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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
COUNTY OF SAN DIEGO
SPRING VALLEY, CALIFORNIA
AUDIT REPORT
JUNE 30, 2014

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2014

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

FINANCIAL SECTION

JUNE 30, 2014



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining funds of San Miguel Consolidated Fire Protection District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the San Miguel Consolidated Fire Protection District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT
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Opinions

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 funds of the San Miguel Consolidated Fire Protection District, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Miguel Consolidated Fire Protection District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, except for pages 38 through 44, and pages 46 through 47, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and pages 38 through 44, and pages 46 through 47, of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITORS' REPORT

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the San Miguel Consolidated Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Miguel Consolidated Fire Protection District's internal control over financial reporting and compliance.

Hosaka, Rotherham & Company

San Diego, California
February 10, 2015

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the San Miguel Consolidated Fire Protection District (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, 2014. 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*, and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. 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 position balance was \$10,693,268.
- The change in net position for the year was an increase of \$2,812,742.
- The District had an excess of revenues over expenditures in the General Fund (before transfers) in the amount of \$1,882,054 in the current year compared to \$404,226 in the previous year.
- This year the District had \$588,143 in additions to capital assets compared to no additions in the previous year.
- The District's General Fund Budget for this year showed an excess of revenues over expenditures of \$84,649 (before transfers) compared to the actual amount of \$1,882,054 (before transfers).

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 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 Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position 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 Position

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

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,693,268 as of June 30, 2014. 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 Position

| | <u>2014</u> | <u>2013</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------|----------------------|----------------------|-------------------|-----------------|
| ASSETS | | | | |
| Current and other assets | \$ 14,865,210 | \$ 14,893,156 | \$ (27,946) | -0.2% |
| Capital assets, net | 11,743,903 | 11,509,647 | 234,256 | 2.0% |
| TOTAL ASSETS | <u>\$ 26,609,113</u> | <u>\$ 26,402,803</u> | <u>\$ 206,310</u> | 0.8% |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

TABLE 1 (CONTINUED)
Condensed Statement of Net Position

| | <u>2014</u> | <u>2013</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|----------------------|--------------------|-----------------|
| LIABILITIES AND NET POSITION | | | | |
| Current liabilities | \$ 2,674,688 | \$ 3,360,231 | \$ (685,543) | -20.4% |
| General long-term debt | 13,241,154 | 15,177,749 | (1,936,595) | -12.8% |
| Total liabilities | <u>15,915,842</u> | <u>18,537,980</u> | <u>(2,622,138)</u> | <u>-14.1%</u> |
| Net position: | | | | |
| Net investment in capital assets | 7,168,903 | 6,279,647 | 889,256 | 14.2% |
| Restricted | 2,446,897 | 1,912,491 | 534,406 | 27.9% |
| Unrestricted (deficit) | 1,077,471 | (327,315) | 1,404,786 | -429.2% |
| Total net position | <u>10,693,271</u> | <u>7,864,823</u> | <u>2,828,448</u> | <u>36.0%</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 26,609,113</u> | <u>\$ 26,402,803</u> | <u>\$ 206,310</u> | <u>0.8%</u> |

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2014, excluding inter-fund transfers, increased to \$19,224,973. This was due primarily to an increase in general revenues.
- The District's total expenses decreased to \$16,412,231.
- The change in net position was an increase of \$2,828,445 which includes \$2,812,742 for the current year and \$15,703 from a prior period adjustment.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2014.

TABLE 2
Condensed Statement of Activities

| | <u>2014</u> | <u>2013</u> | <u>\$ Change</u> | <u>% Change</u> |
|-------------------------------|---------------------|-------------------|---------------------|-----------------|
| REVENUES | | | | |
| Program revenues | \$ 1,045,710 | \$ 1,036,473 | \$ 9,237 | 0.9% |
| General revenues | 18,179,266 | 17,786,602 | 392,664 | 2.2% |
| Total revenues | <u>19,224,976</u> | <u>18,823,075</u> | <u>401,901</u> | <u>2.1%</u> |
| EXPENSES | | | | |
| Operations | 13,785,072 | 16,319,996 | (2,534,924) | -15.5% |
| Administration | 2,276,582 | 1,318,003 | 958,579 | 72.7% |
| Unallocated depreciation | 350,577 | 731,283 | (380,706) | -52.1% |
| Total expenses | <u>16,412,231</u> | <u>18,369,282</u> | <u>(1,957,051)</u> | <u>-10.7%</u> |
| CHANGE IN NET POSITION | <u>\$ 2,812,745</u> | <u>\$ 453,793</u> | <u>\$ 2,358,952</u> | <u>519.8%</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Significant Changes in Individual Funds

The district was able to contribute to reserve accounts for future vehicle purchases and funding the liability for uncompensated absence, a total of \$51,798 and \$1,936,595 were paid in leave credit withdrawals and long-term debt, respectively.

