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**SAN MIGUEL CONSOLIDATED
FIRE PROTECTION DISTRICT**

COUNTY OF SAN DIEGO

SPRING VALLEY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2009

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2009

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
FINANCIAL SECTION
JUNE 30, 2009

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Miguel Consolidated Fire Protection District as of and for the year ended June 30, 2009, which collectively comprise the San Miguel Consolidated Fire Protection District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Miguel Consolidated Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 San Miguel Consolidated Fire Protection District as of June 30, 2009, and the respective changes in financial position 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 a report dated November 1, 2009, on our consideration of San Miguel Consolidated Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

INDEPENDENT AUDITORS' REPORT

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The Management's Discussion and Analysis on pages 4 through 9 and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the San Miguel Consolidated Fire Protection District's basic financial statements. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hosaka, Nagel & Company

San Diego, California

November 1, 2009

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

As management of the San Miguel Consolidated Fire Protection District (the 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, 2009. 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.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's ending Total Net Asset balance was \$8,450,328.
- The Change in Net Assets for the year was \$594,980.
- The District had Revenue in excess of expenditures in the General Fund (before Transfers) in the amount of \$264,834 in the current year compared to \$233,949 in the previous year.
- This year the District had \$745,381 worth of additions to Capital Assets compared to \$92,532 last year.
- The District's General Fund Budget for this year showed Excess Revenue over Expenditures (before Transfers) of \$173,191 compared to the actual amount of \$264,834.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

Basic financial statements. The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the district's most significant funds – not the district as a whole is provided in the fund financial statements. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Assets*, a government-wide statement, presents information on all of the District's 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 the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, 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.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

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

The *Supplementary Information* gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvement, vehicles and furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

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.

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 \$8,450,328 as of June 30, 2009.

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.

TABLE 1
Condensed Statement of Net Assets

	<u>FY 08/09</u>	<u>FY 07/08</u>	<u>Change</u>
Current and Other Assets	\$ 4,635,187	\$ 3,877,388	\$ 757,799
Capital Assets (Net)	14,227,992	12,919,504	1,308,488
TOTAL ASSETS	<u>\$ 18,863,179</u>	<u>\$ 16,796,892</u>	<u>\$ 2,066,287</u>
Current Liabilities	\$ 2,815,389	\$ 2,844,251	\$ (28,862)
General Long-Term Debt	7,597,462	8,163,304	(565,842)
TOTAL LIABILITIES	<u>\$ 10,412,851</u>	<u>\$ 11,007,555</u>	<u>\$ (594,704)</u>
Net Assets:			
Investment in General Fixed Assets	\$ 6,630,530	\$ 4,756,200	\$ 1,874,330
Restricted	1,762,826	185,949	1,576,877
Unrestricted	56,972	847,188	(790,216)
TOTAL NET ASSETS	<u>\$ 8,450,328</u>	<u>\$ 5,789,337</u>	<u>\$ 2,660,991</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2009, excluding inter-fund transfers, increased to \$21,083,063. This was due primarily to an increase in the Fire Suppression Assessment and the obtainment of significant grants.
- The District's total expenses increased to \$20,488,083 due primarily to increases in salaries and benefits along with the addition of personnel and significant grants.
- The excess of revenue over expense was \$594,980.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2009.

TABLE 2
Condensed Statement of Activities

	<u>FY 08/09</u>	<u>FY 07/08</u>	<u>Change</u>
Property Taxes, Fees & Assessments	\$ 18,269,555	\$ 15,352,308	\$ 2,917,247
Interest and Investment Earnings	61,484	106,214	(44,730)
Contract Revenue	719,233	643,430	75,803
Miscellaneous	598,657	279,558	319,099
Program Revenues	1,434,134	996,023	438,111
TOTAL REVENUE	<u>21,083,063</u>	<u>17,377,533</u>	<u>3,705,530</u>
Operating Expenses	19,353,786	16,404,333	2,949,453
Administration and Depreciation	1,134,297	1,259,889	(125,592)
TOTAL EXPENSES	<u>20,488,083</u>	<u>17,664,222</u>	<u>2,823,861</u>
Excess of Revenue Over (Under) Expenses	<u>\$ 594,980</u>	<u>\$ (286,689)</u>	<u>\$ 881,669</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

Significant Changes in Individual Funds

Although the District deposited \$860,900 into reserve accounts for future vehicle purchases, facility upgrades and funding the liability for uncompensated absences; a total of \$521,585 was paid out in leave credit withdrawals and the purchase of equipment and facility upgrades.

