

**LAKESIDE FIRE PROTECTION DISTRICT
COUNTY OF SAN DIEGO
LAKESIDE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2010

**LAKESIDE FIRE PROTECTION DISTRICT
TABLE OF CONTENTS
JUNE 30, 2010**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i-ii
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-2
Management Discussion and Analysis.....	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	12
Notes to the Basic Financial Statements	13-34

**LAKESIDE FIRE PROTECTION DISTRICT
TABLE OF CONTENTS (CONTINUED)
JUNE 30, 2010**

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP) General Fund	35-36
Notes to Required Supplementary Information	37
Notes to Required Supplementary Information – Post-Employment Benefits	38
SUPPLEMENTARY INFORMATION	
Organization	39
Assessed Valuation	40
OTHER REPORT	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42



Craig R. Fechter, CPA
Scott A. German, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lakeside Fire Protection District
Lakeside, California

We have audited the accompanying financial statements of the Lakeside Fire Protection District as of, and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Lakeside Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeside Fire Protection District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Lakeside Fire Protection District

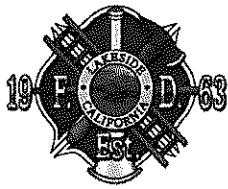
In accordance with Government Auditing Standards, we have also issued our report, dated September 1, 2010, on our consideration of the Lakeside Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial and statistical information listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Lakeside Fire Protection District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in material respects in relation to the financial statements taken as a whole.

Fechter & Company, CPAs



Sacramento, California
September 1, 2010



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

As management of the Lakeside Fire Protection District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's ending Total Net Asset balance was \$10,226,694.
- The Change in Net Assets for the year was \$ 1,459,968.
- The District had Revenue in excess of expenses in the General Fund (before Transfers) in the amount of \$458,662 in the current year compared to \$ 562,606 in the previous year.
- This year the District had \$2,707,437 worth of additions to Capital Assets compared to \$1,220,127 last year.
- The District's General Fund Budget for this year showed Excess Revenue over Expenditures (including Capital Outlay) of \$(485,337) compared to the actual amount of \$458,662.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

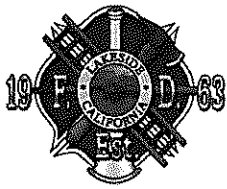
BASIC FINANCIAL STATEMENTS

The basic financial statements include *Government-wide Financial Statements* and *Fund Financial Statements*. The two sets of statements are tied together by reconciliations showing why they differ.

The *Government-wide Financial Statements* provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

The *Fund Financial Statements* report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2010

Reports on Compliance and Internal Control encompass the independent auditor's reports showing compliance with Government Auditing Standards and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *Findings and Recommendations* section notes material weaknesses in the system and recommendations.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

STATEMENT OF NET ASSETS

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table 1 below for the current year and the prior year.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	<u>FY 09/10</u>	<u>FY 08/09</u>	<u>\$ Change</u>
Current and Other Assets	\$ 17,554,191	\$ 8,484,995	\$ 9,069,196
Capital Assets (Net)	6,465,481	4,275,162	2,190,319
TOTAL ASSETS	<u>\$ 24,019,672</u>	<u>\$ 12,760,157</u>	<u>\$ 11,259,515</u>
Current Liabilities	\$ 2,767,493	\$ 1,455,346	\$ 1,312,147
General Long-Term Debt	11,025,485	2,538,084	8,487,401
TOTAL LIABILITIES	<u>\$ 13,792,978</u>	<u>\$ 3,993,430</u>	<u>\$ 9,799,548</u>
Net Assets:			
Investment in General Fixed Assets	\$ 6,465,481	\$ 4,275,162	\$ 2,190,319
Fund Balance, Reserved or Designated	1,918,065	3,086,916	(1,168,851)
Fund Balance, Unreserved & Undesignated	1,843,148	1,404,649	438,499
NET ASSETS	<u>\$ 10,226,694</u>	<u>\$ 8,766,727</u>	<u>\$ 1,459,967</u>

Net assets may serve over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,226,694 as of June 30, 2010.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2010

uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

The District's long-term debt increased by \$8,242,401 due to increased Post-Employment benefit accrual costs of \$1,206,390, and \$7,340,000 for General Fund Lease Obligations in the form of Certificates of Participation (COPs).