**TABLE 3
Comparison of Fund Balances**

| | <u>2014</u> | <u>2013</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------|---------------------|---------------------|---------------------|-----------------|
| General Fund | \$ 2,222,293 | \$ 845,546 | \$ 1,376,747 | 162.8% |
| Capital Reserve Fund | 1,005,554 | 944,620 | 60,934 | 6.5% |
| Special Projects Fund | 29 | 104,638 | (104,609) | -100.0% |
| Vehicle Replacement Fund | 1,188,660 | 718,124 | 470,536 | 65.5% |
| Other Governmental Funds | 252,654 | 145,109 | 107,545 | 74.1% |
| Total fund balances | <u>\$ 4,669,190</u> | <u>\$ 2,758,037</u> | <u>\$ 1,911,153</u> | 69.3% |

General Fund Budgetary Highlights

The General Fund had the following excess of expenditures over appropriations (instances where actual amounts exceeded budgeted amounts) in the following individual categories:

**TABLE 4
Excess Expenditures over Appropriations**

| | | | |
|------------------------------------|------------|---------------------|-----------|
| Communication services - Equipment | \$ 5,853 | Maintenance - Fleet | \$ 81,110 |
| Grant expenditures | \$ 176,472 | Utilities | \$ 32,569 |
| Insurance | \$ 223,886 | | |

The District's General Fund Budget for this year showed an excess of revenues over expenditures of \$84,649 (before transfers) compared to the actual amount of \$1,882,054 (before transfers).

CAPITAL ASSET AND DEBT ADMINISTRATION

Long-Term Debt

The District has long-term debt in the amount of \$13,241,154. \$4,575,000 of this debt is for a capital lease and revenue bonds for the headquarters complex and Station 22. \$8,556,000 is for Public Property Financing as the result of funding the District's CalPERS Side Fund. The additional \$110,154 is for annual leave and sick leave earnings to be paid out to employees when they leave the District.

Capital Assets

There was an overall increase in capital assets of \$234,256, due mainly to additions and the continual depreciation of assets.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

TABLE 5
Changes in Capital Assets

| | <u>2014</u> | <u>2013</u> | <u>\$ Change</u> | <u>% Change</u> |
|---------------------------------|----------------------|----------------------|-------------------|-----------------|
| Land | \$ 2,093,520 | \$ 2,093,520 | \$ - | 0.0% |
| Structures and improvements | 12,889,754 | 12,889,754 | - | 0.0% |
| Furniture and equipment | 1,356,636 | 1,356,636 | - | 0.0% |
| Vehicles and apparatuses | 8,302,160 | 7,725,610 | 576,550 | 7.5% |
| Less: accumulated depreciations | (12,898,167) | (12,555,873) | (342,294) | 2.7% |
| Total capital assets, net | <u>\$ 11,743,903</u> | <u>\$ 11,509,647</u> | <u>\$ 234,256</u> | 2.0% |

FACTORS BEARING ON THE DISTRICT'S FUTURE

As a result of the transition to CAL FIRE on December 31, 2012, the District's financial condition is improving. The annual cooperative agreement came under budget more than the anticipated 10% savings.

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 POSITION
JUNE 30, 2014**

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash in county treasury | \$ 6,619,650 |
| Cash on hand and in banks | 519,345 |
| Accounts receivable | 204,883 |
| Noncurrent assets: | |
| Paid for current year benefit | 1,253,556 |
| Paid for future years benefit | 6,267,776 |
| Capital assets: | |
| Land | 2,093,520 |
| Structures and improvements | 12,889,754 |
| Furniture and equipment | 1,356,636 |
| Vehicles and apparatuses | 8,302,160 |
| Less: accumulated depreciation | (12,898,167) |
| TOTAL ASSETS | \$ 26,609,113 |
| LIABILITIES AND NET POSITION | |
| Current liabilities | |
| Accounts payable | \$ 2,555,465 |
| Deferred revenue | 119,223 |
| Noncurrent liabilities: | |
| Due within one year | 1,998,000 |
| Due in more than one year | 11,243,154 |
| Total liabilities | 15,915,842 |
| Net position | |
| Investment in capital assets, net of related debt | 7,168,903 |
| Restricted for: | |
| Capital projects | 2,383,681 |
| Specific programs | 63,216 |
| Unrestricted (deficit) | 1,077,471 |
| Total net position | 10,693,271 |
| TOTAL LIABILITIES AND NET POSITION | \$ 26,609,113 |

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 FISCAL YEAR ENDED JUNE 30, 2014**

| Functions/Programs | Program Revenues | | | Net (Expenses), Revenues and Changes in Net Position | |
|------------------------------------|----------------------|-------------------------|--|---|----------------------------|
| GOVERNMENT ACTIVITIES: | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Operations | \$ 13,785,072 | \$ 804,164 | \$ - | \$ - | \$ (12,980,908) |
| Administration | 2,276,582 | - | 85,373 | 156,173 | (2,035,036) |
| Unallocated depreciation | 350,577 | - | - | - | (350,577) |
| TOTAL GOVERNMENT ACTIVITIES | \$ 16,412,231 | \$ 804,164 | \$ 85,373 | \$ 156,173 | (15,366,521) |
| GENERAL REVENUES | | | | | |
| Property taxes | | | | | 16,963,375 |
| Benefit assessments | | | | | 678,094 |
| Miscellaneous | | | | | 537,797 |
| Total general revenues | | | | | 18,179,266 |
| CHANGE IN NET POSITION | | | | | 2,812,745 |
| NET POSITION-BEGINNING | | | | | 7,864,823 |
| PRIOR PERIOD ADJUSTMENT | | | | | 15,703 |
| NET POSITION-ENDING | | | | | \$ 10,693,271 |