TABLE 3
Comparison of Fund Balances

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
General	\$ 48,829	\$ 1,041,259	\$ (992,430)
Capital Projects	1,262,908	800,229	462,679
Special Revenue	508,061	(33,709)	541,770
Total	<u>\$ 1,819,798</u>	<u>\$ 1,807,779</u>	<u>\$ 12,019</u>

General Fund Budgetary Highlights

The General fund had the following Excess of Expenditures over Appropriations (instances where actual amounts exceeded budgeted amounts) in individual categories:

TABLE 4
Excess Expenditures over Appropriations

General Fund	
Interest	\$ 62,674
Grant Expenditures	\$ 903,716
Medical Services - Supplies	\$ 8,129
Insurance	\$ 420,539
Maintenance - Fleet	\$ 59,041
Maintenance - Stations	\$ 5,788
Professional Services	\$ 59,639
Capital Outlay	\$ 485,270
Debt Service - Interest	\$ 165,479

The District's Total Budget for the General Fund for this year showed Excess Revenue Over Expenditures (before Transfers) of \$173,191 compared to the actual amount of \$264,834. The District's financial results exceed expectations for the year by \$91,643.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

There was an overall increase in capital assets of \$745,381, due to the purchase of a live fire trailer, two fully equipped staff vehicles, and construction in progress for a new training facility.

TABLE 5
Changes in Capital Assets

Capital Assets	Balance June 30, 2009	Balance June 30, 2008	Increase (Decrease)
Land	\$ 2,093,520	\$ 2,058,738	\$ 34,782
Construction in Progress	122,906	-	122,906
Structures and Improvements	12,868,803	12,605,463	263,340
Equipment and Vehicles	10,135,992	7,012,765	3,123,227
Total	<u>\$ 25,221,221</u>	<u>\$ 21,676,966</u>	<u>\$ 3,544,255</u>

Long-Term Debt

The District has long-term debt in the amount of \$9,330,653. \$7,597,462 of this debt is for a capital lease and revenue bonds for the headquarters complex and station 22. The additional \$1,733,191 is for annual leave and sick leave earnings to be paid out to employees when they leave the District. The long-term debt relating to uncompensated absences increased \$67,396 due to increases in wages and the total number of personnel.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Although the District has felt the effects of the downturn in the economy, the District is currently in good financial condition. When possible, the District has made cuts in spending without impacting the District's ability to provide the same high level of service to the community we serve.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to the Finance and Administration Division at (619) 670-0500, or by mail at 2850 Via Orange Way, Spring Valley, California, 91978.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 3,619,084
Cash on Hand and in Banks	573,956
Accounts Receivable	441,248
Notes Receivable	899
Capital Assets:	
Land	2,093,520
Construction in Progress	122,906
Structures and Improvements	12,868,803
Furniture and Equipment	1,316,312
Vehicles and Apparatuses	8,819,680
Less: Accumulated Depreciation	(10,993,229)
Total Assets	<u>18,863,179</u>
LIABILITIES:	
Accounts Payable	109,422
Accrued Expenses	510,258
Deferred Revenue	462,518
Compensated Absences	1,733,191
Noncurrent Liabilities:	
Due Within One Year	577,462
Due in More Than One year	7,020,000
Total Liabilities	<u>10,412,851</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	6,630,530
Restricted:	
Budget Stabilization	325,000
Capital Reserve	825,486
Uncompensated Leave (Deficit)	(1,106,614)
Capital Facilities	265,601
Training Facility	459,387
Vehicle Replacement	993,966
Unrestricted	56,972
Total Net Assets	<u><u>\$ 8,450,328</u></u>

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					
Fire Protection - Operations	\$ 19,353,786	\$ -	\$ 91,248	\$ 1,296,940	\$ (17,965,598)
Debt Service	348,190	-	-	-	(348,190)
General Administration	57,845	45,946	-	-	(11,899)
Unallocated Depreciation	728,262	-	-	-	(728,262)
Total Governmental Activities	<u>\$ 20,488,083</u>	<u>\$ 45,946</u>	<u>\$ 91,248</u>	<u>\$ 1,296,940</u>	<u>(19,053,949)</u>
General Revenues:					
Property Taxes					16,076,822
Benefit Assessments					2,192,733
Contract Revenue					719,233
Interest					61,484
Miscellaneous					598,657
Total General Revenues					<u>19,648,929</u>
Changes in Net Assets					<u>594,980</u>
¹ Net Assets - Beginning					<u>7,855,348</u>
Net Assets - Ending					<u>\$ 8,450,328</u>

¹ The Beginning balance includes the June 30, 2008 ending Net Assets balance of East County Fire Protection District of \$2,066,011.