SIGNIFICANT CHANGES IN INDIVIDUAL FUNDS

The District target balance for the General Fund balance is 10% of operating revenue. Any excess fund balances are used to fund the Capital Plan, the accrued leave benefits, and the post-retirement medical benefits. Table 3 presents a summary of changes in the District fund balances.

TABLE 2
COMPARISON OF FUND BALANCES

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$ 1,863,310	\$ 1,404,649	\$ 458,661
Capital Projects	1,450,000	1,400,000	50,000
Accrued Leave	975,000	1,105,000	(130,000)
OPEB Fund	3,200,000	3,120,000	80,000
Total	<u>\$ 7,488,310</u>	<u>\$ 7,029,649</u>	<u>\$ 458,661</u>

CAPITAL ASSETS

The District purchased the following assets in the current year:

1. Residential home related to RiverPark Fire Station - \$228,925.
2. Ambulance as required by CSA-69 - \$154,524.
3. Construction in Progress costs for RiverPark Fire Station of \$2,323,988.

In compliance with GASB Statement No. 34 the District reports the net book value of its capital assets. (Historical cost less accumulated depreciation. The detail on capital assets can be found in Note 1.L.1 and Note 4 of the Notes to Basic Financial Statements.

DEBT ADMINISTRATION

The District has long term debt of \$1,259,290 for accrued leave benefits, \$2,426,195 for other post-retirement healthcare benefits, and \$7,379,945 related to financing a new fire station, for a total of \$11,065,430 in long-term debt.



LAKESIDE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

The District considers economic developments when preparing the annual budget, including statewide and national political developments that may affect the District. The District derives the majority of its revenue from the ad valorem property tax; therefore, management pays particular attention to the developments of the state economic factors that threaten the property tax revenue source. The District has lost more than **\$18 million** in tax revenue since 1993 due to the current Educational Revenue Augmentation Fund (ERAF) shift. In addition to ERAF, the District loses property tax revenue related to the Upper San Diego River Improvement Project (USDRIP). The significant growth in the assessed value related to USDRIP cost the District more than **\$1.5 million** in lost revenue since 1991. The impact on the annual budget for FY-1011 is more than **\$2 million** dollars in lost revenue between ERAF and USDRIP.

The District also relies on a cooperation agreement between the County of San Diego and the District to service the long-term debt related to the RiverPark Fire Station currently under construction. The cooperation agreement requires that the County of San Diego pay \$550,000 annually for 20 years from the Upper San Diego River Improvement Project (USDRIP) tax increment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Lakeside Fire Protection District, Administrative Services Manager, 12365 Parkside Street, Lakeside, CA 92040.

BASIC FINANCIAL STATEMENTS

**LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS**

June 30, 2010

ASSETS	
Cash and investments	\$ 8,502,352
Cash with fiscal agent	7,605,878
Interest receivable	17,606
Due from other governments	1,130,022
Capital assets, net	6,465,481
Bond issue costs	298,333
	<hr/>
TOTAL ASSETS	24,019,672
LIABILITIES	
Accounts payable	\$ 901,648
Accrued payroll	600,824
PASIS claim liability	524,800
Retention payable	42,905
Deferred revenues	657,371
Accrued interest	39,945
Current portion of long-term debt	245,000
Long-term liabilities:	
Compensated absences	1,259,290
OPEB liability	2,426,195
Long-term debt	7,095,000
	<hr/>
TOTAL LIABILITIES	13,792,978
NET ASSETS	
Invested in capital assets, net of related debt	6,465,481
Unrestricted	3,761,213
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NET ASSETS	\$ 10,226,694
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The accompanying notes are an integral part of these financial statements

LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental Activities:					
Public Safety	\$ 12,467,125	\$ 2,491,875	\$ -	\$ 2,323,987	\$ (7,651,263)
Total Governmental Activities	<u>\$ 12,467,125</u>	<u>\$ 2,491,875</u>	<u>\$ -</u>	<u>\$ 2,323,987</u>	<u>(7,651,263)</u>

General Revenues

Property taxes	7,704,801
Special assessments	903,490
Use of money and property	101,049
Mitigation fees	112,387
Reimbursements	126,174
Miscellaneous	<u>163,330</u>
Total general revenues	9,111,231
Change in net assets	<u>1,459,968</u>
Net assets at beginning of fiscal year	<u>8,766,726</u>
Net assets at end of fiscal year	<u>\$ 10,226,694</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