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, 2014**

| | General Fund | Capital Reserve Fund | Special Projects Fund | Vehicle Replacement Fund | Other Governmental Funds | Totals |
|--------------------------------------|---------------------|----------------------|-----------------------|--------------------------|--------------------------|---------------------|
| ASSETS: | | | | | | |
| Cash in county treasury | \$ 1,575,775 | \$ 1,004,566 | \$ 2,600,000 | \$ 1,186,913 | \$ 252,396 | \$ 6,619,650 |
| Cash on hand and in banks | 519,345 | - | - | - | - | 519,345 |
| Accounts receivable | 201,861 | 988 | 29 | 1,747 | 258 | 204,883 |
| Due from other funds | 2,600,000 | - | - | - | - | 2,600,000 |
| Total assets | <u>\$ 4,896,981</u> | <u>\$ 1,005,554</u> | <u>\$ 2,600,029</u> | <u>\$ 1,188,660</u> | <u>\$ 252,654</u> | <u>\$ 9,943,878</u> |
| LIABILITIES AND FUND BALANCE: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 2,555,465 | \$ - | \$ - | \$ - | \$ - | \$ 2,555,465 |
| Due to general funds | - | - | 2,600,000 | - | - | 2,600,000 |
| Unearned revenue | 119,223 | - | - | - | - | 119,223 |
| Total liabilities | <u>2,674,688</u> | <u>-</u> | <u>2,600,000</u> | <u>-</u> | <u>-</u> | <u>5,274,688</u> |
| Fund Balance: | | | | | | |
| Assigned | - | 1,005,554 | 29 | 1,188,660 | 252,654 | 2,446,897 |
| Unassigned/unappropriated: | | | | | | |
| Unassigned/unappropriated amount | 2,222,293 | - | - | - | - | 2,222,293 |
| Total fund balance | <u>2,222,293</u> | <u>1,005,554</u> | <u>29</u> | <u>1,188,660</u> | <u>252,654</u> | <u>4,669,190</u> |
| Total liabilities and fund balances | <u>\$ 4,896,981</u> | <u>\$ 1,005,554</u> | <u>\$ 2,600,029</u> | <u>\$ 1,188,660</u> | <u>\$ 252,654</u> | <u>\$ 9,943,878</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 POSITION
JUNE 30, 2014**

| | | |
|--|----|--------------------------|
| Total fund balances - governmental fund balance sheet | \$ | 4,669,190 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not reported in the funds. | | 11,743,903 |
| Prepaid expenditures which are not for the current period are not reported in the funds. | | 7,521,332 |
| Payables for revenue bond principal which are not due in the current period are not reported in the funds. | | (4,575,000) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | | (110,154) |
| Other long-term liabilities which are not due and payable in the current period are not reported in the funds. | | <u>(8,556,000)</u> |
| Net position of governmental activities - Statement of Net Position | \$ | <u><u>10,693,271</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 FISCAL YEAR ENDED JUNE 30, 2014**

| | General Fund | Capital Reserve Fund | Special Projects Fund | Vehicle Replacement Fund | Other Governmental Funds | Totals |
|------------------------------------|---------------|----------------------|-----------------------|--------------------------|--------------------------|---------------|
| REVENUES | | | | | | |
| Property taxes | \$ 16,963,375 | \$ - | \$ - | \$ - | \$ - | \$ 16,963,375 |
| Benefit assessments | 678,094 | - | - | - | - | 678,094 |
| Contract revenue | 747,385 | - | - | - | - | 747,385 |
| Mitigation fees | - | - | - | - | 85,373 | 85,373 |
| Grant revenue | 156,173 | - | - | - | - | 156,173 |
| Facilities rental | 56,779 | - | - | - | - | 56,779 |
| Other revenue | 506,779 | 3,434 | 966 | 31,446 | (1,518) | 541,107 |
| Total revenue | 19,108,585 | 3,434 | 966 | 31,446 | 83,855 | 19,228,286 |
| EXPENDITURES | | | | | | |
| Salaries | 516,121 | - | - | - | 51,797 | 567,918 |
| Employee benefits | 1,434,123 | - | - | - | - | 1,434,123 |
| Communication services - Equipment | 48,503 | - | - | - | - | 48,503 |
| Grant expenditures | 176,472 | - | - | - | - | 176,472 |
| Medical services - Support | 5,444 | - | - | - | - | 5,444 |
| Household | 23,650 | - | - | - | - | 23,650 |
| Insurance | 558,221 | - | - | - | - | 558,221 |
| Maintenance - Equipment | 60,659 | - | - | - | - | 60,659 |
| Maintenance - Fleet | 364,147 | - | - | - | - | 364,147 |
| Maintenance - Stations | 134,928 | - | - | - | - | 134,928 |
| Office expenditures | 19,653 | - | - | - | - | 19,653 |
| Personnel development | 7,783 | - | - | - | - | 7,783 |
| Professional services | 10,388,297 | - | - | - | - | 10,388,297 |
| Publications and media | 4,880 | - | - | - | - | 4,880 |
| Safety clothing/equipment | 22,436 | - | - | - | - | 22,436 |
| Special district expenditures | 54,621 | - | - | - | - | 54,621 |
| Travel | 650 | - | - | - | - | 650 |

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 FISCAL YEAR ENDED JUNE 30, 2014**