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Capital Reserve Fund	Uncompensated Leave Fund	Training Facility Fund	Capital Facilities Fund	Vehicle Replacement Fund	Other Governmental Fund	Total Governmental Funds
ASSETS:								
Cash in County Treasury	\$ 124,408	\$ 825,486	\$ 625,236	\$ 459,387	\$ 265,601	\$ 993,966	\$ 325,000	\$ 3,619,084
Cash on Hand and in Banks	573,956	-	-	-	-	-	-	573,956
Accounts Receivable	432,663	1,807	1,341	726	1,431	1,910	1,370	441,248
Notes Receivable	-	899	-	-	-	-	-	899
Due From Other Funds	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,131,027</u>	<u>\$ 828,192</u>	<u>\$ 626,577</u>	<u>\$ 460,113</u>	<u>\$ 267,032</u>	<u>\$ 995,876</u>	<u>\$ 326,370</u>	<u>\$ 4,635,187</u>

LIABILITIES AND FUND BALANCE:

Liabilities:								
Accounts Payable	\$ 109,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,422
Accrued Expenses	510,258	-	-	-	-	-	-	510,258
Deferred Revenue	462,518	-	-	-	-	-	-	462,518
Compensated Absences	-	-	1,733,191	-	-	-	-	1,733,191
Due To Other Funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>1,082,198</u>	<u>-</u>	<u>1,733,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,815,389</u>

Fund Balance:

Designated Fund Balance:								
Unreserved	48,829	828,192	(1,106,614)	460,113	267,032	995,876	326,370	1,819,798
Total Fund Balance (Deficit)	<u>48,829</u>	<u>828,192</u>	<u>(1,106,614)</u>	<u>460,113</u>	<u>267,032</u>	<u>995,876</u>	<u>326,370</u>	<u>1,819,798</u>
Total Liabilities and Fund Balances	<u>\$ 1,131,027</u>	<u>\$ 828,192</u>	<u>\$ 626,577</u>	<u>\$ 460,113</u>	<u>\$ 267,032</u>	<u>\$ 995,876</u>	<u>\$ 326,370</u>	<u>\$ 4,635,187</u>

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Fund Balance Sheet	\$ 1,819,798
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not reported in the funds.	14,227,992
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,565,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	<u>(32,462)</u>
Net Assets of Governmental Activities - Statement of Net Assets	<u><u>\$ 8,450,328</u></u>

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Revenue Fund	Uncompensated Leave Fund	Training Facility Fund	Capital Facilities Fund	Vehicle Replacement Fund	Other Governmental Fund	Total
Revenues:								
Property Taxes	\$ 16,076,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,076,822
Benefit Assessments	2,192,733	-	-	-	-	-	-	2,192,733
Contract Revenue	719,233	-	-	-	-	-	-	719,233
Mitigation Fees	-	-	-	-	-	-	-	-
Interest	18,920	11,387	11,194	-	7,191	10,298	91,248	91,248
Grant Revenue	1,296,940	-	-	-	-	-	2,494	61,484
Facilities Rental	45,946	-	-	-	-	-	-	1,296,940
Other Revenue	475,199	-	-	-	-	-	-	45,946
Total Revenues	20,825,793	11,387	11,194	-	7,191	123,458	93,742	598,657
								21,083,063
Expenditures:								
Salaries	8,708,493	-	267,035	-	-	-	-	8,975,528
Employee Benefits	6,497,092	-	-	-	-	-	-	6,497,092
Communication Services - Equipment	55,075	-	-	-	-	-	-	55,075
Interest	62,674	-	-	-	-	-	-	62,674
Grant Expenditures	903,716	-	-	-	-	-	-	903,716
Medical Services - Supplies	28,129	-	-	-	-	-	-	28,129
Household	21,570	-	-	-	-	-	-	21,570
Insurance	890,503	-	-	-	-	-	-	890,503
Annual and Sick Leave	-	-	10,439	-	-	-	-	10,439
Maintenance - Equipment	89,521	-	-	-	-	-	-	89,521
Maintenance - Fleet	317,243	-	-	-	-	-	-	317,243
Maintenance - Stations	146,069	-	-	-	-	-	-	146,069
Office Expense	30,464	-	-	-	-	-	-	30,464
Personnel Development	50,988	-	-	-	-	-	-	50,988
Professional Services	757,542	-	-	-	-	-	-	757,542
Publications and Media	5,811	-	-	-	-	-	-	5,811
Safety Clothing / Equipment	57,938	-	-	-	-	-	-	57,938

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Revenue Fund	Uncompensated Leave Fund	Training Facility Fund	Capital Facilities Fund	Vehicle Replacement Fund	Other Governmental Fund	Total
Special District Expense	198,059	-	-	-	-	-	-	198,059
Travel	368	-	-	-	-	-	-	368
Utilities	207,431	-	-	-	-	-	-	207,431
Non-Capitalized Equipments	105,471	-	-	-	-	-	-	105,471
Capital Outlay	512,770	-	-	-	220,334	12,277	-	745,381
Debt Service								
Principal	565,842	-	-	-	-	-	-	565,842
Interest	348,190	-	-	-	-	-	-	348,190
Total Expenditures	20,560,959	-	277,474	-	220,334	12,277	-	21,071,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	264,834	11,387	(266,280)	-	(213,143)	121,479	93,742	12,019
Other Financing Sources (Uses)								
Operating Transfers In	-	336,364	246,157	-	93,805	460,538	232,381	1,369,245
Operating Transfers Out	(1,257,264)	-	-	(111,981)	-	-	-	(1,369,245)
Total Other Financing Sources (Uses)	(1,257,264)	336,364	246,157	(111,981)	93,805	460,538	232,381	-
Net Change in Fund Balance	(992,430)	347,751	(20,123)	(111,981)	(119,338)	582,017	326,123	12,019
² Fund Balance - Beginning (Deficit)	1,041,259	480,441	(1,086,491)	572,094	386,370	413,859	247	1,807,779
Fund Balance - Ending (Deficit)	\$ 48,829	\$ 828,192	\$ (1,106,614)	\$ 460,113	\$ 267,032	\$ 995,876	\$ 326,370	\$ 1,819,798

² The total Beginning balance includes June 30, 2008 ending fund balance s of East County Fire Protection District of \$774,642.