**LAKESIDE FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS	General Fund
Cash and investments	\$ 8,502,352
Cash with fiscal agent	7,605,878
Interest receivable	17,606
Due from other governments	<u>1,130,022</u>
 TOTAL ASSETS	 \$ 17,255,858
 LIABILITIES	
Accounts payable	\$ 901,648
Accrued payroll	600,824
PASIS claim liability	524,800
Retention payable	42,905
Deferred revenues	<u>657,371</u>
 Total liabilities	 <u>2,727,548</u>
 FUND BALANCES	
Fund balance:	
Reserved for capital expenditures	7,040,000
Designated:	
Designated for capital expenditures	1,450,000
Designated for sick and vacation leave	975,000
Designated for other post employment benefits	3,200,000
Undesignated	<u>1,863,310</u>
 Total fund balance	 <u>14,528,310</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 17,255,858

The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total fund balances - governmental funds \$ 14,528,310

In governmental funds, only current assets are reported.
In the statement of net assets, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net	6,465,481	
Bond issuance costs, net	298,333	

Net		6,763,814
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Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(1,259,290)	
Other post employment benefits	(2,426,195)	
Accrued interest	(39,945)	
Long-term debt	(7,340,000)	
		(11,065,430)

Net assets of governmental activities		\$ 10,226,694
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The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General fund</u>
REVENUES	
Property taxes	\$ 7,704,801
Special assessments	903,490
Ambulance services	2,491,875
Reimbursements	126,174
Mitigation fees	112,387
Use of money and property	101,049
Intergovernmental revenues	2,323,987
Miscellaneous	<u>163,330</u>
 Total revenues	 <u>13,927,093</u>
EXPENDITURES	
Current:	
Salaries and benefits	9,495,288
Services and supplies	1,265,706
Capital outlay	<u>2,707,437</u>
 Total expenditures	 <u>13,468,431</u>
EXCESS OF REVENUE OVER EXPENDITURES	 458,662
OTHER FINANCIAL SOURCES	
Proceeds from long-term debt	<u>7,040,000</u>
 Total other financial sources (uses)	 <u>7,040,000</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	 <u>7,498,662</u>
FUND BALANCES, BEGINNING OF YEAR	 <u>7,029,648</u>
FUND BALANCE, END OF YEAR	 <u><u>\$ 14,528,310</u></u>

The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 7,498,662
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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 capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	2,707,437
Depreciation expense not reported in governmental funds	(517,118)
Interest accrued on long-term debt	(39,945)
Amortization of bond issuance costs	(1,667)
Proceeds of long-term debt	(7,040,000)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Change in compensated absences	58,989
Change in other post employment benefits liability	(1,206,390)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,459,968</u>
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The accompanying notes are an integral part of these financial statements

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Lakeside Fire Protection District in San Diego County was formed in 1963 and is home to over 60,000 residents living in the communities of Lakeside, Eucalyptus Hills, Moreno, Winter Gardens, Lakeview, Johnstown, Blossom Valley, Flinn Springs, Pepper Dr. and other areas of unincorporated El Cajon. Our service area is primarily suburban residential but also has several core commercial zones, some light industrial, and many rural/agricultural properties. The district also has a significant wildland/urban interface.

The Lakeside Fire District is proud to have been an original participant in the Heartland Mutual Aid Pact and continues to operate the longest running paramedic program in San Diego County.

A. Accounting Policies

The financial statements of the Lakeside Fire Protection District (the District) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. New Pronouncements

Effective July 1, 2008, the District implemented the following accounting and financial reporting standards:

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. New Pronouncements (continued)

to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's 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. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting - continued

Deferred Revenue:

Deferred Revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor funds as follows:

Major Governmental Funds:

- The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting - continued

- The Capital Project Fund is used to account for the acquisition and/or construction of major governmental general fixed assets.
- The Special Reserve Fund is used to reserve funds for future payments for the District's obligation for post-retirement benefits.

NonMajor Governmental Funds:

- The Accrued Leave Fund is set up specifically to pay for future leaves of absence.
- The Fire Mitigation Fund is used for fees collected that can only be used to purchase capital assets.

F. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoptions. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control devise during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carryover from year to year.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or performs the investment function. Therefore, the fair market value of the plan assets held by ING Life Insurance and Annuity Company and CalPERS at June 30, 2010, in the amounts of \$1,127,838 and \$984,631 respectively, are not included in the District's financial statements.

I. Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the Statement of Net Assets. Unused sick leave may be cashed out annually, converted to vacation, or added into the employee's HRA. Per the terms of the District's Memorandum of Understanding, sick leave time is 25% vested. At June 30, 2010, the liability related to accrued vacation and sick leave benefits was \$1,259,290.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Employee Retirement Plans

Plan Description and Funding Policy - CalPERS

Plan Description

The Lakeside Fire Protection District contributes to the California Public Employees Retirement System (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 city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 9.0% for safety employees and 8.0% for miscellaneous employees of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the rate for the 2010 fiscal year was 18.157% for non-safety employees, and 33.610% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For year ended June 30, 2010, the District's annual pension cost of \$2,012,547 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial costs 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% that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. 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 four-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was five years for prior service unfunded, and eleven years for remaining unfunded.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Employee Retirement Plans – continued

THREE YEAR TREND INFORMATION FOR CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$2,064,846	100%	\$ -0-
06/30/09	\$2,075,202	100%	\$ -0-
06/30/10	\$2,012,547	100%	\$ -0-

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/05	\$6,367,049,264	\$5,295,150,375	\$1,071,898,889	83.2%	\$664,147,796	161.4%
06/30/06	\$7,728,049,834	\$6,102,615,567	\$1,175,434,267	83.9%	\$754,730,438	155.7%
06/30/07	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
06/30/05	\$ 872,346,612	\$ 729,556,809	\$142,789,803	83.6%	\$203,995,039	70.0%
06/30/06	\$1,280,157,040	\$1,069,546,974	\$210,610,066	83.6%	\$304,898,179	69.1%
06/30/07	\$1,627,025,950	\$1,362,059,317	\$264,966,633	83.7%	\$376,292,121	70.4%

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

L. Assets, Liabilities, and Equity

1. Capital Assets

Capital Assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Assets, Liabilities, and Equity - continued

1. Capital Assets

Asset Class	Examples	Estimated Useful Life In Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks	20
Machinery and Tools	Shop & maintenance equipment tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and other furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, strings, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Assets, Liabilities, and Equity – continued

2. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. At June 30, 2010, the District reported deferred revenues totaling \$657,371 for grants received not having yet been expent.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

4. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

N. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Assets - continued

- 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, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the District not restricted for any project or other purpose.

O. Fund Balance Reserves and Designations

In the fund financial statements, fund balance reserves are those portions of the fund balance that are not available for appropriation or expenditure and/or are legally segregated for a specific future use.

Designations of unreserved fund balances in governmental fund financial statements indicate District management's tentative plans for use of financial resources in a future period. Such plans of intent are subject to change and have not been legally mandated.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: CASH AND INVESTMENTS

The District follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash and investments consist of the following at June 30, 2010:

Investments in State Treasurer’s Investment Pool (LAIF)	\$ 7,459
Deposits held in financial institutions	5,660
Cash with fiscal agent	7,605,878
Cash with County	8,488,733
Petty cash	500
	<u>\$16,108,230</u>
Presented in the Government-Wide Statement of Net Assets:	
Cash and investments	\$ 8,502,352
Cash with fiscal agent	7,605,878
Total	<u>\$16,108,230</u>

A. Custodial Credit Risk

At June 30, 2010, the carrying amount of the deposits held at banks, was \$5,660 and the bank balances totaled \$45,736. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

B. Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: CASH AND INVESTMENTS – continued

B. Authorized Investments – continued

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook savings Account Demand Deposits
- Reverse Repurchase Agreements
- County Cash Pool

C. Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including change in fair market of investments, is recognized as revenue in the operating statement.

The State Treasurer's Local Agency Investment Fund (LAIF) is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officers and various participants, provides oversight to the management of the fund. The District is a voluntary participant in the investment pool. The District reports its investment in the LAIF at the fair value provided by the State Treasurer, which is not materially different than cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized costs basis. Included in the LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating securities issued by federal agencies, government sponsored enterprises, and corporations.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: CASH AND INVESTMENTS – continued

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of the year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LAIF does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 3: CLASSIFICATION OF ITEMS

Certain items may have been classified differently from one year to another.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4: CAPITAL ASSETS