| | General Fund | Capital Reserve Fund | Special Projects Fund | Vehicle Replacement Fund | Other Governmental Funds | Totals |
|---|---------------------|----------------------|-----------------------|--------------------------|--------------------------|---------------------|
| Expenditures (continued): | | | | | | |
| Utilities | 208,619 | - | - | - | - | 208,619 |
| Noncapitalized equipment | 25,717 | - | - | - | - | 25,717 |
| Capital outlay | 588,143 | - | - | 21,532 | 32,976 | 642,651 |
| Debt service: | | | | | | |
| Principal | 1,898,000 | - | - | - | - | 1,898,000 |
| Interest | 685,464 | - | - | - | - | 685,464 |
| Total expenditures | 17,226,531 | - | - | 21,532 | 84,773 | 17,332,836 |
| Excess (deficiency) of revenues over (under) expenditures | 1,882,054 | 3,434 | 966 | 9,914 | (918) | 1,895,450 |
| Other financing sources (uses): | | | | | | |
| Transfers in | 84,412 | 57,500 | - | 460,622 | 87,300 | 689,834 |
| Transfers out | (605,422) | - | (1,000) | - | (83,412) | (689,834) |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Proceeds to CalPERS Side Fund | - | - | - | - | - | - |
| Total other financing sources (uses) | (521,010) | 57,500 | (1,000) | 460,622 | 3,888 | - |
| NET CHANGE IN FUND BALANCE | 1,361,044 | 60,934 | (34) | 470,536 | 2,970 | 1,895,450 |
| FUND BALANCE, JULY 1 | 845,546 | 944,620 | 63 | 718,124 | 249,684 | 2,758,037 |
| Prior period adjustment | 15,703 | - | - | - | - | 15,703 |
| FUND BALANCE, JUNE 30 | \$ 2,222,293 | \$ 1,005,554 | \$ 29 | \$ 1,188,660 | \$ 252,654 | \$ 4,669,190 |

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 FISCAL YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 1,895,450

Amounts reported for governmental activities in the Statement of Activities (SOA)
are different because:

| | |
|---|-------------|
| Capital outlays are not reported as expenses in the SOA. | 588,143 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (350,577) |
| Long-term prepayments of the CalPERS Side Fund are amortized in the SOA but not in the funds. | (1,253,556) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 655,000 |
| Repayment of other long-term debt is an expenditure in the funds but is not an expense in the SOA. | 1,243,000 |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | 38,595 |
| The loss on disposal of capital assets used in governmental activities is not reported in the funds. | (2,520) |
| The entire proceeds from disposal of capital assets are reported as revenue in the funds, but only the resulting gain or loss is reported in the SOA. | (790) |
| | (790) |

Change in net position of governmental activities - Statement of Activities \$ 2,812,745

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, 2014**

A. Significant Accounting Policies

1. Accounting Policies

The accounting policies of the San Miguel Consolidated Fire Protection District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

2. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and subsequently amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

3. Basis of Presentation

a. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

Fund Financial Statements: The Fund Financial Statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District not accounted for and reported in another fund.

The Capital Reserve Fund is used to account for the acquisition and/or construction of major governmental general fixed assets.

The Special Projects Fund is used for the purchase and development of real property segregated for special projects.

The Vehicle Replacement Fund is used for fees collected that can only be used to purchase new vehicles.

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes. The following special revenue funds are utilized by the District:

The Budget Stabilization Fund is used as a means to offset one-time revenue shortfalls within the General Fund.

The Uncompensated Leave Fund is used to reserve funds equaling the cash value of uncompensated absences.

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

Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlay. The following capital projects funds are utilized by the District:

The Capital Facilities Fund is used for fees collected that can only be used to purchase, replace, or improve capital facilities.

4. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

4. Measurement Focus, Basis of Accounting (continued)

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government Fund Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its fiscal year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

5. 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 as of June 30.

6. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Directors must adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption. The Board of Directors satisfied these requirements.

These budgets are revised by the District's Board of Directors and District Fire Chief during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the fiscal 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 code. All appropriations lapse at fiscal year end.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation. As of June 30, 2014, the District had \$3,761,051 of uninsured funds.

The District maintains a majority of its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury indicates the amount was less than 1% for the fiscal year ended June 30, 2014.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. Inventories of the General Fund are immaterial and have been omitted from these statements.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method 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 |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

d. Compensated Absences

Accumulated unpaid employee vacation benefits and sick leave are recognized as liabilities of the District.

Forty hour per week employees may accumulate up to a maximum of 1,040 hours combined vacation and sick leave.

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.

e. Fund Balance Reserves and Designation

The District has adopted GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- *Nonspendable*, such as fund balance associated with revolving funds, inventories, prepaids, long-term loans and notes receivable, and property held for resale.
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Directors.
- *Assigned* fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classification.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

When the District incurs an expenditure or expense for which committed, assigned, or unassigned amounts may be used, it is the District's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

f. Interfund Activity

Interfund Activity results from loans, services provided reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Significant Accounting Policies (Continued)

Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 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.

h. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned Revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

i. 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. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported | Not applicable |

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at fiscal year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None reported | Not applicable | Not applicable |

C. Cash and Investments

1. Cash in County Treasury

The District maintains a majority of its cash in the San Diego County Treasury as part of the common investment pool (\$6,619,650 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$6,626,270.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

C. Cash and Investments (Continued)

Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand and in Banks

Cash balances on hand and in banks (\$519,345 as of June 30, 2014) are insured up to \$250,000 by the Federal Deposit Insurance Corporation. As of June 30, 2014, the District had \$3,761,051 of uninsured funds.

3. Analysis of Specific Deposits and Investments

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

| | Credit Quality Rating | Fair Value |
|-------------------------|--------------------------|--------------|
| Cash in county treasury | Not applicable | \$ 6,626,270 |
| Cash in banks | Not applicable | 517,245 |
| Cash on hand | Not applicable | 2,100 |
| Total | | \$ 7,145,615 |

Statement of Net Position:

Cash and investments as of June 30, 2014, consist of the following:

| | |
|--------------------------------------|--------------|
| Cash in county treasury | \$ 6,619,650 |
| Deposits with financial institutions | 517,245 |
| Cash on hand | 2,100 |
| Total | \$ 7,138,995 |

Investments Authorized by the District's Investment Policy

The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. The District held no investments at June 30, 2014.