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

**SAN MIGUEL CONSOLIDATED 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, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$	12,019
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Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital Outlays are not reported as expenses in the SOA.		745,381
The depreciation of capital assets used in governmental activities is not reported in the funds.		(728,262)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		535,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		30,842
		30,842

Change in Net Assets of Governmental Activities - Statement of Activities	\$	594,980
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The notes to the basic financial statements are an integral part of this statement.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of the San Miguel Consolidated Fire Protection District (the District). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

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**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies

1. Accounting Policies

The Accounting Policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

2. Accounting Pronouncements

For the year ended June 30, 2004, the District was required to adopt GASB Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37 (GASB 37), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38 (GASB 38), Certain Financial Statement Note Disclosures, and GASB Statement No. 39 (GASB 39), Determining Whether Certain Organizations are Component Units. GASB 34 significantly changes the way state and local governments report their financial information to the public. As a result of GASB 34, state and local governments are required to report financial information using both fund-based and government-wide financial statement presentations. Fund-based statements continue to use the modified accrual basis of accounting, but the government-wide statement uses full accrual basis of accounting. In addition to the change in the financial statement presentation, GASB 34 requires the reporting of capital assets and long-term obligations on the government-wide financial statements. The preparation of a Management Discussion and Analysis to clarify the District's financial activities is also required by GASB 34. Furthermore, the District's notes to the financial statements incorporate modifications as required under GASB 38.

3. Basis of Presentation

a. 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 Financial 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

3. Basis of Presentation (Continued)

a. Government-Wide Financial Statements (Continued)

The Government-Wide Financial 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.

b. 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.

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.

4. 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued)

a. 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.

b. 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. The District had deferred revenue of \$462,518 at June 30, 2009.

c. 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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

A. Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued)

c. Expenses/Expenditures (Continued)

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.

5. 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.
- The Capital Reserve Fund is used to account for the acquisition and/or construction of major governmental general fixed assets.
- The Uncompensated Leave Fund is used to reserve funds equaling the cash value of uncompensated absences.
- The Training Facility Fund is from a grant received that can only be used for the construction of a new training facility.
- The Capital Facilities Fund is used for fees collected that can only be used to purchase, replace, or improve capital facilities.
- The Vehicle Replacement Fund is used for fees collected that can only be used to purchase new vehicles.

Non-Major Governmental Fund

- The Fire Mitigation Fund is used for fees collected that can only be used to purchase capital assets.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

6. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a preliminary 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 adoption. 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 device 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.

7. 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.

8. 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 a 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 at June 30, 2009, in the amount of \$3,449,368 is not included in the District's financial statements.

9. Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized as Long Term Debt in the Statement of Net Assets.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

9. Accumulated Vacation and Sick Leave (Continued)

56 hour per week employees may accumulate sick leave up to a maximum of 2,912 hours. 40 hour per week employees may accumulate up to a maximum of 2,080 hours. The accumulated sick leave benefits are recorded as Long Term Debt in the Statement of Net Assets.

All excess sick leave above the established limits is to be converted to salary at the rate of three sick leave hours to one hour of salary. Sick leave conversion for all employees shall be paid in January of each year.

The District's policy is to record sick leave as an operating expense in the period taken.

At June 30, 2009, the liability related to accrued vacation and sick leave benefits was \$1,733,191. The liability for accrued vacation and sick leave benefits is recorded as Compensated Absences in the Statement of Net Assets.

10. Employee Retirement Plans

CalPERS

Plan Description

The San Miguel Consolidated 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 current rate is 23.510% for non-safety employees, and 38.259% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

10. Employee Retirement Plans (Continued)

Annual Pension Cost

For the year ended June 30, 2009, the District's annual pension cost of \$2,986,066 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2006, 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) and (b) projected annual salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 3.0%. 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, 2006, was five years for prior service unfunded, and eleven years for remaining unfunded.

