 15,841	\$ 17,451	\$ 14,523							
GENERAL FUND (A)										
Committed				\$ 3,650	\$ 6	\$ -	\$ 12,500	\$ 12,500	\$ 24,500	\$ 24,500
Unassigned				10,439	11,410	25,607	21,060	27,393	20,835	32,387
Total General Fund				\$ 14,089	\$ 11,416	\$ 25,607	\$ 33,560	\$ 39,893	\$ 45,335	\$ 56,887

Amounts are reported in thousands

(A) Fund Balance classifications were modified to meet the reporting requirements of GASB 54.

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District

(A Component Unit of the County of Santa Clara)
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

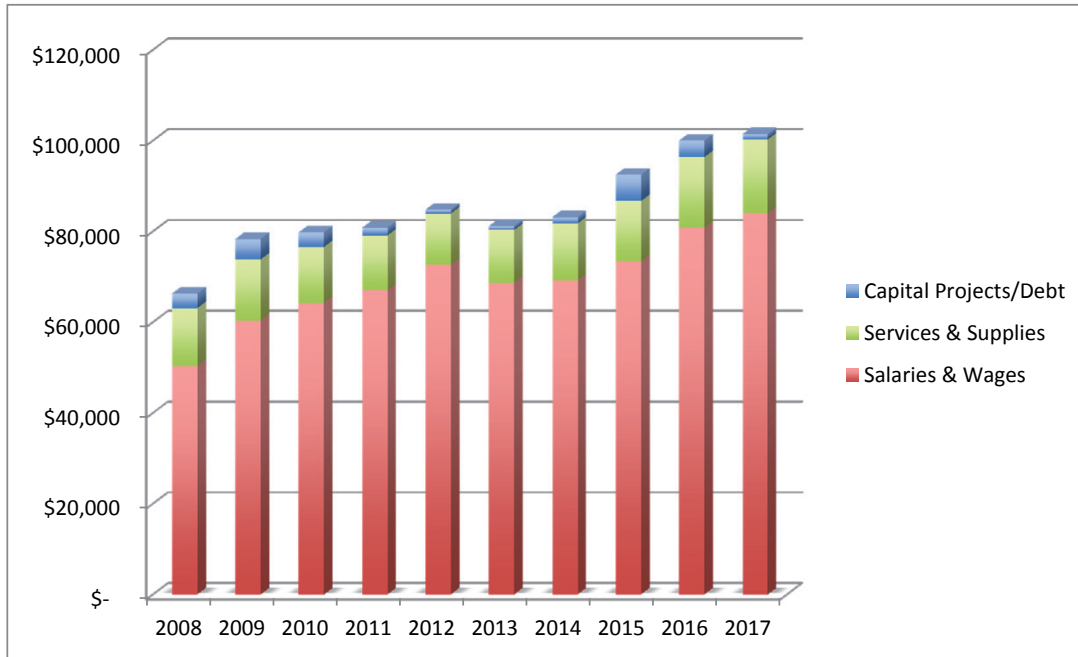
Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Property taxes and assessments	\$ 48,621	\$ 51,748	\$ 46,211	\$ 49,321	\$ 50,140	\$ 59,463	\$ 59,107	\$ 64,271	\$ 69,872	\$ 76,131
Licenses and permits	494	489	425	511	529	509	581	703	757	982
Intergovernmental revenues	489	815	1,107	1,248	1,313	3,795	3,873	3,977	5,269	5,048
Use of money and property	586	354	190	131	149	424	195	227	332	491
Charges for services	18,928	26,309	27,981	28,077	29,084	27,200	26,056	26,821	28,022	29,107
Other revenue	642	177	967	570	884	949	1,286	1,062	1,227	1,206
Total Revenues	69,760	79,892	76,881	79,858	82,099	92,340	91,098	97,061	105,479	112,965
EXPENDITURES										
Current: Public Safety										
Salaries and benefits	50,340	60,373	64,258	67,014	72,619	68,655	69,220	73,425	80,799	83,987
Services and supplies	5,905	6,498	6,285	6,258	6,003	6,065	6,621	6,856	8,069	9,002
City provided services	6,703	6,864	5,958	5,168	4,609	4,892	5,098	5,719	6,139	6,490
Other charges	143	100	85	686	705	722	803	697	1,381	807
Capital outlay	2,793	4,079	2,803	1,062	334	405	987	5,500	3,329	844
Debt service - principal	270	280	290	512	417	366	390	290	305	320
Debt service - interest	156	145	133	132	118	76	58	43	29	14
Total Expenditures	66,310	78,339	79,812	80,832	84,805	81,181	83,177	92,530	100,051	101,464
Excess (Deficiency) of Revenues Over Expenditures	3,450	1,553	(2,931)	(974)	(2,706)	11,159	7,921	4,531	5,428	11,501
OTHER FINANCING SOURCES (USES)										
Proceeds from the sale of capital assets	50	58	3	29	33	3,032	31	18	15	50
Proceeds from lease financing	-	-	-	511	-	-	-	-	-	-
Total other financing sources (uses)	50	58	3	540	33	3,032	31	18	15	50
Net Change in Fund Balances	\$ 3,500	\$ 1,611	\$ (2,928)	\$ (434)	\$ (2,673)	\$ 14,191	\$ 7,952	\$ 4,549	\$ 5,443	\$ 11,551
Debt service as a percentage of noncapital expenditures	0.67%	0.57%	0.55%	0.81%	0.63%	0.55%	0.55%	0.38%	0.35%	0.33%