Disclosures Relating to 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. The District held no investments with high sensitivity to interest rate fluctuations at June 30, 2014.

Disclosures Relating to 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 District held no investments with underlying credit risk at June 30, 2014.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments with concentration of credit risk at June 30, 2014.

Custodial Credit Risk

Custodial Credit Risk for investments is the risk that, in the event of the failure of a depository financial institute, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Custodial Credit Risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment Accounting Policy

The District is required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one fiscal year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the investment Company Act of 1940.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

D. Accounts Receivable

Accounts receivable as of June 30, 2014, consist of the following:

| | General Fund | Capital Reserve Fund | Uncomp- ensated Leave Fund | Vehicle Replacement Fund | Other Governmental Funds | Totals |
|-------------------|-------------------|----------------------------|----------------------------------|--------------------------------|--------------------------------|------------------|
| Property taxes | \$ 27,945 | \$ - | \$ - | \$ - | \$ - | \$ 27,945 |
| Grant receivable | 50,967 | - | - | - | - | 50,967 |
| Other receivables | 122,949 | 988 | 29 | 1,747 | 258 | 125,971 |
| Totals | \$ 201,861 | \$ 988 | \$ 29 | \$ 1,747 | \$ 258 | \$204,883 |

E. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014, consisted of the following:

| Transfers From | Transfers To | Amount | Reason |
|--------------------------|--------------------------|-------------------|--------------------|
| Special Projects Fund | General Fund | \$ 1,000 | Budgeting Purposes |
| Other Governmental Funds | General Fund | 83,412 | Budgeting Purposes |
| General Fund | Capital Reserve Fund | 57,500 | Budgeting Purposes |
| General Fund | Vehicle Replacement Fund | 460,622 | Budgeting Purposes |
| General Fund | Other Governmental Funds | 87,300 | Budgeting Purposes |
| | Total | <u>\$ 689,834</u> | |

2. Due To and From Other Funds

Due to and from other funds at June 30, 2014, consisted of the following:

| Due To | Due From | Amount | Purpose |
|--------------|-----------------------|---------------------|------------------|
| General Fund | Special Projects Fund | \$ 2,600,000 | Short-Term Loans |
| | Total | <u>\$ 2,600,000</u> | |

F. Long-Term Asset

1. Long-Term Asset Activity

Changes in long-term assets for the year ended June 30, 2014, are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Paid Within One Year |
|-------------------------------|----------------------|-------------|-----------------------|---------------------|------------------------------------|
| CalPERS Side Fund | \$ 8,774,888 | \$ - | \$ (1,253,556) | \$ 7,521,332 | \$ 1,253,556 |
| Total governmental activities | <u>\$ 8,774,888</u> | <u>\$ -</u> | <u>\$ (1,253,556)</u> | <u>\$ 7,521,332</u> | <u>\$ 1,253,556</u> |

2. California Public Employees' Retirement Systems (CalPERS) Side Fund

On June 1, 2011, in order to refund the CalPERS Side Fund Obligations, and thereby realize substantial cash flow savings, the District made a one-time payment of \$11,282,000 to the CalPERS Side Fund for the benefit of nine years of future obligation payments at a reduced rate.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

F. Long-Term Asset (Continued)

The future reduction of the long-term asset is as follows:

| Year Ending June 30 | Future Reductions |
|------------------------|----------------------|
| 2015 | \$ 1,253,556 |
| 2016 | 1,253,556 |
| 2017 | 1,253,556 |
| 2018 | 1,253,556 |
| 2019 | 1,253,556 |
| 2020 | 1,253,552 |
| Total | <u>\$ 7,521,332</u> |

G. Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2014, is shown below:

| <u>Governmental Activities</u> | <u>Beginning Balances</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|-------------------|----------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,093,520 | \$ - | \$ - | \$ 2,093,520 |
| Total capital assets, not being depreciated | <u>2,093,520</u> | <u>-</u> | <u>-</u> | <u>2,093,520</u> |
| Capital assets, being depreciated: | | | | |
| Structures and improvements | 12,889,754 | - | - | 12,889,754 |
| Furniture and equipment | 1,356,636 | - | - | 1,356,636 |
| Vehicles and apparatuses | 7,725,610 | 588,143 | (11,593) | 8,302,160 |
| Total capital assets, being depreciated | <u>21,972,000</u> | <u>588,143</u> | <u>(11,593)</u> | <u>22,548,550</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (5,887,727) | (262,678) | - | (6,150,405) |
| Furniture and equipment | (1,013,062) | (63,965) | - | (1,077,027) |
| Vehicles and apparatuses | (5,655,084) | (23,934) | 8,283 | (5,670,735) |
| Total accumulated depreciation | <u>(12,555,873)</u> | <u>(350,577)</u> | <u>8,283</u> | <u>(12,898,167)</u> |
| Total capital assets, being depreciated, net | <u>9,416,127</u> | <u>237,566</u> | <u>(3,310)</u> | <u>9,650,383</u> |
| Capital assets, net of depreciation | <u>\$ 11,509,647</u> | <u>\$ 237,566</u> | <u>\$ (3,310)</u> | <u>\$ 11,743,903</u> |

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

H. Long-Term Obligations (continued)

Changes in long-term obligations for the fiscal year ended June 30, 2014, are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|----------------------------------|----------------------|-------------|-----------------------|----------------------|-----------------------------------|
| Revenue Bonds payable | \$ 5,230,000 | \$ - | \$ (655,000) | \$ 4,575,000 | \$ 680,000 |
| Public Property Financing | 9,799,000 | - | (1,243,000) | 8,556,000 | 1,318,000 |
| Compensated absences* | 148,749 | - | (38,595) | 110,154 | - |
| Total governmental activities | <u>\$ 15,177,749</u> | <u>\$ -</u> | <u>\$ (1,936,595)</u> | <u>\$ 13,241,154</u> | <u>\$ 1,998,000</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 |
| Public Property Financing | Governmental | General Fund |
| Compensated Absences | Governmental | Uncompensated Leave Fund |

In the government-wide financial statements, interest expense for the year ended June 30, 2014, was \$685,464 and is included in the functional expenses as a direct charge.