THREE YEAR TREND INFORMATION FOR CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 2,392,220	100%	\$ -
6/30/08	\$ 2,767,386	100%	\$ -
6/30/09	\$ 2,986,066	100%	\$ -

FUNDED STATUS OF THE SAFETY PLAN

<u>Valuation Date</u>	<u>Entry Age Normal Accrual Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (Excess Assets) (a) - (b)</u>	<u>Funded Status (b) / (a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL As a % of Payroll [(a) - (b)] / (c)</u>
6/30/05	\$ 1,325,510,754	\$ 1,105,298,221	\$ 220,212,533	83.4%	\$ 161,446,071	136.4%
6/30/06	\$ 1,473,284,852	\$ 1,252,059,468	\$ 221,225,384	85.0%	\$ 177,088,890	124.9%
6/30/07	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,500	112.7%

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

10. Employee Retirement Plans (Continued)

FUND 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)
6/30/05	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
6/30/06	\$ 1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.5%	\$ 304,898,179	69.1%
6/30/07	\$ 1,627,025,950	\$ 1,362,059,317	\$ 264,966,633	83.7%	\$ 376,292,121	70.4%

11. Excess of Expenditures Over Appropriations

Excess of Expenditures Over Appropriations in individual category are as follows:

General Fund	
Interest	\$ 62,674
Grant Expenditures	\$ 903,716
Medical Services - Supplies	\$ 8,129
Insurance	\$ 420,539
Maintenance - Fleet	\$ 59,041
Maintenance - Stations	\$ 5,788
Professional Services	\$ 59,639
Capital Outlay	\$ 485,270
Debt Service - Interest	\$ 165,479

The District incurred unanticipated expenditures.

12. Property Taxes

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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

A. Significant Accounting Policies (Continued)

13. Assets, Liabilities, and Equity

a. 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 life 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Structures and Improvements	10-50
Furniture and Equipment	7-20
Vehicles and Apparatuses	5-20

b. 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.

14. Use of Estimates

The preparation of 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.

B. Classification of Items

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

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

C. Accounts Receivable

The Accounts Receivable balances at June 30, 2009, consist of the following:

	General Fund	Capital Reserve Fund	Uncompensated Leave Fund	Training Facility Fund	Capital Facilities Fund	Vehicle Replacement Fund	Other Governmental Fund	Total
Property Taxes	\$ 15,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,452
Other	417,211	1,807	1,341	726	1,431	1,910	1,370	425,796
TOTAL	\$ 432,663	\$ 1,807	\$ 1,341	\$ 726	\$ 1,431	\$ 1,910	\$ 1,370	\$ 441,248

D. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers To and From Other Funds at June 30, 2009, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Vehicle Replacement Fund	\$ 348,557	Budgeting Purposes
Training Facility Fund	Vehicle Replacement Fund	111,981	Budgeting Purposes
General Fund	Capital Revenue Fund	336,364	Budgeting Purposes
General Fund	Uncompensated Leave Fund	246,157	Budgeting Purposes
General Fund	Capital Facilities Fund	93,805	Budgeting Purposes
General Fund	Other Governmental Fund	232,381	Budgeting Purposes
	Total	\$ 1,369,245	

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

E. Capital Assets

A schedule of changes in Capital Assets for the year ended June 30, 2009, is shown below:

Governmental Activities	Beginning Balances	Transfer from East County FPD	Additions	Deletions	Ending Balances
Capital Assets, Not Being Depreciated:					
Construction in Progress	\$ -	\$ -	\$ 122,906	\$ -	\$ 122,906
Land	2,058,738	34,782	-	-	2,093,520
Total Capital Assets, Not Being Depreciated	2,058,738	34,782	122,906	-	2,216,426
Capital Assets, Being Depreciated:					
Structures and Improvements	12,605,463	246,290	17,050	-	12,868,803
Furniture and Equipment	1,067,784	52,279	246,156	49,907	1,316,312
Vehicles and Apparatuses	5,944,981	2,515,430	359,269	-	8,819,680
Total Capital Assets, Being Depreciated	19,618,228	2,813,999	622,475	49,907	23,004,795
Less Accumulated Depreciation for:					
Structures and Improvements	(4,346,015)	(227,629)	(260,929)	-	(4,834,573)
Furniture and Equipment	(603,279)	(23,962)	(81,005)	(45,407)	(662,839)
Vehicles and Apparatuses	(3,808,168)	(1,301,321)	(386,328)	-	(5,495,817)
Total Accumulated Depreciation	(8,757,462)	(1,552,912)	(728,262)	(45,407)	(10,993,229)
Total Capital Assets, Being Depreciated, Net	10,860,766	1,261,087	(105,787)	4,500	12,011,566
Capital Assets, Net of Depreciation	\$ 12,919,504	\$ 1,295,869	\$ 17,119	\$ 4,500	\$ 14,227,992

F. Operating Lease

The District has no operating leases on equipment or real property as of June 30, 2009.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-Term Obligations Activity include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2009, are as follows:

	Beginning			Ending	Amounts
Governmental Activities	Balance	Increases	Decreases	Balance	Due Within
					One Year
Revenue Bonds Payable	\$ 8,100,000	\$ -	\$ (535,000)	\$ 7,565,000	\$ 545,000
Capital Lease Payable	63,304	-	(30,842)	32,462	32,462
Compensated Absences*	1,665,795	67,396	-	1,733,191	-
Total Governmental Activities	<u>\$ 9,829,099</u>	<u>\$ 67,396</u>	<u>\$ (565,842)</u>	<u>\$ 9,330,653</u>	<u>\$ 577,462</u>

* Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity has not been presented.