Amounts are reported in thousands

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
General Expenditures by Function
All Governmental Fund Types
Last Ten Fiscal Years
Unaudited

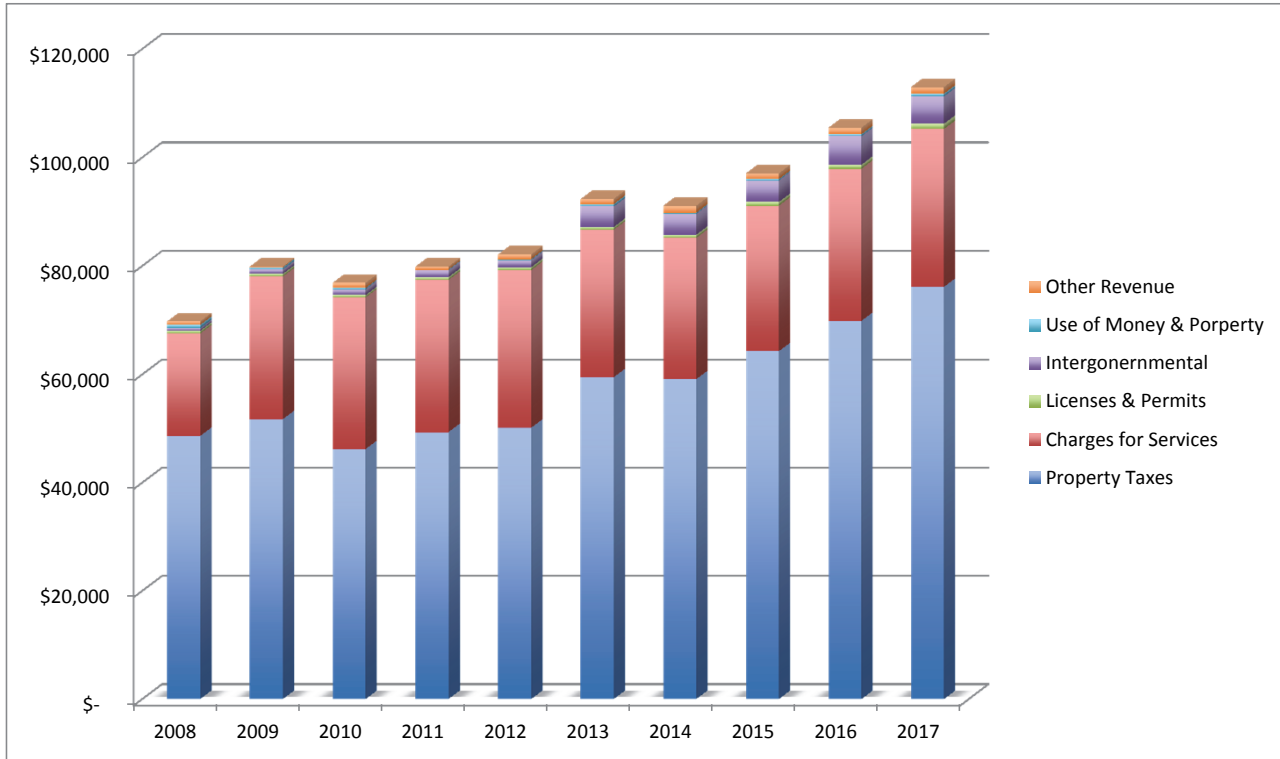


Fiscal Year	Salaries & Benefits	Services & Supplies	Capital Projects/ Equipment/ Debt Service	Total
2008	\$ 50,340	\$ 12,751	\$ 3,219	\$ 66,310
2009	60,373	13,462	4,504	78,339
2010	64,258	12,329	3,225	79,812
2011	67,014	12,112	1,706	80,832
2012	72,619	11,316	870	84,805
2013	68,655	11,679	847	81,181
2014	69,220	12,521	1,436	83,177
2015	73,425	13,272	5,833	92,530
2016	80,799	15,589	3,663	100,051
2017	83,987	16,299	1,178	101,464

Amounts are reported in thousands

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
General Revenues by Source
All Governmental Fund Types
Last Ten Fiscal Years
(Unaudited)



Fiscal Year	Property Taxes	Charges for Services	Licenses & Permits	Intergovernmental Revenues	Use of Money & Property	Other Revenue	Total
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
2013	59,463	27,200	509	3,795	424	949	92,340
2014	59,107	26,056	581	3,873	196	1,285	91,098
2015	64,271	26,821	703	3,977	227	1,062	97,061
2016	69,872	28,022	757	5,269	332	1,227	105,479
2017	76,131	29,107	982	5,048	491	1,206	112,965

Amounts are reported in thousands

Source: Santa Clara County Central Fire Protection District Financial Statements

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
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>
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
2012-13	32,210,410,240	2,318,920	987,111,882	33,199,841,042
2013-14	35,288,937,150	2,318,920	1,078,312,455	36,369,568,525
2014-15	37,132,414,243	1,017,480	1,234,014,513	38,367,446,236
2015-16	40,708,610,847	1,017,480	1,338,363,300	42,047,991,627
2016-17	44,212,349,147	1,017,480	1,488,762,607	45,702,129,234

Typical Tax Rates per \$100 of Assessed Valuation (TRA 13-003 – 2016-17 Assessed Valuation: \$9,657,655,580)

	<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	.0113	.0123	.0322	.0326	.0297
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	.0004	.0002	.0003	.0002	.0001
Total Land and Improvement Tax Rate	.0071	.0061	.0074	.0072	.0064
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</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	.0051	.0035	.0091	.0088	.0086
Cupertino Elementary School District Bonds	.0598	.0525	.0540	.0519	.0509
Fremont High School District Bond	.0390	.0405	.0396	.0525	.0234
Foothill-De Anza Community College District Bond	.0287	.0290	.0276	.0240	.0403
Midpeninsula Open Space District	-	-	-	.0008	.0006
Total All Property Tax Rate	1.1738	1.1667	1.1715	1.1792	1.1650
Santa Clara Valley Water District State Water Project	.0069	.0070	.0065	.0057	.0086
Santa Clara Valley Water District, Zone W-1 Bond	-	-	-	-	-
Total Land and Improvement Tax Rate	.0069	.0070	.0065	.0057	.0086

Source: California Municipal Statistics

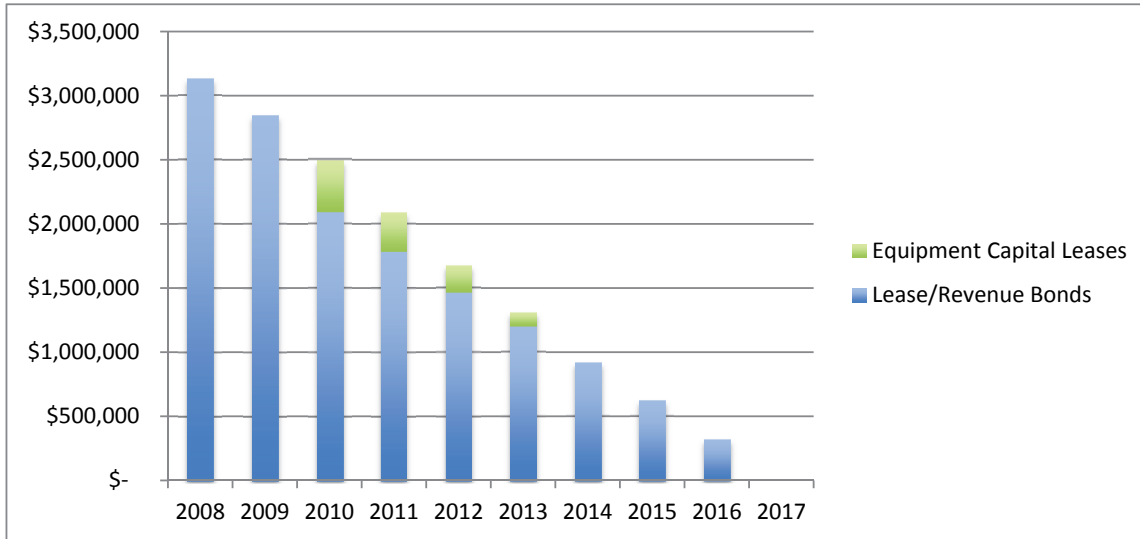
SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT
(A Component Unit of the County of Santa Clara)
Largest Local Secured Taxpayers
Year Ended June 30, 2017
(Unaudited)

	<u>Property Owner</u>	<u>Primary Land Use</u>	2016-17 <u>Assessed Valuation</u>	% of <u>Total (1)</u>
1.	Campus Holdings Inc.	Office Building	\$2,253,420,178	5.10%
2.	Apple Computer Inc.	Office Building	1,171,518,327	2.65
3.	Vallco Property Owner LLC	Shopping Center	290,290,950	0.66
4.	Heidelberg Cement Inc.	Industrial	197,761,122	0.45
5.	BVK Perimeter Square Retail LLC	Office Building	170,863,220	0.39
6.	SI 32 LLC	Apartments	143,442,269	0.32
7.	Cupertino Property Development LLC	Apartments	143,209,625	0.32
8.	Mission West Properties LP II	Office Building	132,318,020	0.30
9.	Main Street Cupertino Aggregator LLC	Office Building	131,233,776	0.30
10.	SVF Cupertino City Center Corp.	Office Building	127,324,883	0.29
11.	PR Cupertino Gateway LLC	Office Building	123,129,000	0.28
12.	San Jose Water Works	Water Company	120,308,733	0.27
13.	Wealthcap Los Gatos 121	Office Building	109,100,000	0.25
14.	Planetary Ventures LLC	Industrial	99,300,000	0.22
15.	Markham Apartments LP	Apartments	98,820,847	0.22
16.	Cupertino City Center Buildings	Office Building	92,984,731	0.21
17.	Main Street Cupertino Retail Property LLC	Office Building	89,507,410	0.20
18.	Wealthcap Los Gatos 31	Office Building	84,000,000	0.19
19.	IAC at Cupertino LLC	Apartments	76,851,458	0.17
20.	Cupertino Village LP	Shopping Center	<u>68,478,606</u>	<u>0.15</u>
			<u>\$5,723,863,155</u>	<u>12.95%</u>

(1) 2016-17 Local Secured Assessed Valuation: \$44,212,349,147

Source: California Municipal Statistics

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
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*
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	206,585	1,671,585	5.594496
2013	1,200,000	105,300	1,305,300	4.314585
2014	915,000	-	915,000	3.458259
2015	625,000	-	625,000	2.364102
2016	320,000	-	320,000	1.203397
2017	-	-	-	0.000000

* - 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
(A Component Unit of the County of Santa Clara)
Direct and Overlapping Debt
June 30, 2017
Unaudited

2016-17 Assessed Valuation: \$45,702,129,234

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/17	% Applicable (1)	District's Share of Debt 6/30/17
Santa Clara County	\$784,845,000	10.911%	\$ 85,634,438
Foothill-De Anza Community College District	649,079,095	15.281	99,185,777
West Valley-Mission Community College District	407,295,973	19.579	79,744,479
Santa Clara Unified School District	501,080,000	3.813	19,106,180
Campbell Union High School District	215,895,000	14.338	30,955,025
Fremont Union High School District	364,345,088	33.761	123,006,545
Los Gatos Joint Union High School District	114,990,000	66.214	76,139,479
Mountain View-Los Altos Union High School District	55,766,725	0.224	124,917
Cambrian School District	51,149,944	0.265	135,547
Campbell Union School District	181,299,080	15.772	28,594,491
Cupertino Union School District	281,213,688	57.577	161,914,405
Lakeside Joint School District	341,415	28.201	96,282
Loma Prieta Joint Union School District	3,649,840	19.307	704,675
Los Gatos Union School District	89,255,000	97.964	87,437,768
Moreland School District	111,312,251	13.039	14,514,004
Mountain View School District	15,110,000	0.677	102,295
Mountain View-Whisman School District	189,475,000	0.422	799,585
Saratoga Union School District	30,006,318	38.569	11,573,137
Union School District	109,727,657	22.382	24,559,244
City of Saratoga	9,585,000	52.489	5,031,071
El Camino Hospital District	227,050,000	1.192	2,706,436
Midpeninsula Regional Open Space District	44,225,000	18.077	7,994,553
Santa Clara Valley Water Benefit Assessment District	90,945,000	10.911	9,923,009
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$869,983,342

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$634,190,521	10.911%	\$ 69,196,528
Santa Clara County Pension Obligation Bonds	362,470,957	10.911	39,549,206
Santa Clara County Board of Education Certificates of Participation	5,690,000	10.911	620,836
Foothill-De Anza Community College District Certificates of Participation	30,830,528	15.281	4,711,213
West Valley Mission Community College District Certificates of Participation	63,715,000	19.579	12,474,760
Santa Clara Unified School District Certificates of Participation	13,795,000	3.813	526,003
Campbell Union High School District Certificates of Participation	15,165,000	14.338	2,174,358
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	5,495,000	66.214	3,638,459
Mountain View-Los Altos Union High School District Certificates of Participation	1,940,000	0.224	4,346
Campbell Union High School District Certificates of Participation	3,090,000	15.772	487,355
Saratoga Union School District Certificates of Participation	4,270,000	38.569	1,643,039
Loma Prieta Joint Union School District General Fund Obligations	430,000	19.307	83,020
Mountain View-Whisman School District General Fund Obligations	34,020,000	0.422	143,564
City of Cupertino Certificates of Participation	33,700,000	100.000	33,700,000
Santa Clara County Vector Control Certificates of Participation	2,685,000	10.911	292,960
Midpeninsula Regional Open Space District General Fund Obligations	112,143,611	18.077	20,272,201
Santa Clara County Central Fire Protection District	0	100.000	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$189,517,848
Less: Santa Clara County supported obligations			<u>43,033,363</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$146,484,485

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$18,785,000 100.000% \$18,785,000

TOTAL DIRECT DEBT **\$0**
TOTAL GROSS OVERLAPPING DEBT \$1,078,286,190
TOTAL NET OVERLAPPING DEBT \$1,035,252,827

GROSS COMBINED TOTAL DEBT \$1,078,286,190 (2)
NET COMBINED TOTAL DEBT \$1,035,252,827

- (1) The percentage of overlapping debt applicable to the fire protection district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the fire protection district divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratio to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.90%
Total Direct Debt	0.00%
Gross Combined Total Debt	2.36%
Net Combined Total Debt	2.27%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,217,279,316):
Total Overlapping Tax Increment Debt 1.54%

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Computation of Legal Bonded Debt Margin
June 30, 2017
(Unaudited)

ASSESSSED VALUATION			
Secured Property assessed value, net of exempt real property	\$44,212,349,147		
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		\$1,657,963,093	
AMOUNT OF DEBT SUBJECT TO LIMIT:			
Total Bonded Debt	\$0		
Less Lease Revenue Bonds and Equipment Leases not subject to limit	-		
Amount of debt subject to limit			0
LEGAL BONDED DEBT MARGIN		\$1,657,963,093	

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
2008	\$ 1,026,169,312	\$ -	\$ 1,026,169,312	0.00%
2009	1,110,126,923	0	1,110,126,923	0.00%
2010	1,132,746,371	0	1,132,746,371	0.00%
2011	1,130,788,666	0	1,130,788,666	0.00%
2012	1,156,345,759	0	1,156,345,759	0.00%
2013	1,207,890,384	0	1,207,890,384	0.00%
2014	1,323,335,143	0	1,323,335,143	0.00%
2015	1,392,465,534	0	1,392,465,534	0.00%
2016	1,526,572,907	0	1,526,572,907	0.00%
2017	1,657,963,093	0	1,657,963,093	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

(A Component Unit of the County of Santa Clara)

Principal Employers

Fiscal Year 2016 & Nine Years ago

Unaudited

Employer	Fiscal Year 2016 (Latest Available)				Fiscal Year 2007		
	City/Town	Rank	Number of Employees	Percentage of Total District Employment	Rank	Number of Employees	Percentage of Total District Employment
Apple	Cupertino	1	19,000	18.54%	1	23,000	21.94%
Cupertino Union School District	Cupertino	2	1,700	1.66%	5	1,510	1.44%
Netflix	Los Gatos	3	1,976	1.93%	-	-	-
Foothill/DeAnza Community College District	Cupertino	4	1,302	1.27%	6	1,347	1.28%
Fremont Union High School District	Cupertino	5	850	0.83%	9	821	0.78%
Safeway	Various	6	590	0.58%	-	-	-
Los Altos School District	Los Altos	7	568	0.55%	-	-	-
El Camino Hospital of Los Gatos	Los Gatos	8	560	0.55%	-	-	-
Seagate	Cupertino	9	556	0.54%	-	-	-
Roku	Los Gatos	10	487	0.48%	-	-	-
Symantec	Cupertino	-	-	-	2	16,000	15.26%
Hewlett-Packard	Cupertino	-	-	-	3	4,500	4.29%
Columbia Health Care Assoc/Mission Oaks Hospital	Los Gatos	-	-	-	4	2,000	1.91%
Borland Software	Cupertino	-	-	-	7	1,269	1.21%
Morgan Hill Unified School District	Morgan Hill	-	-	-	8	869	0.83%
Hospira	Morgan Hill	-	-	-	10	720	0.69%

Notes: List was compiled to include data from employers located in the District and contracting agencies. The Fire District ended its service contract with the City of Morgan Hill on January 3, 2013.

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

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Demographic and Economic Statistics - County of Santa Clara
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	County Population ⁽¹⁾	Total Personal Income (000's) ⁽²⁾	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2007	1,808,056	\$104,102,421	\$60,107	36.4	255,722	4.8%
2008	1,837,075	103,992,999	59,227	36.6	259,116	5.9%
2009	1,857,621	99,549,995	55,781	36.2	259,800	11.5%
2010	1,880,876	103,636,350	58,018	36.2	262,126	11.1%
2011	1,797,375	111,880,131	61,833	36.4	265,543	10.2%
2012	1,813,696	122,259,021	66,535	36.6	269,858	8.8%
2013	1,842,254	130,624,491	70,151	36.7	273,701	8%
2014	1,868,558	141,873,705	74,883	n/a	276,175	6%
2015	1,889,638	n/a	n/a	n/a	274,948	5%
2016	1,927,888	n/a	n/a	n/a	n/a	4%

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
(A Component Unit of the County of Santa Clara)
Demographic and Economic Indicators - District Population
Last Ten Fiscal Years
(Unaudited)

	Population									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Fire District										
Cupertino	54,584	55,045	55,838	58,302	58,302	59,620	59,646	59,756	58,185	
Monte Sereno	3,582	3,657	3,341	3,341	3,373	3,420	3,450	3,451	3,475	
Saratoga (CFPD)	15,796	15,840	15,999	15,098	15,181	15,345	15,444	15,400	15,400	
Unincorporated	10,077	4,000	1,942	1,500	1,212	1,225	1,250	1,245	5,125	
Los Gatos	30,170	30,497	30,802	29,651	29,854	30,247	30,532	30,505	31,376	
Total Zone 2	<u>114,209</u>	<u>109,039</u>	<u>107,922</u>	<u>107,892</u>	<u>107,922</u>	<u>109,857</u>	<u>110,322</u>	<u>110,357</u>	<u>113,561</u>	
Zone 1	40,855	56,567	52,000	50,000	50,000	49,400	49,500	49,300	46,000	
Subtotal Fire District	<u>155,064</u>	<u>165,606</u>	<u>159,922</u>	<u>157,892</u>	<u>157,922</u>	<u>159,257</u>	<u>159,822</u>	<u>159,657</u>	<u>159,561</u>	
Contract Agencies										
Campbell	40,161	40,420	39,363	39,664	39,882	40,404	41,993	41,857	42,584	
Morgan Hill	39,218	39,814	40,246	38,309	39,127	40,079	-	-	-	
Los Altos	28,165	28,457	28,863	28,863	29,460	29,792	29,969	30,036	31,353	
Los Altos Hills County FD	11,349	11,400	11,400	11,450	11,500	11,800	11,800	11,821	11,916	
Saratoga Fire District	-	20,743	20,902	20,900	20,900	21,200	21,000	21,000	20,500	
Total Contract	<u>118,893</u>	<u>140,834</u>	<u>140,774</u>	<u>139,186</u>	<u>140,869</u>	<u>143,275</u>	<u>104,762</u>	<u>104,714</u>	<u>106,353</u>	
Total Service Area	<u>273,957</u>	<u>306,440</u>	<u>300,696</u>	<u>297,078</u>	<u>298,791</u>	<u>302,532</u>	<u>264,584</u>	<u>264,371</u>	<u>265,914</u>	

Notes: The Fire District ended its service contract with the City of Morgan Hill on January 3, 2013.

The Fire District entered into a service contract with the Saratoga Fire Protection on July 1, 2008.

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
(A Component Unit of the County of Santa Clara)
Demographic and Economic Indicators for Major Cities Served by Fire District
Fiscal Years 2007 through 2016
(Unaudited)

DISTRICT CITIES

Saratoga

Year	Population	Total Personal Income (000's)	Per Capita Personal Income	Unemployment Rate	Labor Force
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	2,401,151	75,043	5.6%	13,200
2011	30,195	2,211,963	73,256	5.0%	13,400
2012	30,363	2,119,463	69,804	4.4%	14,000
2013	30,706	2,179,904	70,993	4.2%	13,900
2014	30,887	2,243,458	72,634	3.4%	14,200
2015	30,799	2,248,481	73,005	2.7%	15,100
2016	30,219	2,239,926	74,123	2.9%	14,700

Los Gatos

Year	Population	Total Personal Income (000's)	Per Capita Personal Income	Median Age
2007	29,362	\$1,764,862	\$60,107	44.64
2008	30,170	1,781,780	59,058	44.86
2009	30,497	1,701,153	55,781	45.35
2010	30,802	1,787,070	58,018	45.09
2011	29,651	1,833,410	61,833	44.22
2012	29,808	1,854,892	62,228	42.64
2013	30,247	2,140,641	70,772	45.80
2014	30,532	2,274,542	74,497	45.80
2015	30,505	2,197,885	72,050	46.10
2016	31,376	907,708	28,930	46.30

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Demographic and Economic Indicators for Major Cities Served by Fire District
Fiscal Years 2007 through 2016
(Unaudited)

DISTRICT CITIES (CONTINUED)

Cupertino

Year	Population	Total Personal Income (000's)	Per Capita Personal Income	Unemployment Rate	Median Age
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
2012	59,022	2,818,655	47,756	6.3%	39.2
2013	59,620	2,888,768	48,453	5.4%	39.9
2014	59,946	2,965,596	49,471	4.4%	40.4
2015	59,777	3,290,377	55,064	3.1%	40.0
2016	58,185	3,298,680	56,693	3.4%	40.2

CONTRACT CITIES

Campbell

Year	Population	Total Personal Income (000's)	Per Capita Personal Income	Unemployment Rate
2007	39,748	\$2,374,307	\$59,734	3.8%
2008	40,161	2,348,414	58,475	4.4%
2009	40,421	2,174,394	53,795	7.7%
2010	39,363	2,241,290	56,939	9.7%
2011	39,664	2,470,393	62,283	9.1%
2012	39,882	2,710,939	67,974	7.5%
2013	40,404	2,834,381	70,151	5.8%
2014	41,993	2,938,192	69,969	4.6%
2015	41,857	2,921,953	69,808	2.8%
2016	42,584	3,086,261	72,475	2.9%

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Demographic and Economic Indicators for Major Cities Served by Fire District
Fiscal Years 2007 through 2016
(Unaudited)

CONTRACT CITIES (CONTINUED)

Los Altos

Year	Population	Total Personal Income (000's)	Per Capita Personal Income	Unemployment Rate	Median Age
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
2012	29,460	2,139,032	72,608	4.9%	45.4
2013	29,792	2,221,589	74,570	3.2%	45.8
2014	29,969	2,370,608	79,102	2.6%	46.1
2015	29,884	2,481,597	83,041	3.4%	46.2
2016	31,353	2,521,001	80,407	3.4%	46.2

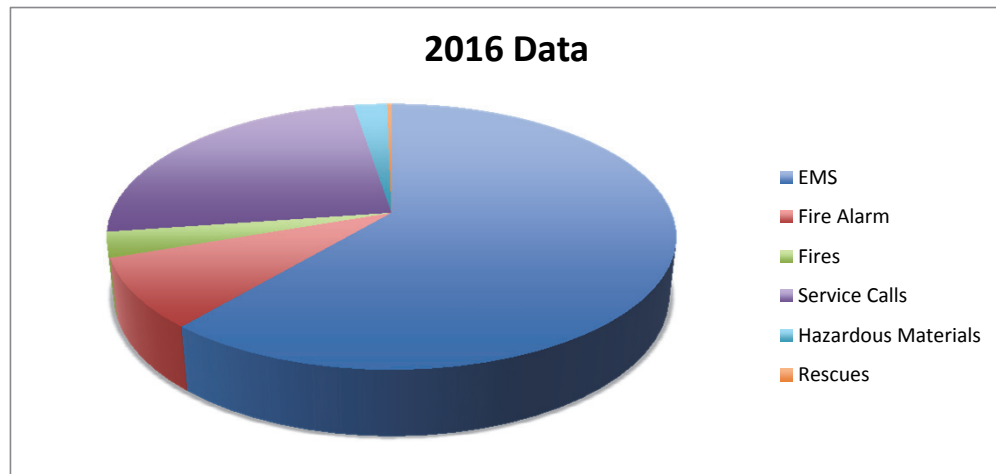
Source: Data collected from statistical section of individual City CAFRs

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Full-Time and Part Time Employees by Function/Department
Last Ten Fiscal Years
(Unaudited)

Function/Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Executive Management	9.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	9.0
Operations	242.0	245.0	245.0	245.0	245.0	232.0	232.0	233.0	233.0	233.0
Fire Prevention	23.0	23.0	23.0	23.0	23.0	20.0	20.0	23.0	23.0	23.0
Training	9.0	9.0	9.0	9.0	9.0	9.0	10.0	2.0	2.0	3.0
Support Services	10.0	10.0	10.0	10.0	11.0	10.0	10.0	10.0	10.0	10.0
Emergency Mgmt./Public Ed.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.5	11.0	11.0
Administration	15.0	15.0	15.0	16.0	15.0	16.0	16.0	22.0	23.0	28.0
	<u>308.0</u>	<u>311.0</u>	<u>311.0</u>	<u>312.0</u>	<u>312.0</u>	<u>296.0</u>	<u>298.0</u>	<u>309.5</u>	<u>312.0</u>	<u>317.0</u>

Source: Santa Clara County Central Fire Protection District

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)
Incidents by Type and Total
Last Ten Calendar Years
(Unaudited)



For the Year Ended December 31	EMS	Fire Alarm	Fires	Service Calls	Hazardous Materials	Rescues	Total
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
2012	13,942	2,100	1,827	1,209	127	253	19,458
2013	11,523	1,880	1,201	1,030	89	206	15,929
2014	10,706	1,420	618	4,062	393	40	17,239
2015	10,889	1,417	540	4,217	401	31	17,495
2016	10,986	1,521	549	4,444	403	54	17,957

Source: Santa Clara County Central Fire Protection District

Santa Clara County Central Fire Protection District
(A Component Unit of the County of Santa Clara)

Capital Asset Statistics

Last Ten Fiscal Years

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Number of Stations										
District Owned	8	8	8	8	8	6	6	6	6	6
Operated by Contract	8	9	9	9	9	9	9	9	9	9
Total Fire Stations	<u>16</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
Other Facilities										
Fleet Maintenance Shop	1	1	1	1	1	1	1	1	1	1
Craftworkers Maintenance Shop	1	1	1	1	1	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>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>
Equipment										
Engines										
Frontline	15	15	15	15	15	13	13	13	13	13
Reserve	8	8	8	8	8	6	6	6	6	6
Subtotal - Engines	<u>23</u>	<u>23</u>	<u>23</u>	<u>23</u>	<u>23</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
Rescues										
Frontline	3	3	3	3	3	3	3	3	3	3
Reserve	-	-	-	-	-	-	-	-	-	-
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>
Trucks										
Frontline	4	4	4	4	4	3	3	3	3	3
Reserve	1	1	1	1	1	2	-	1	1	1
Subtotal - Trucks	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>
Type III/IV Engines										
Frontline	5	6	6	6	6	7	7	7	7	8
Reserve	0	4	4	4	2	1	1	1	1	0
Subtotal - Type III/IV's	<u>5</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Command Vehicles										
Frontline	6	8	8	8	8	7	8	8	8	10
Reserve	1	1	1	2	2	1	1	1	1	0
Subtotal - Command Vehicles	<u>7</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>
Specialized/Support Vehicles										
HazMAT	2	2	2	2	2	2	1	1	1	1
Breathing Support	1	1	1	1	1	1	1	1	1	1
Water Tender	-	-	-	-	-	-	-	1	1	1
Prime Mover	1	1	1	1	1	1	1	1	1	1
Trailer	6	7	7	7	7	7	7	7	7	7
S.A.F.E. House Trailer	1	1	1	1	-	-	-	-	-	-
USAR 5	1	1	1	1	1	1	1	1	1	1

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