2. Revenue Bonds Payable

In October 2003, the San Diego Regional Building Authority (Authority) issued \$10,005,000 of Refunding Lease Revenue Bonds, Series 2003 (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.

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 (Leased Property) pursuant to that certain Second Amended and Restated Lease Agreement dated October 1, 2003 (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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

H. Long-Term Obligations (Continued)

The annual requirements to amortize revenue bonds payable, outstanding as of June 30, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Totals |
|-------------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 680,000 | \$ 191,988 | \$ 871,988 |
| 2016 | 715,000 | 162,344 | 877,344 |
| 2017 | 740,000 | 130,500 | 870,500 |
| 2018 | 775,000 | 96,413 | 871,413 |
| 2019 | 810,000 | 58,725 | 868,725 |
| 2020 | 855,000 | 19,238 | 874,238 |
| Totals | <u>\$ 4,575,000</u> | <u>\$ 659,208</u> | <u>\$ 5,234,208</u> |

3. Public Property Financing Corporation

On June 1, 2011, in order to fund the CalPERS Side Fund Obligations and thereby realize substantial cash flow savings, the District leased certain real property, together with all buildings, facilities and other improvements which are located thereon to the Public Property Financing Corporation of California for an advance rental payment of \$11,282,000, which is sufficient to fund the CalPERS Side Fund Obligation. The District will make sixteen bi-annual payments with interest at 4.9% per annum.

The Loan will mature on July 30, 2019. Debt service requirements for this note payable are as follows:

| Year Ending June 30, | Principal | Interest | Totals |
|-------------------------|---------------------|---------------------|---------------------|
| 2015 | \$ 1,318,000 | \$ 403,295 | \$ 1,721,295 |
| 2016 | 1,431,000 | 337,341 | 1,768,341 |
| 2017 | 1,536,000 | 265,948 | 1,801,948 |
| 2018 | 1,658,000 | 189,214 | 1,847,214 |
| 2019 | 1,727,000 | 106,893 | 1,833,893 |
| 2020 | 886,000 | 21,707 | 907,707 |
| Totals | <u>\$ 8,556,000</u> | <u>\$ 1,324,398</u> | <u>\$ 9,880,398</u> |

I. Assigned Fund Balances

Assigned fund balances as of June 30, 2014, are as follows:

| | |
|--------------------------|--|
| Capital Reserve Fund | Assigned for other various assignments |
| Special Projects Fund | \$ 1,005,554 |
| Vehicle Replacement Fund | 29 |
| Other Governmental Funds | 1,188,660 |
| Total | <u>252,654</u> |
| | <u>\$ 2,446,897</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

J. Employee Retirement Systems

Benefit provisions and state statute and District policies establish all other requirements. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Funding Policy

Active non-safety plan members are required to contribute 8.0% of their annual covered salary and the District contributes 17.005% of the annual covered salary. Active safety plan members are required to contribute 9.0% of their annual covered salary and the District contributes 22.774 % of the annual covered salary. The District makes the contributions required of the District's employees on their behalf and for their account.

According to the most recently available Actuarial Valuation Reports for the Safety and Miscellaneous Plans, for the year ended June 30, 2013, the District's total plan assets are \$84,197,888 and \$4,887,839, the total Present value of Projected Benefits (PVB) is \$104,568,848 and \$6,953,933, and the plans are 80.6% and 76.7% funded, respectively.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by state statute. The District contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, 2012, and 2011, were \$76,762, \$843,079, \$1,648,646, and \$2,871,986, respectively, and equal 100% of the required contributions for each year.

Copies of the CalPERS' annual financial reports may be obtained from CalPERS Executive Office, 400 P Street, Sacramento,, CA 95814 and www.calpers.ca.gov.

K. 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.

2. Fire Agencies Insurance Risk Authority (FAIRA)

The District entered into a 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

L. Post-Employment Benefits other than Pension Benefits

The District currently provides Other Post-Employment Benefits (OPEB) by making a contribution towards retiree health benefits based on the District-sponsored medical plan. Currently there are 92 retirees receiving the benefit, and seven active employees that 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 CalPERS (typically on or after age 50 with at least 5 years of CalPERS 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 annual contribution is capped at the Kaiser (non-medical) Basic premium amount in 2011 plus 50% of any future increases based on retiree's coverage category. Employees hired after November 1, 2011 will only receive a District Contribution equal to the CalPERS minimum required employee contribution.

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. For employees who retired on or before November 1, 2011, 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. For employees who retired after November 1, 2011, the District's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum capped at 50% of the growth from the 2011 Kaiser Basic Plan based upon family status. Employees hired after January 1, 2012, the District's financial obligation is to pay the minimum amount required by law for health insurance coverage upon their retirement.
- 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.

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.