The fund typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Revenue Bonds Payable	Governmental	General Fund
Capital Leases Payable	Governmental	General Fund
Compensated Absences	Governmental	Uncompensated Leave Fund

In the government-wide financial statements, interest expense for the year ended June 30, 2009, was \$362,098 and is included in the functional expenses as a direct charge.

2. Revenue Bonds Payable

In October 2003, the San Diego Regional Building Authority (the "Authority") issued \$10,005,000 of Refunding Lease Revenue Bonds, Series 2003 (the "Bonds"). Proceeds of the Bonds will be used to provide funds to refund, on a current basis, the Authority's Refunding Lease Revenue Bonds, Series 1993A, and pay certain costs incurred in connection with execution and delivery of the Bonds. The refunding was undertaken to reduce total future debt service payments and to extend the life of the debt.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

G. Long-Term Obligations (Continued)

2. Revenue Bonds Payable (Continued)

The Bonds are special obligations of the Authority, payable from and secured by Revenues of the Authority consisting primarily of payments to be made by the District, for the right to the use of certain real property and improvements thereon (the "Leased Property") pursuant to that certain Second Amended and Restated Lease Agreement dated October 1, 2003 (the "Lease Agreement"), by and between the District, as lessee, and the Authority, as lessor. The District has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments.

The terms of the Refunding Lease Revenue Bonds call for installments of principal and interest payments up to \$887,725, annually. This includes interest ranging from 2.00% to 5.00% through January 2020. These Bonds are collateralized by land, structure and equipment.

The annual requirements to amortize revenue bonds payable, outstanding as of June 30, 2009, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 545,000	\$ 342,725	\$ 887,725
2011	570,000	320,925	890,925
2012	595,000	295,275	890,275
2013	625,000	265,525	890,525
2014	655,000	234,275	889,275
2015 - 2018	3,720,000	723,950	4,443,950
2019 - 2020	855,000	38,475	893,475
	<u>\$ 7,565,000</u>	<u>\$ 2,221,150</u>	<u>\$ 9,786,150</u>

3. Capital Lease Payable

The District leases equipment and buildings under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

G. Long-Term Obligations (Continued)

3. Capital Lease Payable (Continued)

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2010	\$ 34,165
Thereafter	<u>-</u>
Total	34,165
Less: Amount Representing Interest	<u>(1,703)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 32,462</u></u>

H. Cash

1. Cash in County Treasury

The District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$3,619,084 as of June 30, 2009). The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$3,648,037. Assumptions made in determining the fair value of the pooled investment portfolios are available from the Country Treasurer.

2. Cash on Hand and in Banks

Cash balances on hand and in banks (\$573,956 as of June 30, 2009) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposits

Cash as of June 30, 2009, are classified in the accompanying financial statements as follows:

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

H. Cash (Continued)

3. Analysis of Specific Deposits (Continued)

Concentration of Risk:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not Applicable	\$ 3,619,084
Cash on Hand and in Banks	Not Applicable	573,956
Total		<u>\$ 4,193,040</u>

I. Grant Revenues

The Grant Revenues at the year ended June 30, 2009, consist of the following:

	<u>Amount</u>
<u>Federal</u>	
Federal Emergency Management Agency - Equipment	\$ 258,818
Rural Fire Assistance	31,041
Total Federal Grant	<u>289,859</u>
<u>State</u>	
State Homeland Security Grant - Community Emergency Response Team	500
State Homeland Security Grant - Training	45,417
State Homeland Security Grant - International Association of Fire Chiefs	1,000
Urban Areas Security Initiative - Equipment	529,454
Urban Areas Security Initiative - Training (Regular Training)	186,235
Urban Areas Security Initiative - Training (LARRO & Mass Decon)	5,351
Urban Areas Security Initiative - Training (Rescue System)	21,311
Urban Areas Security Initiative - Confined Space Technicia	3,387
Urban Areas Security Initiative - Training (L-380)	4,168
Urban Areas Security Initiative - Training (Tactical Medicine)	41,470
Urban Areas Security Initiative - Training (Operation Section Chief)	1,727
Urban Areas Security Initiative - Training (Safty Officer)	2,256
Urban Areas Security Initiative - Training (EMS Deaf and hard of Hearing)	549
Urban Areas Security Initiative - Training (Tactical medic Training)	858
Urban Areas Security Initiative - Training (Mass Decon Regional)	3,066
Urban Areas Security Initiative - Training (Mass Decon Unit)	2,926
Total State Grant	<u>849,675</u>
<u>Local</u>	
Indian Gaming - Training Facility	122,906
Fire Foundation - Radios	23,000
Community Development Block Grant - Bostonia Fire Station Driveway	11,500
Total Local Grant	<u>157,406</u>
TOTAL GRANT REVENUES	<u>\$ 1,296,940</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

J. Joint Power Agreements

1. Public Agencies Self Insurance System (PASIS)

The District entered into a Joint Powers Agreement (JPA) known as the "Public Agencies Self Insurance System" (PASIS), a self-insurance plan for workers' 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 preliminary audited financial statements at June 30, 2009, is as follows:

BALANCE SHEET

	District's Share	Total PASIS
Assets	\$ 583,856	\$ 4,625,956
Total Assets	<u>\$ 583,856</u>	<u>\$ 4,625,956</u>
Liabilities and Fund Balance:		
Liabilities	\$ -	\$ -
Fund Balance	583,856	4,625,956
Total Liabilities and Fund Balance	<u>\$ 583,856</u>	<u>\$ 4,625,956</u>

INCOME STATEMENT

	District's Share	Total PASIS
Revenues	\$ 12,644	\$ 102,843
Total Revenues	<u>12,644</u>	<u>102,843</u>
Expenditures	-	199,094
Total Expenditures	<u>-</u>	<u>199,094</u>
Net Income (Loss)	<u>\$ 12,644</u>	<u>\$ (96,251)</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

2. Fire Agencies Insurance Risk Authority (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 member 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.

Condensed financial information from FAIRA audited financial statements at June 30, 2009, is as follows:

BALANCE SHEET

	Total FAIRA
Assets	<u>\$ 2,360,369</u>
Total Assets	<u><u>\$ 2,360,369</u></u>
Liabilities and Fund Balance:	
Liabilities	\$ 27,265
Fund Balance	<u>2,333,104</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,360,369</u></u>

INCOME STATEMENT

	Total PASIS
Operating Revenues	<u>\$ 2,381,988</u>
Total Operating Revenues	<u>2,381,988</u>
Operating Expenditures	<u>2,375,993</u>
Total Operating Expenditures	<u><u>2,375,993</u></u>
Operating Income	<u>5,995</u>
Nonoperating Revenue:	
Investments, Net	<u>104,985</u>
Total Nonoperating Revenue	<u><u>104,985</u></u>
Net Income	<u><u>\$ 110,980</u></u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

K. Other Post-Employment Retirement

The District currently provides Other Post Employment Benefits (OPEB) by making a contribution towards retiree health benefits based on the least expensive District-sponsored medical plan. Currently there are 70 retirees receiving the benefit, and 98 active employees and 5 board members are either currently eligible for the benefit or are earning service credit for eligibility towards the benefit.

Plan Description

To be eligible for retiree health benefits, an employee must retire from the District and commence pension benefit under PERS (typically on or after age 50 with at least 5 years of PERS eligible service). The District's financial obligation is to provide a monthly contribution towards the retiree's continuation of health coverage through the CalPERS Health Program for the lifetime of the retiree or for a surviving spouse. The District's monthly contribution is capped at the Kaiser Basic premium amount (\$1,105.29 in 2009). The detail plan provision is described below:

- Active employees are offered a choice of medical plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer.
- The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The District's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum which is equal to the Kaiser Basic family premium.
- An employee is eligible for the District contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the District. Vesting requires at least 5 years of PERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.
- Board members elected or appointed after July 1, 1994 who are not member of PERS must be at least 60 years of age or older and have served 16 or more years on the Board may also continue medical benefits at retirement and receive a District contribution.

Funding Policy

The District has not established a trust account for this plan. The District funds the plan on a pay-as-you-go basis.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

K. Other Post-Employment Retirement (Continued)

Annual OPEB Cost

The following table presents an estimate of the net other post employment benefits as of June 30, 2009. The actual net other post employment benefit obligation will reflect actual contributions made for payment of retiree health benefits and expenses and to pre-fund.

Annual required contribution	\$ 2,487,591
Interest on net other post employment benefits obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual post employment benefits obligation cost	2,487,591
Contributions made (Inclusive of Benefit Payments)	<u>(575,277)</u>
Increase in net other post employment benefits obligation	1,912,314
Net other post employment benefit obligation - July 1, 2008	<hr/> -
Net other post employment benefit obligation - June 30, 2009	<u><u>\$ 1,912,314</u></u>

L. Early Retirement Benefits

The District offered no early retirement incentives as of June 30, 2009.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2009

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 16,439,251	\$ 16,439,251	\$ 16,076,822	\$ (362,429)
Benefit Assessments	1,998,341	1,998,341	2,192,733	194,392
Contract Revenue	826,634	826,634	719,233	(107,401)
Interest	10,000	10,000	18,920	8,920
Grant Revenue	169,265	169,265	1,296,940	1,127,675
Facilities Rental	43,758	43,758	45,946	2,188
Other Revenue	1,168,686	1,168,686	475,199	(693,487)
Total Revenues	20,655,935	20,655,935	20,825,793	169,858
Expenditures				
Salaries	9,001,477	9,001,477	8,708,493	292,984
Employee Benefits	6,949,753	6,949,753	6,497,092	452,661
Communication Services - Equipment	58,191	58,191	55,075	3,116
Interest	-	-	62,674	(62,674)
Grant Expenditures	-	-	903,716	(903,716)
Medical Services - Supplies	20,000	20,000	28,129	(8,129)
Household	29,360	29,360	21,570	7,790
Insurance	469,964	469,964	890,503	(420,539)
Maintenance - Equipment	103,760	103,760	89,521	14,239
Maintenance - Fleet	258,202	258,202	317,243	(59,041)
Maintenance - Stations	140,281	140,281	146,069	(5,788)
Office Expense	37,850	37,850	30,464	7,386
Personnel Development	60,268	60,268	50,988	9,280
Professional Services	697,903	697,903	757,542	(59,639)
Publications and Media	7,484	7,484	5,811	1,673
Safety Clothing / Equipment	79,847	79,847	57,938	21,909
Special District Expense	1,448,283	1,448,283	198,059	1,250,224
Travel	2,818	2,818	368	2,450
Utilities	234,004	234,004	207,431	26,573
Non-Capitalized Equipments	107,246	107,246	105,471	1,775
Capital Outlay	27,500	27,500	512,770	(485,270)
Debt Service				
Principal	565,842	565,842	565,842	-
Interest	182,711	182,711	348,190	(165,479)
Total Expenditures	20,482,744	20,482,744	20,560,959	(78,215)

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	173,191	173,191	264,834	91,643
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	(1,257,264)	(1,257,264)
Total Other Financing Sources (Uses)	-	-	(1,257,264)	(1,257,264)
Net Change in Fund Balance	173,191	173,191	(992,430)	(1,165,621)
Fund Balance - Beginning	1,041,259	307,074	1,041,259	734,185
Fund Balance - Ending	<u>\$ 1,214,450</u>	<u>\$ 480,265</u>	<u>\$ 48,829</u>	<u>\$ (431,436)</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

OTHER SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2009

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ORGANIZATION STRUCTURE
JUNE 30, 2009**

The San Miguel Consolidated Fire Protection District (the District) was formed on July 1, 1988, 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 six fire stations located at:

- 3255 Helix Street
Spring Valley, California
- 2850 Via Orange Way
Spring Valley, California
- 905 Gillespie Drive
Spring Valley, California
- 1811 Suncrest Boulevard
El Cajon, California
- 10105 Vivera Drive
La Mesa, California
- 11501 Via Rancho San Diego Parkway
El Cajon, California
- 2140 Dehesa Road
El Cajon, California
- 1273 Clarendon Street
El Cajon, California

The District's administrative office is located at:

- 2850 Via Orange Way
Spring Valley, California

The Board of Directors for the fiscal year ended June 30, 2009, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tom Clark	President	November 2010
Dave Richards	Vice President	November 2012
Rick Augustine	Board Member	November 2010
Karrie Johnston	Board Member	November 2012
Criss Brainard	Board Member	November 2012
Larry Jackman	Board Member	November 2012
Chris Winter	Board Member	November 2010
	<u>Fire Chief</u>	
	August F. Ghio	

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2009**

Assessed Valuation:

Secured Property	\$ 9,914,046,022
Unsecured Property	<u>127,167,971</u>
Total Assessed Valuation	<u><u>\$ 10,041,213,993</u></u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2009

**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
San Miguel Consolidated Fire Protection District
Spring Valley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Miguel Consolidated Fire Protection District as of and for the year ended June 30, 2009, which collectively comprise the San Miguel Consolidated Fire Protection District's basic financial statements and have issued our report thereon dated November 1, 2009. 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 San Miguel Consolidated Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Miguel Consolidated Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Miguel Consolidated Fire Protection 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 San Miguel Consolidated Fire Protection 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 San Miguel Consolidated Fire Protection District's financial statements that is more than inconsequential will not be prevented by the San Miguel Consolidated Fire Protection District's internal control.

**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**

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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 San Miguel Consolidated Fire Protection District'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 San Miguel Consolidated Fire Protection 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 statements 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 management, Audit/Finance Committee, Board of Directors, federal awarding agencies and pass-through entities, if applicable, and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
November 1, 2009

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
San Miguel Consolidated Fire Protection District
Spring Valley, California

We have audited the financial statements of the San Miguel Consolidated Fire Protection District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 1, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
GANN Limit Calculation	1	Yes

Based on our audit, we found that, for the item tested, San Miguel Consolidated Fire Protection District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the San Miguel Consolidated Fire Protection District had not complied with the state laws and regulations.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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This report is intended solely for the information and use of the Audit/Finance Committee, the Board of Directors, Management, State Controller's Office, Department of Finance, Pass-Through Entities, if applicable, and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
November 1, 2009

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2009

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Circular A-133? Yes N/A No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A	N/A

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? N/A

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

A. Summary of Auditors' Results (Continued)

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance
for state programs: Unqualified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	N/A	N/A