A schedule of changes in general fixed assets for the year ended June 30, 2010, is shown below:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,218,961	\$ -	\$ -	\$ 1,218,961
Construction in Process	124,197	2,323,988	-	2,448,185
Total Capital Assets, Not Being Depreciated	<u>1,343,158</u>	<u>2,323,988</u>	<u>-</u>	<u>3,667,146</u>
Capital Assets, Being Depreciated:				
Structures & Improvements	2,540,791	228,925	-	2,769,716
Equipment & Vehicles	4,713,281	154,524	-	4,867,805
Total Capital Assets, Being Depreciated	<u>7,254,072</u>	<u>383,449</u>	<u>-</u>	<u>7,637,521</u>
Less Accumulated Depreciation for:				
Structures & Improvements	(1,304,567)	(65,265)	-	(1,369,832)
Equipment & Vehicles	(3,017,501)	(451,853)	-	(3,469,354)
Total Accumulated Depreciation	<u>(4,322,068)</u>	<u>(517,118)</u>	<u>-</u>	<u>(4,839,186)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,932,004</u>	<u>(133,669)</u>	<u>-</u>	<u>2,798,335</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 4,275,162</u>	<u>\$2,190,319</u>	<u>\$ -</u>	<u>\$ 6,465,481</u>

Total depreciation expense for the year was \$517,118.

Depreciation expense charged to:	
Public Safety	<u>\$517,118</u>
	<u>\$517,118</u>

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5: LONG-TERM DEBT

The following is a summary of long-term liability transactions for the year ended June 30, 2010:

	<u>Balance 7/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/10</u>
OPEB liability	\$ 1,219,805	\$1,206,390	\$ -	\$ 2,426,195
Long-term debt	-	7,340,000	-	7,340,000
Accrued interest	-	39,945	-	39,945
Compensated absences	1,318,279	-	(58,989)	1,259,290
TOTAL ASSETS	<u>\$ 2,538,084</u>	<u>\$8,586,335</u>	<u>\$ (58,989)</u>	<u>\$11,065,430</u>

The District entered into a Capital Lease agreement dated May 1, 2010 with the Public Property Financing Corporation of California to provide funds for the acquisition and construction of major capital facilities. During the 2009/2010 fiscal year a Capital Lease totaling \$7,340,000 was issued. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has also been recorded at the present value of the future minimum lease payments in the statement of net assets.

Collateral for the lease are the lease payments made by the district to the Finance Corporation for the use of the existing facilities. The future minimum lease obligations and the net present value of those minimum lease payments as of June 30, 2010 are as follows:

Fiscal year ending June 30,

2011	\$ 546,853
2012	551,448
2013	550,310
2014	553,310
2015	550,398
2016-2020	2,749,344
2021-2025	2,753,213
2026-2030	2,744,430
Total future payments	<u>10,999,306</u>
Less: Interest portion	(3,659,306)
Total Due	<u>\$ 7,340,000</u>

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

**NOTE 6: JOINT POWERS AGREEMENT
A. PASIS**

The District entered into a Joint Powers Agreement (JPA) known as the “Public Agencies Self Insurance System” (PASIS), a self-insurance plan for worker’s compensation insurance. The PASIS is governed by a board consisting of a representative from each member district. The board controls the operations of the PASIS, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the PASIS. The JPA is a separate entity which is independently audited. Condensed financial information from PASIS audited financial statements at June 30, 2010, is as follows:

	District’s Share	Total PASIS
Assets	\$ 566,740	\$ 4,722,576
Liabilities and Fund Balance		
Liabilities	\$ -	\$ 495,231
Fund Balance (Deficit)	566,740	4,227,345
Total Liabilities and Fund Balance	\$ 566,740	\$ 4,722,576
		Total PASIS
Revenues		\$ 96,620
Expenditures		-
Capital Contributions (Distributions)		(495,231)
Net Income (Loss)		\$ (398,611)

B. HCFA

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Communications Facility Authority” (HCFA), the purpose of which is to acquire, construct, equip, and maintain and operate a communications facility. The HCFA is governed by a commission consisting of a representative from each public agency. The commission controls the operations of the CFA, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the commission. Each public agency pays a premium based on the ratio of mobile radios and uniformed personnel of all members of the JPA. Because the District has a minority voting interest and no administrative authority, the financial transactions of the JPA are not included in this report.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6: JOINT POWERS AGREEMENT – continued

C. AUTHORITY

The District entered into a Joint Powers Agreement (JPA) known as the “Heartland Fire Training Authority” (Authority), the purpose of which is to acquire, staff, maintain, operate and lease public buildings and related facilities for the purpose of training fire fighting personnel; and to acquire staff, operate and maintain a consolidated regional fire and emergency response training facility, and to provide a vehicle for the accomplishment thereof. The JPA was created by agreement dated December 1, 1973, which expired October 1, 1999. A new JPA was created on October 1, 1999, and is due to expire on October 31, 2009 but may continue for an additional fifteen years.

D. FAIRA

The District entered into a Joint Powers Agreement (JPA) known as the “Fire Agencies Insurance Risk Authority” (FAIRA), a self-insurance plan for general liability insurance. FAIRA is governed by an 11 member Board elected by a vote of the members. One seat is reserved for the highest premium members and one seat is reserved for an elected member from the State of Nevada. The Board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6: JOINT POWERS AGREEMENT – continued

F. FAIRA

Condensed financial information from FAIRA audited financial statements at June 30, 2008, is as follows:

	Total FAIRA
Assets	\$ 2,256,953
Liabilities and Fund Equity	
Liabilities	\$ 47,508
Net Assets	2,209,445
Total Liabilities and Net Assets	\$ 2,256,953
	Total FAIRA
Operating Revenues	\$ 2,311,297
Expenditures	(2,367,757)
Operating Income (Loss)	(56,460)
Nonoperating Revenue Investments (Net)	114,048
Net Income (Loss)	\$ 57,588

NOTE 7: POST-RETIREMENT BENEFITS

Plan Description

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have completed a minimum of 5 years of employment with the District.

For the year ended June 30, 2010, 43 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2010, expenditures of \$247,610 were recognized for post-employment health care benefits.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7: POST-RETIREMENT BENEFITS - continued

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2010, the District contributed only for pay-as-you-go in the amount of \$247,610.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,454,000
Contributions made	<u>(247,610)</u>
Increase in net OPEB obligation	1,206,390
Net OPEB obligation – beginning of year	<u>1,219,805</u>
Net OPEB obligation – end of year	<u>\$ 2,426,195</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$1,454,000	16.11	\$2,426,195

Funded Status and Funding Process

As of July 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$14,456,126, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,030,000 and the ratio of the UAAL to the covered payroll was 287.4 percent.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7: POST-RETIREMENT BENEFITS – continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 10.0 percent initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was twenty-nine years.

NOTE 8: LONG-TERM OPERATING LEASE AGREEMENTS

The District has one long-term operating lease agreement, with a term of five years. There are no material restrictions imposed by this agreement. Rent expense for the fiscal year ended June 30, 2010 was \$1,793. The minimum rental payments required under the operating lease commitments at June 30, 2010, are:

Year Ended June 30,	Primary Government
2010	\$ 1,793
Total	\$ 1,793

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 7,950,375	\$ 7,950,375	\$ 7,704,801	\$ (245,574)
Special assessments	894,000	894,000	903,490	9,490
Ambulance services	2,480,279	2,480,279	2,323,995	(156,284)
Reimbursements	264,865	264,865	126,174	(138,691)
Mitigation fees	50,000	50,000	112,387	62,387
Use of money and property	65,000	65,000	54,602	(10,398)
Miscellaneous	158,000	158,000	163,330	5,330
Sub-total operational revenue:	<u>11,862,519</u>	<u>11,862,519</u>	<u>11,388,779</u>	<u>(473,740)</u>
Expenditures:				
Current:				
Salaries and benefits	10,085,739	10,085,739	9,076,834	1,008,905
Services and supplies	1,572,940	1,572,940	1,265,706	307,234
Sub-total operational expenditures:	<u>11,658,679</u>	<u>11,658,679</u>	<u>10,342,540</u>	<u>1,316,139</u>
Excess revenue over expenditures:	203,840	203,840	1,046,239	842,399
Transfer to capital fund	(225,000)	(225,000)	(225,000)	-
Transfer to leave fund	(30,000)	(30,000)	(30,000)	-
Increase/(Decrease) from operations	<u>(51,160)</u>	<u>(51,160)</u>	<u>791,239</u>	<u>842,399</u>
<i>Capital Fund Related</i>				
Use of money and property	-	-	19,355	\$ 19,355
Intergovernmental revenues-RDA	2,700,000	2,700,000	2,323,987	\$ (376,013)
Intergovernmental revenues-CSA	161,423	161,423	167,880	\$ 6,457
Grant revenues	-	-	-	-
Sub-Total capital funding	<u>2,861,423</u>	<u>2,861,423</u>	<u>2,511,222</u>	<u>(350,201)</u>
Capital outlay	<u>3,168,000</u>	<u>3,168,000</u>	<u>2,707,437</u>	<u>460,563</u>
Transfer from operations	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Capital Fund increase/(decrease)	<u>(81,577)</u>	<u>(81,577)</u>	<u>28,785</u>	<u>110,362</u>
<i>Leave Fund Related</i>				
Use of money and property	-	-	7,998	\$ 7,998
Accrued leave payouts	175,000	175,000	170,844	4,156
Transfer from operations	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Leave Fund increase/(decrease)	<u>(145,000)</u>	<u>(145,000)</u>	<u>(132,846)</u>	<u>12,154</u>

See notes to required supplementary information

**LAKESIDE FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
For the Year Ended June 30, 2010**

<i>OPEB Fund Related</i>				
Use of money and property	62,400	62,400	19,094	\$ (43,306)
Payments related to participants	<u>270,000</u>	<u>270,000</u>	<u>247,610</u>	<u>(29,805)</u>
OPEB Fund increase/(decrease)	<u>(207,600)</u>	<u>(207,600)</u>	<u>(228,516)</u>	<u>(20,916)</u>
Total revenues	<u>14,786,342</u>	<u>14,786,342</u>	<u>13,927,093</u>	<u>(859,249)</u>
Total expenditures	<u>15,271,679</u>	<u>15,271,679</u>	<u>13,468,431</u>	<u>1,803,248</u>
Excess of revenues over (under) expenditures	\$ (485,337)	\$ (485,337)	<u>458,662</u>	\$ 943,999
Other Financing Sources (Uses)				
Proceeds of long-term debt			<u>7,040,000</u>	
Net changes in fund balances			<u>7,498,662</u>	
Fund balances - July 1, 2009			<u>7,029,648</u>	
Fund balances - June 30, 2010			<u><u>\$ 14,528,310</u></u>	

See notes to required supplementary information

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

The budgeted amounts shown have been prepared on a budgetary basis which differs from generally accepted accounting principles.

**LAKESIDE FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$14,456,000	\$14,456,000	0.0%	\$5,030,000	287.4%

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

SUPPLEMENTARY INFORMATION

**LAKESIDE FIRE PROTECTION DISTRICT
ORGANIZATION
JUNE 30, 2010**

The Lakeside Fire Protection District was formed on March 22, 1963, under the provisions of the California State Health and Safety Code, Section 14022, to provide fire protection, prevention, emergency medical services, code enforcement and weed abatement. The District is currently operating four fire stations located at:

- Station 1 - 9726 Riverview Avenue, Lakeside, California
- Station 2 - 11211 Valle Vista Road, Lakeside, California
- Station 3 - 14008 Highway 8 Business, El Cajon, California
- Station 26 - 15245 Oak Creed Road, El Cajon, California

The District's administrative office is located at:
12365 Parkside Street, Lakeside, California.

The Board of Directors for the fiscal year ended June 30, 2010, was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
R. A. "Rick" Smith	President	November, 2010
Kenneth Coyle	Vice President	November, 2010
Peter Liebig	Director	November, 2010
James Bingham	Director	November, 2012
Nicholas Johnson	Director	November, 2012

Fire Chief

Andy Parr

LAKESIDE ASSESSED VALUATION
JUNE 30, 2010
FIRE PROTECTION DISTRICT

Assessed Valuation	
Secured Property	\$4,427,548,734
Unsecured Property	<u>155,695,505</u>
Total Assessed Valuation	<u>\$4,583,244,239</u>

OTHER REPORT

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

Board of Directors
Lakeside Fire Protection District
Lakeside, California

We have audited the financial statements of the Lakeside Fire Protection District (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 1, 2010. 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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's internal control.

Board of Directors
Lakeside Fire Protection District


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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Lakeside Fire Protection District, in a separate letter dated September 1, 2010.

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 and federal awarding agencies and pass-through entities, where applicable, and is not intended to be and should not be sued by anyone other than these specified parties.

Fechter & Company, CPAs



Sacramento, California
September 1, 2010