Annual OPEB Cost

The following table presents an estimate of the net other post-employment benefits based on an actuarial valuation for the subsequent three (3) years by the Epler Company at July 1, 2011 and the new actuarial valuation for the subsequent three (3) years by NYHART at July 2014.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

L. Other Post-Employment Benefits (Continued)

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 (ARC) | \$ 2,201,460 |
| Interest on Net OPEB Obligation | 206,330 |
| Adjustment to annual required contribution | <u>(316,313)</u> |
| Annual OPEB cost | 2,091,477 |
| Contributions made | <u>(911,852)</u> |
| Increase in OPEB Obligation | 1,179,625 |
| Net OPEB Obligation - beginning | <u>4,585,105</u> |
| Net OPEB Obligation - ending | <u><u>\$ 5,764,730</u></u> |
| | |
| Actuarial accrued liability (AAL) | \$ 25,403,812 |
| AAL Without active Firefighters | \$ 15,247,602 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | \$ 25,403,812 |
| UAAL Without active Firefighters | \$ 15,247,602 |

The District provided the 2011-2012 and 2014-2015 annual OPEB Cost analysis which is the most recently available information.

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for the year ending June 30, 2014 and two preceding years were as follows:

| Years Ended | Annual Required Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------------------------|--|------------------------|
| 6/30/2012 | \$ 2,126,268 | 32.5% | \$ 3,311,708 |
| 6/30/2013 | \$ 2,162,947 | 38.3% | \$ 4,585,105 |
| 6/30/2014 | \$ 2,201,460 | 41.4% | \$ 5,764,730 |

Funding Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was \$25,403,812, all of which was unfunded. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets. Eligible assets under GASB 45 must be segregated and secured for the exclusive purpose of paying for the retiree health benefits. The District has not reported any eligible plan assets under GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, & GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, therefore a UAAL as a percentage of covered payroll is not applicable.

The projection of future benefits for an ongoing plan involves 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 trends. 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 multi-year trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

K. Other Post-Employment Benefits (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 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 valuations.

The following simplifying assumptions were made:

1. Retirement age for active employees: According to the retirement rates under the most recent CalPERS pension plan experience study, active plan members were assumed to retire at age 52.
2. Measurement date: July 1, 2014
3. Mortality: Life expectancies at the calculation date are based on the most recent mortality tables used by CalPERS for the pension valuations.
4. Turnover: Termination rates are based on the most recent rates used by CalPERS for the pension valuations.
5. Spouse Coverage: 70% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.
6. Dependent Coverage: Not explicitly valued.
7. Cost claim development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in the CalPERS Health Plan, a community rated plan. The valuation assumes the District is exempt from the valuation of any medical plan rate subsidy.
8. Medical trends rates: Medical costs are adjusted in future years by the following trends:

| Year | PPO | HMO |
|-------|--------|--------|
| 2015 | Actual | Actual |
| 2016 | 7.00% | 6.50% |
| 2017 | 6.50% | 6.00% |
| 2018 | 6.00% | 5.50% |
| 2019 | 5.50% | 5.00% |
| 2020+ | 5.00% | 5.00% |

9. Minimum contribution: The CalPERS minimum required contribution is assumed to increase 4% per year.
10. Inflation: The rate of inflation was 2.7% per annum.
11. Payroll increases: The rate of increase for payroll was 3.0% per annum.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

K. Other Post-Employment Benefits (Continued)

Methods and Assumptions (continued)

12. Discount rate: Based on the historical and expected returns of the District's investments, the discount rate of 4.5% was used.
13. The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

L. Prior period adjustment

A prior period adjustment in the amount of \$15,703 is due to an overstatement of accounts payable.

M. Subsequent Events

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through February 10, 2015, which is the date the financial statements were available to be issued.

On January 14, 2015, the District completed the closing of escrow on a property located in El Cajon, California, for future conversion to house ambulances. The total amount paid is \$400,000.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2014

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$16,796,966 | \$ 16,796,966 | \$ 16,963,375 | \$ 166,409 |
| Benefit assessments | 678,667 | 678,667 | 678,094 | (573) |
| Contract revenue | 785,091 | 785,091 | 747,385 | (37,706) |
| Grant revenue | - | - | 156,173 | 156,173 |
| Facilities rental | 58,638 | 58,638 | 56,779 | (1,859) |
| Other revenue | 460,000 | 460,000 | 506,779 | 46,779 |
| Total revenues | <u>18,779,362</u> | <u>18,779,362</u> | <u>19,108,585</u> | <u>329,223</u> |
| Expenditures: | | | | |
| Salaries | 561,209 | 561,209 | 516,121 | 45,088 |
| Employee benefits | 1,455,267 | 1,455,267 | 1,434,123 | 21,144 |
| Communication services - Equipment | 42,650 | 42,650 | 48,503 | (5,853) |
| Grant expenditures | - | - | 176,472 | (176,472) |
| Medical services - Support | 26,950 | 26,950 | 5,444 | 21,506 |
| Household | 28,210 | 28,210 | 23,650 | 4,560 |
| Insurance | 334,335 | 334,335 | 558,221 | (223,886) |
| Maintenance - Equipment | 70,525 | 70,525 | 60,659 | 9,866 |
| Maintenance - Fleet | 283,037 | 283,037 | 364,147 | (81,110) |
| Maintenance - Stations | 177,549 | 177,549 | 134,928 | 42,621 |
| Office expenditures | 23,500 | 23,500 | 19,653 | 3,847 |
| Personnel development | 35,725 | 35,725 | 7,783 | 27,942 |
| Professional services | 11,728,726 | 11,728,726 | 10,388,297 | 1,340,429 |
| Publications and media | 8,281 | 8,281 | 4,880 | 3,401 |
| Safety clothing/equipment | 52,435 | 52,435 | 22,436 | 29,999 |
| Special district expenditures | 163,326 | 163,326 | 54,621 | 108,705 |
| Travel | 1,120 | 1,120 | 650 | 470 |
| Utilities | 176,050 | 176,050 | 208,619 | (32,569) |
| Noncapitalized equipment | 66,997 | 66,997 | 25,717 | 41,280 |
| Capital outlay | 875,357 | 875,357 | 588,143 | 287,214 |
| Debt service: | | | | |
| Principal | 1,898,000 | 1,898,000 | 1,898,000 | - |
| Interest | 685,464 | 685,464 | 685,464 | - |
| Total expenditures | <u>18,694,713</u> | <u>18,694,713</u> | <u>17,226,531</u> | <u>1,468,182</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>84,649</u> | <u>84,649</u> | <u>1,882,054</u> | <u>1,797,405</u> |

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Other financing sources (uses): | | | | |
| Transfers in | 50,000 | 50,000 | 84,412 | (34,412) |
| Transfers out | - | - | (605,422) | 605,422 |
| Total other financing sources (uses) | 50,000 | 50,000 | (521,010) | 571,010 |
| Net change in fund balance | 134,649 | 134,649 | 1,361,044 | 1,226,395 |
| Fund balance, July 1 | 845,546 | 845,546 | 845,546 | - |
| Prior period adjustment | - | - | 15,703 | 15,703 |
| Fund balance, June 30 | <u>\$ 980,195</u> | <u>\$ 980,195</u> | <u>\$ 2,222,293</u> | <u>\$ 1,242,098</u> |

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

OTHER SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2014

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGET STABILIZATION FUND - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|---------------|---------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 4 | \$ 4 |
| Total revenues | - | - | 4 | 4 |
| Expenditures: | | | | |
| Total expenditures | - | - | - | - |
| Net change in fund balance | - | - | 4 | 4 |
| Fund balance, July 1 | 583 | 583 | 583 | - |
| Prior period adjustment | - | - | - | - |
| Fund balance, June 30 | <u>\$ 583</u> | <u>\$ 583</u> | <u>\$ 587</u> | <u>\$ 4</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
UNCOMPENSATED LEAVE FUND - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|-----------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 218 | \$ 218 |
| Total revenues | - | - | 218 | 218 |
| Expenditures: | | | | |
| Salaries | - | - | 51,797 | (51,797) |
| Total expenditures | - | - | 51,797 | (51,797) |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (51,579) | (51,579) |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 10,000 | (10,000) |
| Transfers out | - | - | (430) | 430 |
| Total other financing sources (uses) | - | - | 9,570 | (9,570) |
| Net change in fund balance | - | - | (42,009) | (42,009) |
| Fund balance, July 1 | 104,638 | 104,638 | 104,638 | - |
| Fund balance, June 30 | \$ 104,638 | \$ 104,638 | \$ 62,629 | \$ (42,009) |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MITIGATION FUND - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Mitigation fees | \$ - | \$ - | \$ 85,373 | \$ 85,373 |
| Other revenue | - | - | (2,444) | (2,444) |
| Total revenues | - | - | 82,929 | 82,929 |
| Expenditures: | | | | |
| Miscellaneous expenditures | 1,000 | 1,000 | - | 1,000 |
| Total expenditures | 1,000 | 1,000 | - | 1,000 |
| Excess (deficiency) of revenues over (under) expenditures | (1,000) | (1,000) | 82,929 | 83,929 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (82,982) | 82,982 |
| Total other financing sources (uses) | - | - | (82,982) | 82,982 |
| Net change in fund balance | (1,000) | (1,000) | (53) | 947 |
| Fund balance, July 1 | 53 | 53 | 53 | - |
| Fund balance, June 30 | \$ (947) | \$ (947) | \$ - | \$ 947 |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
CAPITAL RESERVE FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------|--------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 3,434 | \$ 3,434 |
| Total revenues | - | - | 3,434 | 3,434 |
| Expenditures: | | | | |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 3,434 | 3,434 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 57,500 | (57,500) |
| Total other financing sources (uses) | - | - | 57,500 | (57,500) |
| Net change in fund balance | - | - | 60,934 | 60,934 |
| Fund balance, July 1 | 944,620 | 944,620 | 944,620 | - |
| Fund balance, June 30 | \$ 944,620 | \$ 944,620 | \$ 1,005,554 | \$ 60,934 |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SPECIAL PROJECTS FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------|---------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 966 | 966 |
| Total revenues | - | - | 966 | 966 |
| Expenditures: | | | | |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 966 | 966 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (1,000) | 1,000 |
| Total other financing sources (uses) | - | - | (1,000) | 1,000 |
| Net change in fund balance | - | - | (34) | 1,966 |
| Fund balance, July 1 | 63 | 63 | 63 | - |
| Prior period adjustment | - | - | - | - |
| Fund balance, June 30 | \$ 63 | \$ 63 | \$ 29 | \$ 1,966 |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
CAPITAL FACILITIES FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 704 | \$ 704 |
| Total revenues | <u>-</u> | <u>-</u> | <u>704</u> | <u>704</u> |
| Expenditures: | | | | |
| Capital outlay | 34,500 | 34,500 | 32,976 | 1,524 |
| Total expenditures | <u>34,500</u> | <u>34,500</u> | <u>32,976</u> | <u>1,524</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(34,500)</u> | <u>(34,500)</u> | <u>(32,272)</u> | <u>2,228</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 77,300 | (77,300) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>77,300</u> | <u>(77,300)</u> |
| Net change in fund balance | (34,500) | (34,500) | 45,028 | 79,528 |
| Fund balance, July 1 | 144,410 | 144,410 | 144,410 | - |
| