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**SANTA CLARA COUNTY  
CENTRAL FIRE PROTECTION  
DISTRICT**

**AUDIT REPORT**

**YEAR ENDED JUNE 30, 2007**



**Vargas and Company**  
certified public accountants

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**June 30, 2007**

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# Vargas and Company

certified public accountants

## INDEPENDENT AUDITORS' REPORT

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


We have audited the accompanying financial statements of the governmental activities, major fund and remaining fund information of the Santa Clara County Central Fire Protection District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and remaining fund information of the Santa Clara County Central Fire Protection District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2007 on our consideration of the Santa Clara County Central Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the budgetary comparison schedule, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
Vargas and Company  
San Jose, California  
August 3, 2007

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

This section of the Santa Clara County Central Fire Protection District (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded liabilities at the close of the 2006-2007 fiscal year by \$28,311,635 (*net assets*). Of this amount, \$7,827,508 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, and \$20,484,127 is invested in capital assets, net of related debt.
- The District's total net assets increased by \$2,787,969 due to an 8% increase in property taxes and a 13% increase in charges for services.
- As of June 30, 2007, the District's governmental funds reported combined ending fund balances of \$12,340,312, an increase of \$3,022,133 in comparison with the prior year. All of the combined fund balances is available to meet the District's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$11,742,105 or 19% of total general fund expenditures.
- The District's total long-term debt decreased by \$229,102 in comparison with the prior year. The decrease resulted primarily from the principal payment on debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**Government-wide Financial Statements**

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

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

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

Both of these government-wide financial statements distinguish functions of the District that are principally supported by property taxes and assessments, and charges for services (*governmental activities*). The only governmental activity of the District is public protection. The District does not have any business-type activities.

**Fund Financial Statements**

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

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

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 two governmental funds organized according to their type (general and capital projects). 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 governmental fund is in a single presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

*Proprietary funds* are generally used to account for services for which the District charges customers—either outside customers, or internal units or departments of the District. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, the health benefit fund which is an internal service fund.

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

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

**Notes to the Financial Statements**

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



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**Required Supplementary Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the District, assets exceeded liabilities by \$28,311,635 at the close of the current fiscal year.

Net Assets		<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
<b>Assets:</b>			
Current and other assets	\$16,118,495	\$12,536,614	29%
Capital assets, net	<u>23,884,127</u>	<u>24,195,757</u>	( 1%)
Total assets	<u>40,002,622</u>	<u>36,732,371</u>	9%
<b>Liabilities:</b>			
Current and other liabilities	3,418,178	2,706,794	26%
Long-term liabilities	<u>8,272,809</u>	<u>8,501,911</u>	( 3%)
Total liabilities	<u>11,690,987</u>	<u>11,208,705</u>	4%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	20,484,127	20,535,757	0%
Unrestricted net assets	<u>7,827,508</u>	<u>4,987,909</u>	57%
Total net assets	<u>\$28,311,635</u>	<u>\$25,523,666</u>	11%

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**Analysis of Net Assets**

The largest portion of the District's net assets \$20,484,127 (72%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery, equipment, and furnishings). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets, \$7,827,508 (28%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$16,397,747	\$14,477,062	13%
General revenues:			
Property taxes and assessments	46,039,900	42,485,553	8%
Licenses and permits	556,702	410,642	36%
Intergovernmental revenues	549,191	789,246	( 30%)
Interest and investment income	402,795	216,214	86%
Rental income	49,378	47,930	3%
Miscellaneous	<u>129,493</u>	<u>125,256</u>	3%
Total revenues	<u>64,125,206</u>	<u>58,551,903</u>	10%
Expenses:			
Public protection	61,171,540	58,800,857	4%
Interest on long-term debt	<u>165,697</u>	<u>175,788</u>	( 6%)
Total expenses	<u>61,337,237</u>	<u>58,976,645</u>	4%
Change in net assets	2,787,969	( 424,742)	756%
Net assets, beginning	<u>25,523,666</u>	<u>25,948,408</u>	
Net assets, ending	<u>\$28,311,635</u>	<u>\$25,523,666</u>	11%

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**Analysis of Changes in Net Assets**

Governmental activities increased the District's net assets by \$2,787,969 thereby accounting for 100% of the total increase in net assets of the District. Key elements of this increase are as follows:

- Charges for services increased \$1,920,685 or 13% due to the improved factors used to determine cost of living adjustment in two contracts.
- Property taxes increased \$3,554,347 or 8% due to an increase in property values.
- Licenses and permits increased \$146,060 or 36% due to a marked increase in construction activity.
- Intergovernmental revenues decreased \$240,055 or 30% due to the fact that last year's grant for a mobile breathing support vehicle was a one-time grant.
- Interest and investment income increased \$186,581 or 86% due to an improved cash balance to earn interest.
- Public protection expense increased \$2,370,683 or 4% due to the negotiated salary increase of 5%.

Although expenditures for certain functional categories reflected increases to parallel inflation and growth in the demand for services; overall, expenditures for governmental activities increased due to the growth in personnel costs.

**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the District include the General Fund and Capital Project Fund.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

At June 30, 2007, the District's governmental funds reported combined ending fund balances of \$12,340,312, an increase of \$3,022,133 in comparison with the prior year. All of the combined ending fund balances constitutes unreserved fund balance, which is available to meet the District's current and future needs.

The general fund is the chief operating fund of the District. At June 30, 2007, unreserved fund balance of the general fund was \$11,742,105 while total fund balances of the two governmental funds reached \$12,340,312. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The general fund's unreserved fund balance represents 19% of general fund expenditures of \$61,103,073, while total fund balance represents 20% of that same amount.

Revenues for governmental functions totaled \$64,125,206 in fiscal year 2006-2007, which represents an increase of \$5,576,253 or 10% from fiscal year ended 2005-2006. Expenditures for governmental functions, totaling \$61,103,073, increased by \$1,524,090 or 3% from the fiscal year 2005-2006. In the fiscal year 2006-2007, revenues for governmental functions exceeded expenditures by \$3,022,133.

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 2007</u>		<u>FY 2006</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Property taxes and assessments	\$46,039,900	72%	\$42,485,553	73%	\$3,554,347	8%
Licenses and permits	556,702	1%	410,642	1%	146,060	36%
Intergovernmental revenues	549,191	1%	789,246	1%	( 240,055)	(30%)
Use of money and property	452,173	1%	264,144	-	188,029	71%
Charges for services	16,397,747	26%	14,477,062	25%	1,920,685	13%
Miscellaneous revenues	<u>129,493</u>	-	<u>122,306</u>	-	<u>7,187</u>	6%
<b>Total</b>	<b><u>\$64,125,206</u></b>	<b><u>100%</u></b>	<b><u>\$58,548,953</u></b>	<b><u>100%</u></b>	<b><u>\$5,576,253</u></b>	<b>10%</b>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

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

- Property taxes and assessments – Increased due to an increase in property values.
- Licenses and permits – Increased due to a marked increase in construction activity.
- Intergovernmental revenues – Decreased due to the fact that last year's grant for a mobile breathing support vehicle was a one-time grant.
- Use of money and property – Increased due to an improved cash balance to earn interest.
- Charges for services – Increased due to the improved factors used to determine cost of living adjustment in two contracts.

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

Expenditures by Function  
Governmental Funds

<u>Expenditures by Function</u>	<u>FY 2007</u>		<u>FY 2006</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	\$59,764,834	98%	\$57,621,676	97%	\$2,143,158	4%
Capital outlay	911,201	2%	1,530,269	3%	(619,068)	(40%)
Debt service – principal	260,000	- %	250,000	- %	10,000	4%
Debt service – interest	<u>167,038</u>	<u>- %</u>	<u>177,038</u>	<u>- %</u>	( <u>10,000</u> )	( <u>6%</u> )
<b>Total</b>	<b><u>\$61,103,073</u></b>	<b><u>100%</u></b>	<b><u>\$59,578,983</u></b>	<b><u>100%</u></b>	<b><u>\$1,524,090</u></b>	<b>3%</b>

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

- Public protection – Increased due to the negotiated salary increase of 5%.
- Capital outlay – Decreased due to the postponement of the El Toro fire station remodel.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

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> General <u>Fund</u>	<u>Nonmajor Fund</u> Capital Projects <u>Fund</u>	<u>Total</u>
Revenues	\$64,097,056	\$ 28,150	\$64,125,206
Expenditures	( <u>61,103,073</u> )	<u>-</u>	( <u>61,103,073</u> )
Net change in fund balances	2,993,983	28,150	3,022,133
Fund balances, beginning	<u>8,748,122</u>	<u>570,057</u>	<u>9,318,179</u>
Fund balances, ending	<u>\$11,742,105</u>	<u>\$598,207</u>	<u>\$12,340,312</u>

The fund balance in the District's general fund increased by \$2,993,983 during the fiscal year mainly due to a strong growth in property taxes and improved revenues from city contracts. As noted above, the District's general fund public protection expenditures increased by 4% due to the negotiated salary increase of 5%. Overall, the general fund's performance resulted in a net increase in fund balance for the fiscal year ended June 30, 2007 of \$2,993,983, an increase of 385% over the prior year's net decrease in fund balance of \$1,048,052.

**Proprietary Funds**

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

The Health Benefit had unrestricted net assets of \$379,544 at June 30, 2007. The total decrease in net assets for the Health Benefit was \$152,977 due to the expenditures exceeding contributions.

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

	<u>2007</u>	<u>Health Benefit</u> <u>2006</u>	<u>Increase/</u> <u>(Decrease)</u>
Operating revenues	\$3,119,942	\$3,395,762	( 8%)
Operating expenses	( <u>3,272,919</u> )	( <u>3,369,214</u> )	( 3%)
Change in net assets	( <u>\$ 152,977</u> )	\$ <u>26,548</u>	(454%)

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original and the final budget resulted in a \$1,217,500 increase in the amounts available for appropriations. Those changes can be briefly summarized as follows:

- Licenses and permits budget increased by \$160,156 due to a marked increase in construction activity.
- Intergovernmental revenues increased by \$198,691 due to the award of a grant for autopulse machines.
- Use of money and property budget increased by \$140,000 due to the increase of cash to invest.
- Charges for services budget increased by \$751,776 due to the growth in cost of living adjustment formulas in two city contracts.

The difference between the original and the final budget resulted in a \$1,258,202 increase in the total charges for appropriations. Those changes can be briefly summarized as follows:

- Salaries and benefits budget decreased by \$100,000 due to a reduced need for overtime.
- Services and supplies budget increased by \$440,102 due to an increase in energy and fuel costs and the replacement of medical supplies and the purchase of fire hose.
- City provided services budget increased by \$1,683,100 due to a higher than anticipated growth in property values in the city-contracted area that result in higher pass-through costs.
- Capital outlay budget decreased by \$794,000 due to the postponement of remodeling the El Toro fire station.

During the year, actual revenues were more than budgetary estimates by \$899,556 (excluding transfers). The main components of the positive variance are as follows:

- Property taxes and assessments had a positive variance of \$277,514 due to actual property values being higher than estimated.
- Use of money and property had a positive variance of \$184,023 due to cash balances available for investing being higher than estimated.
- Charges for services had a positive variance of \$408,971 due to a higher increase in cost of living indices than estimated which led to higher contract revenues.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

Actual expenditures were less than budgetary estimates by \$1,522,434 (excluding reserves). The main component of this positive variance is from salaries and benefits of \$952,808 due to a lower than expected use of overtime and a smaller than estimated contribution to the workers compensation trust fund and capital outlay of \$548,575 due to the postponement of the remodeling of the El Toro fire station.

Overall, the net effect of over-realization of revenues and under-utilization of expenditures versus budgeted amounts resulted in a favorable variance of \$2,421,990 (excluding transfers and reserves).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$23,884,127 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery, equipment, and furnishings. The total decrease in the District's investment in capital assets for the current period was 1%.

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

- Purchase of several vehicles.
- Purchase of computers and equipments.
- Sale or disposal of various vehicles and equipment.

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



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

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>2007</u>	<u>2006</u>	<u>% of</u> <u>Change</u>
Land	\$ 4,065,549	\$ 4,065,549	-%
Buildings	15,401,867	15,401,867	-%
Vehicles, machinery, equipment, and furnishings	<u>17,546,349</u>	<u>16,758,505</u>	5%
Total cost	37,013,765	36,225,921	2%
Less: accumulated depreciation	<u>(13,129,638)</u>	<u>(12,030,164)</u>	9%
Capital assets, net	<u>\$23,884,127</u>	<u>\$24,195,757</u>	(1%)

**Long-term debt**

At June 30, 2007, the District had total long-term debt outstanding of \$8,272,809 as compared to \$8,501,911 in the prior year. This amount was comprised of \$3,400,000 of bonds payable (lease revenue bonds) and \$4,872,809 of compensated absences. During the year, payment of debt principal amounted to \$260,000. Additions to long-term compensated absences amounted to \$30,898.

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

- The District anticipates a status quo in the economic environment. However, the District continues to rely on secured property taxes, especially the residential real estate market, to sustain a solid growth.
- The District's jurisdictional increase in secured property taxes is expected to be close to 8.7%.

All of these factors were considered in preparing the District's budget for fiscal year 2008.

During the current fiscal year, the unreserved fund balance in the general fund increased to almost \$10,600,000. The District has appropriated the full amount for spending in the 2008 fiscal year budget.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**

**REQUESTS FOR INFORMATION**

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

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	
Unrestricted	\$ 14,365,025
Restricted with fiscal agents	106,801
Accounts receivable	116,145
Interest receivable	193,376
Due from other governmental agencies	1,292,943
Prepaid expenses	44,205
Capital assets, net	<u>23,884,127</u>
Total Assets	<u>\$ 40,002,622</u>
<b>Liabilities</b>	
Accounts payable	\$ 368,918
Accrued salaries and benefits	2,483,450
Other accrued liabilities	565,810
Compensated absences	4,872,809
Bonds payable, due within one year	270,000
Bonds payable, due beyond one year	<u>3,130,000</u>
Total Liabilities	<u>11,690,987</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	20,484,127
Unrestricted	<u>7,827,508</u>
Total Net Assets	<u>28,311,635</u>
Total Liabilities and Net Assets	<u>\$ 40,002,622</u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
Functions/Programs			
Governmental Activities			
Public protection	\$ 61,171,540	\$ 16,397,747	\$ (44,773,793)
Interest on long-term debt	<u>165,697</u>	<u>-</u>	<u>(165,697)</u>
Total Governmental Activities	<u>\$ 61,337,237</u>	<u>\$ 16,397,747</u>	<u>(44,939,490)</u>
General Revenues			
Property taxes and assessments			46,039,900
Licenses and permits			556,702
Intergovernmental revenues			549,191
Interest and investment income			402,795
Rental income			49,378
Miscellaneous			<u>129,493</u>
Total General Revenues			<u>47,727,459</u>
Change in Net Assets			2,787,969
Net Assets, Beginning			<u>25,523,666</u>
Net Assets, Ending			<u>\$ 28,311,635</u>

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

**Basic Financial Statements –  
Fund Financial Statements**

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	General Fund	Nonmajor Governmental Fund	Total
<b>Assets</b>			
Cash and investments			
Unrestricted	\$ 13,774,221	\$ 590,804	\$ 14,365,025
Accounts receivable	116,145	-	116,145
Interest receivable	185,973	7,403	193,376
Due from other governmental agencies	1,292,943	-	1,292,943
Prepaid expenses	44,205	-	44,205
	<u>\$ 15,413,487</u>	<u>\$ 598,207</u>	<u>\$ 16,011,694</u>
<b>Liabilities</b>			
Accounts payable	\$ 349,379	\$ -	\$ 349,379
Accrued salaries and benefits	2,635,352	-	2,635,352
Other accrued liabilities (record partial completion of 3 KRM 1992)	565,810	-	565,810
Insurance claims payable (3 KRM 1992)	120,841	-	120,841
	<u>3,671,382</u>	<u>-</u>	<u>3,671,382</u>
<b>Fund Balances</b>			
Unreserved, reported in			
General fund			
Designated for future expenditures	1,163,287		1,163,287
Undesignated	10,578,818	-	10,578,818
Capital project fund	-	598,207	598,207
	<u>11,742,105</u>	<u>598,207</u>	<u>12,340,312</u>
<b>Total Fund Balances</b>	<u>\$ 15,413,487</u>	<u>\$ 598,207</u>	<u>\$ 16,011,694</u>

6/24/08

9/ Sal + Ben Payable 1,486,007  
 Comp Absences 1,149,345 (overstated by \$ 37,827 to be corrected in A/P 12/08)  
2,635,352 MJC

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Government-wide Statement of Net Assets - Governmental Activities**  
**June 30, 2007**

<b>Fund Balances - Total Governmental Funds</b>		<b>\$ 12,340,312</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		23,884,127
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.</p>		379,544
<p>Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.</p>		(19,539)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
<p style="padding-left: 20px;">Compensated absences</p>	\$ 4,872,809	
<p style="padding-left: 20px;">Bonds (COP) payable</p>	<u>3,400,000</u>	<u>(8,272,809)</u>
<b>Net Assets of Governmental Activities</b>		<b>\$ <u>28,311,635</u></b>

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



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	General Fund	Nonmajor Governmental Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Property taxes and assessments	\$ 46,039,900	\$ -	\$ 46,039,900
Licenses and permits	556,702	-	556,702
Intergovernmental revenues	549,191	-	549,191
Use of money and property	424,023	28,150	452,173
Charges for services	16,397,747	-	16,397,747
Miscellaneous revenues	129,493	-	129,493
	<u>64,097,056</u>	<u>28,150</u>	<u>64,125,206</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Public protection			
Salaries and benefits	47,319,797	-	47,319,797
Services and supplies	5,219,529	-	5,219,529
City provided services	7,165,806	-	7,165,806
Other charges	59,702	-	59,702
Capital outlay	911,201	-	911,201
Debt service - principal	260,000	-	260,000
Debt service - interest	167,038	-	167,038
	<u>61,103,073</u>	<u>-</u>	<u>61,103,073</u>
<b>Total Expenditures</b>			
<b>Net Change in Fund Balances</b>	2,993,983	28,150	3,022,133
<b>Fund Balance, Beginning</b>	<u>8,748,122</u>	<u>570,057</u>	<u>9,318,179</u>
<b>Fund Balance, Ending</b>	<u>\$ 11,742,105</u>	<u>\$ 598,207</u>	<u>\$ 12,340,312</u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Government-wide Statement of Activities**  
**Governmental Activities**  
**Year Ended June 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 3,022,133**

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

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

Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 911,201	
Less: current year depreciation	<u>(1,222,831)</u>	(311,630)

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

Principal repayments		
Bonds (COP) payable		260,000

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.

(152,977)

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

Change in accrued interest payable	1,341	
Change in compensated absences	<u>(30,898)</u>	<u>(29,557)</u>

**Change in Net Assets of Governmental Activities** **\$ 2,787,969**

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Fund Net Assets - Proprietary Fund - Internal Service**  
**June 30, 2007**

	<u>Governmental</u> <u>Activities</u> Health Benefit
<b>Assets</b>	
Cash and investments	
Restricted with fiscal agents	\$ 106,801
Accounts receivable	<u>272,743</u>
<b>Total Assets</b>	<b>\$ <u>379,544</u></b>
<b>Liabilities</b>	
Accounts payable	\$ <u>-</u>
<b>Total Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Unrestricted	<u>379,544</u>
<b>Total Net Assets</b>	<u>379,544</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>379,544</u></b>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets -**  
**Proprietary Fund - Internal Service**  
**Year Ended June 30, 2007**

	Governmental Activities
	Health Benefit
Operating Revenues	
Health contribution	\$ 3,119,942
Total Operating Revenues	3,119,942
Operating Expenses	
Claims expenses	3,272,919
Total Operating Expenses	3,272,919
Change in Net Assets	(152,977)
Net Assets, Beginning	532,521
Net Assets, Ending	\$ 379,544

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Cash Flows - Proprietary Fund - Internal Service**  
**Year Ended June 30, 2007**

	<u>Governmental Activities</u> <u>Health Benefit</u>
<b>Cash Flows from Operating Activities</b>	
Cash receipts from interfund services provided - contributions to the plan	\$ 3,038,631
Cash payment for interfund services used - paid claims	<u>(3,025,534)</u>
Net cash provided by operating activities	<u>13,097</u>
 Net Increase in Cash and Investments	 13,097
 Cash and Investments, Beginning	
Restricted with fiscal agents	<u>93,704</u>
 Cash and Investments, Ending	
Restricted with fiscal agents	<u>\$ 106,801</u>
 Reconciliation of change in net assets to net cash provided (used) by operating activities	
Change in Net Assets	\$ (152,977)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities	
Decrease (increase) in assets	
Accounts receivable	<u>166,074</u>
Net cash provided by operating activities	<u>\$ 13,097</u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Fiduciary Net Assets - Fiduciary Fund**  
**June 30, 2007**

	<u>Workers Compensation</u>
<b>Assets</b>	
Cash and investments	
Unrestricted	\$ 8,014,052
Interest receivable	<u>81,863</u>
Total Assets	<u>8,095,915</u>
<b>Liabilities</b>	
Insurance claims payable	<u>6,643,000</u>
Total Liabilities	<u>6,643,000</u>
<b>Net Assets</b>	
Net assets held in trust for workers' compensation	<u>\$ 1,452,915</u>

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Statement of Changes in Fiduciary Net Assets - Fiduciary Fund**  
**Year Ended June 30, 2007**

	<u>Workers Compensation</u>
<b>Additions</b>	
Plan contributions	\$ 2,590,919
Interest and investment income	<u>341,124</u>
<b>Total Additions</b>	<u>2,932,043</u>
<b>Deductions</b>	
Estimated claims	5,067,816
Claim payments	653,577
Administrative expenses	<u>437,342</u>
<b>Total Deductions</b>	<u>6,158,735</u>
<b>Change in Net Assets</b>	<b>(3,226,692)</b>
<b>Net Assets, Beginning</b>	<u>4,679,607</u>
<b>Net Assets, Ending</b>	<u><u>\$ 1,452,915</u></u>

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

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



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 1.      REPORTING ENTITY**

**Formation Date and Administrative Office**

The Santa Clara County Central Fire Protection District (the "District") was formed in January 1947 under the California Health and Safety Code. The District's administrative office is located at:

14700 Winchester Boulevard  
Los Gatos, California 95032  
Phone (408) 378-4010  
Fax     (408) 378-4079

**History and Formation**

The Central Fire Protection District is a full service fire department which has evolved through fire district consolidations. In 1947, two agencies, the Cottage Grove Fire District and the Oakmead Farms Fire District were consolidated and were joined with other agencies of unincorporated areas that had no fire protection to become the Central Fire Protection District in Santa Clara County.

**Governing Board**

The County Board of Supervisors is the governing body of the District. Management of the District's affairs is delegated to the board of directors. The District Board of Directors were comprised of the County Board of Supervisors at June 30, 2007:

Donald Gage, Chairperson  
Blanca Alvarado  
Peter McHugh  
Ken Yeager  
Liz Kniss

**Administrative Officers**

The chief administrative officers of the District at June 30, 2007, were:

Kenneth L. Waldvogel, Fire Chief  
Michael E. Rock, Director of Business Services

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 1.      REPORTING ENTITY - Continued**

**Present Operations**

The District serves the areas of Santa Clara County not protected by other fire departments, districts, or the State Division of Forestry. The District exists to protect the lives, property, and environment within the communities served from fires, disasters, and emergency incidents through education, prevention, and emergency response. Funding is provided primarily through property taxes and contracts for fire protection services.

**NOTE 2.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. This option does not apply for the District since it has no enterprise funds. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A.      **Basis of Presentation****

*Government-wide Financial Statements*

The statement of net assets and statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

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. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

*Fund Financial Statements*

Fund financial statements of the District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column in the proprietary fund financial statements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Governmental Funds

The District reports one major governmental fund:

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

The District reports the following nonmajor governmental fund:

- *Capital Project* is used to account for financial resources restricted for the acquisition or construction of specific capital projects or items. It accounts for the acquisition of capital assets with transfers made from the Santa Clara County.

**Proprietary Fund**

The District reports one proprietary fund:

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

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

The District reports one fiduciary fund:

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

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

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

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

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

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

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

**C. Budgets and Budgetary Accounting**

The District, as per California Health and Safety Code Section 13895, adopts final annual operating budgets before October 1. From the effective date of the budget, which is adopted by the Board of Directors after public hearings, the proposed expenditures become appropriations. The Fire Chief generally may transfer appropriations among programs. Unencumbered and unexpended appropriations lapse at fiscal year-end. During the year, supplemental appropriations were approved by the Board of Directors.

The District also adopts budgets annually for Capital Project Funds. Such budgets are based on a project time frame, rather than a fiscal year, and unused appropriations are reapportioned from year to year until project completion.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

Budgeted revenues and expenditures in the financial statements represent the original budget modified by authorized adjustments during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year that were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. Expenditures may not legally exceed budgeted appropriations at the expenditures object 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 and Capital Projects Fund. Encumbrances outstanding at year-end are reported as reservation of fund balance since they do not constitute expenditures or liabilities.

**D. 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.

**E. Capital Assets**

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

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

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

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

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

**F. Long-term Debt**

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

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

**G. Compensated Absences**

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

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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

**H. Equity Classifications**

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

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. There were no restricted net assets as of June 30, 2007.
- *Unrestricted Net Assets* – This category represents net assets of the District, not restricted for any project or other purpose.

In the governmental fund financial statements, equity is classified as fund balance. Reservations and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reservations and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions. There were no fund balance reservations as of June 30, 2007.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations as of June 30, 2007 were for future expenditures.



**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

**I. 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.

**NOTE 3. 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**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 4. CASH AND INVESTMENTS**

The cash balance of the District's General Fund, Capital Project, and the Workers Compensation Trust Fund are pooled and invested by the County's Treasurer in the pooled cash investment program ("Pool") for the purpose of increasing earnings through investment activities. The County's pooled deposits and investments are regulated by California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee and the Board. As provided by the County, on June 30, 2007, the pool's commingled investments, at cost, is \$3,445,908,429. The pooled investments' fair value, based on quoted market prices, is \$3,434,392,012. The County allocates interest to the District based on the District's average daily cash balance relative to the entire Pool. The value of the participants' pool shares that may be withdrawn is determined on an amortized basis, which is different than the fair value of the participants' positions in the pool. In addition, the County's investment pool is not rated by any of the credit rating agencies. Additional information regarding the County's investment policy and cash and investments, including interest rate risk, credit risk, custodial credit risk categories, and maturities of the different categories of investments, can be found in the County's notes to the basic financial statements.

The cash balances for the Health Benefit Fund were held in a bank account by health plan's third party administrator, Coastal Healthcare Administrators, in Salinas, California. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

Cash and investments at June 30, 2007 consists of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and investments with the County Treasury common pool:		
General Fund - District Maintenance	\$13,772,421	\$13,763,363
Capital Project - Construction '98	590,804	590,415
Fiduciary - Worker's Compensation	8,014,052	8,008,781
Proprietary - Health Benefit (restricted)	106,801	106,801
Petty cash	<u>1,800</u>	<u>1,800</u>
Total cash and investments	<u>\$22,485,878</u>	<u>\$22,471,160</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.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

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 \$9,058 for the General Fund-District Maintenance, \$389 for Capital Project-Construction '98, and \$5,271 for Fiduciary-Worker's Compensation. However, since the effect of the application of GASB 31, in this instance, is not material, the District's cash and investments account is stated at cost.

**NOTE 5. CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2007 is as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/07</u>
Land	\$ 4,065,549	\$ - .	\$ - .	\$ 4,065,549
Buildings	15,401,867	- .	- .	15,401,867
Vehicles, machinery, equipment, and furnishings	<u>16,758,505</u>	<u>911,201</u>	<u>123,357</u>	<u>17,546,349</u>
Totals at historical cost	<u>36,225,921</u>	<u>911,201</u>	<u>123,357</u>	<u>37,013,765</u>
Less accumulated depreciation				
Buildings	3,392,826	308,037	- .	3,700,863
Vehicles, machinery, equipment, and furnishings	<u>8,637,338</u>	<u>914,794</u>	<u>123,357</u>	<u>9,428,775</u>
Total accumulated depreciation	<u>12,030,164</u>	<u>1,222,831</u>	<u>123,357</u>	<u>13,129,638</u>
Capital assets, net	<u>\$24,195,757</u>	<u>(\$ 311,630)</u>	<u>\$ - .</u>	<u>\$23,884,127</u>

For the year ended June 30, 2007, depreciation expense charged to public protection under governmental activities was \$1,222,831.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 6.      WORKERS COMPENSATION**

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

**NOTE 7.      LONG-TERM DEBT**

**A.      Bonds Payable**

The Santa Clara County Financing Authority's 1998 Lease Revenue Bonds Series A, issued for \$77,695,000 on September 1, 1998, advance refunded and defeased all outstanding 1992 Certificates of Participation (COPs). The issuance also prepaid a capital lease obligation and financed additional facilities for the Santa Clara County Central Fire Protection District. The net proceeds from the issuance of the 1998 Lease Revenue Bonds Series A, after deducting \$1,705,000 in discounts, underwriting fees, insurance, and reserve requirements, amounted to \$75,990,000. The 1998 Lease Revenue Bonds Series A bear interest at rate ranging from 3.375% to 4.75%, and mature serially through May 15, 2012, followed by a term bond maturing May 15, 2017 for \$1,935,000. The County's annual base rental payments ranging from \$442,000 to \$7,395,000 through May 15, 2017, secure the debt. Debt payments from May 15, 2002, and beyond are insured by a municipal bond insurance policy issued by Ambac Assurance Corporation. The portion of these bonds that applies to the Central Fire Protection District is \$5,020,000.

As of June 30, 2007, the outstanding principal balance amounted to \$3,400,000. The annual requirements to amortize debt outstanding are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 270,000	\$156,313	\$ 426,313
2009	280,000	144,837	424,837
2010	290,000	132,797	422,797
2011	305,000	120,037	425,037
2012	320,000	106,313	426,313
2013-2017	<u>1,935,000</u>	<u>284,525</u>	<u>2,219,525</u>
Total	<u>\$3,400,000</u>	<u>\$944,822</u>	<u>\$4,344,822</u>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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

**B. Compensated Absences**

As of June 30, 2007, the District's long-term compensated absences amounted to \$4,872,809 as reported in the government wide statements. The current portion of \$1,149,345 is included in the accrued salaries and benefits account.

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

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance, June 30, 2006	\$4,841,911	\$3,660,000	\$8,501,911
Increases (Decreases)	<u>30,898</u>	( <u>260,000</u> )	( <u>229,102</u> )
Balance, June 30, 2007	<u>\$4,872,809</u>	<u>\$3,400,000</u>	<u>\$8,272,809</u>
Amount due within one year		<u>\$270,000</u>	

**NOTE 8. PENSION PLAN**

*Plan Description:* The Santa Clara County Central Fire Protection District contributes to the California Public Employees Retirement System (the "CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District contract amendments to the standard CalPERS plan. Copies of CalPERS' annual financial report may be obtained from its Executive Office – 400 P Street, Sacramento CA 95814.

*Funding Policy:* Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The District makes 3% of the contributions required of District's miscellaneous employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate of annual covered payroll; the rate is 13.934% for miscellaneous employees and 26.532% for safety employees (0% for 1959 survivor program). The contribution requirement of plan members is established by statute and the District rate is established and may be amended by CalPERS.

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 8. PENSION PLAN – Continued**

*Annual Pension Cost:* For fiscal year 2006/2007, the District's annual pension cost was \$7,460,221 and the District actually contributed \$7,460,221. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% (miscellaneous) and 13.15% (safety) depending on age, service and type of employment, (c) 3.25% payroll growth, and (d) 3.0% inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period as of valuation date was 14 years (miscellaneous) and 32 years (safety).

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$6,219,091	100%	\$ -
6/30/04	6,178,190	100%	-
6/30/05	8,760,900	100%	-

Required Supplementary Information

	(a)	(b)	(a)-(b)	(b)/(a)	(c)	[(a)-(b)]/(c)
<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
<u>MISCELLANEOUS PLAN:</u>						
<i>Retirement Plan</i>						
6/30/03	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
6/30/04	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
6/30/05	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
<u>SAFETY PLAN:</u>						
<i>Retirement Plan</i>						
6/30/03	237,308,351	192,522,261	44,756,090	81.1%	22,156,837	202.0%
6/30/04	253,052,679	205,844,237	47,208,442	81.3%	22,755,453	207.5%
6/30/05	269,664,805	222,790,713	46,874,092	82.6%	23,471,632	199.7%
<i>1959 Plan</i>						
6/30/03	27,542	355,254	( 327,712)	1289.9%	22,156,837	( 1.5%)

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 9**      **HEALTH BENEFIT**

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

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

GASB 43/45 allows for seven actuarial cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age (as commonly used for governmental pension calculations). The valuation method used is the Projected Unit Credit method, which spreads costs from hire to the projected date of full eligibility for plan benefits. Below is the summary of the most recent valuation report by Rael & Letson dated August 2006 (as of June 30, 2006):

	<u>Safety</u>	<u>Miscellaneous</u>	<u>All</u>
<b>Participant Count</b>			
Current retirees and surviving spouses	140	12	152
Other participants fully eligible for benefits	42	13	55
Other participants not yet fully eligible for benefits	<u>166</u>	<u>28</u>	<u>194</u>
<b>Total Count</b>	<u>348</u>	<u>53</u>	<u>401</u>
<b>Actuarial Present Value of Benefits (APVB)</b>			
Current retirees, spouses and dependents	\$ 42,588,200	\$ 3,647,900	\$ 46,236,100
Other participants fully eligible for benefits	23,288,100	5,641,200	28,929,300
Other participants not yet fully eligible for benefits	<u>110,813,800</u>	<u>10,316,300</u>	<u>121,130,100</u>
<b>Total APVB</b>	<u>\$176,690,100</u>	<u>\$19,605,400</u>	<u>\$196,295,500</u>
<b>Actuarial Accrued Liability (AAL)</b>			
Current retirees, spouses and dependents	\$ 42,588,200	\$ 3,647,900	\$ 46,236,100
Other participants fully eligible for benefits	23,288,100	5,641,200	28,929,300
Other participants not yet fully eligible for benefits	<u>64,783,000</u>	<u>6,063,100</u>	<u>70,846,100</u>
<b>Total AAL</b>	<u>\$130,659,300</u>	<u>\$15,352,200</u>	<u>\$146,011,500</u>

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**NOTE 9      HEALTH BENEFIT – Continued**

The District administers the health benefit plan as an internal service fund. The actuarial valuation of the postretirement welfare benefits is available directly from the District.



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

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, Beginning	\$ 8,748,122	\$ 8,748,122	\$ 8,748,122	\$ -
<b>Resources (Inflows)</b>				
Property taxes and assessments	45,860,000	45,762,386	46,039,900	277,514
Licenses and permits	368,000	528,156	556,702	28,546
Intergovernmental revenues	350,000	548,691	549,191	500
Use of money and property	100,000	240,000	424,023	184,023
Charges for services	15,237,000	15,988,776	16,397,747	408,971
Miscellaneous revenues	60,000	129,491	129,493	2
Transfer in	7,205,240	7,205,240	-	(7,205,240)
Proceeds from sales of capital assets	5,000	-	-	-
<b>Amounts Available for Appropriation</b>	<u>69,185,240</u>	<u>70,402,740</u>	<u>64,097,056</u>	<u>(6,305,684)</u>
<b>Charges to Appropriations (Outflows)</b>				
<b>Public protection</b>				
Salaries and benefits	48,372,605	48,272,605	47,319,797	952,808
Services and supplies	5,012,219	5,452,321	5,219,529	232,792
City provided services	5,271,893	6,954,993	7,165,806	(210,813)
Other charges	28,812	57,812	59,702	(1,890)
Capital outlay	2,253,776	1,459,776	911,201	548,575
Debt service - principal	260,000	260,000	260,000	-
Debt service - interest	168,000	168,000	167,038	962
Reserves	6,644,240	6,644,240	-	6,644,240
<b>Total Charges to Appropriations</b>	<u>68,011,545</u>	<u>69,269,747</u>	<u>61,103,073</u>	<u>8,166,674</u>
Budgetary Fund Balance, Ending	<u>\$ 9,921,817</u>	<u>\$ 9,881,115</u>	<u>\$ 11,742,105</u>	<u>\$ 1,860,990</u>

Continued

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

**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	\$ 64,097,056
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Differences - budget to GAAP:	<hr style="width: 100%; border: 0.5px solid black;"/>
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Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$ 64,097,056</u>
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Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 61,103,073
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Differences - budget to GAAP:	<hr style="width: 100%; border: 0.5px solid black;"/>
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Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$ 61,103,073</u> Concluded
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**Report on Internal Control Over Financial  
Reporting and on Compliance and Other  
Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance  
With *Government Auditing Standards***



# Vargas and Company

certified public accountants

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

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

We have audited the accompanying financial statements of the governmental activities, major fund and remaining fund information of the Santa Clara County Central Fire Protection District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the County of Santa Clara, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Vargas and Company  
San Jose, California  
August 3, 2007

**Schedule of Findings  
and  
Questioned Costs**

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2007**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

No.

None reported.

Noncompliance material to financial statements noted?

No.

***Federal Awards***

No major programs.

**Section II - Financial Statement Findings**

Our audit of the accompanying basic financial statements of the Santa Clara County Central Fire Protection District, as of and for the year ended June 30, 2007, disclosed no findings nor questioned costs.

Our report on the Santa Clara County Central Fire Protection District's internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2007, disclosed no findings nor questioned costs.

**Section III - Federal Award Findings and Questioned Costs**

The Santa Clara County Central Fire Protection District has no major federal program as of and for the year ended June 30, 2007.



**Summary Schedule of  
Prior Audit Findings**

**SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2007**

**Section I - Financial Statement Findings**

Our audit of the basic financial statements of the Santa Clara County Central Fire Protection District, as of and for the year ended June 30, 2006, disclosed no findings nor questioned costs.

Our report on the Santa Clara County Central Fire Protection District's internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2006, disclosed no findings nor questioned costs.

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

The Santa Clara County Central Fire Protection District has no major federal program as of and for the year ended June 30, 2006.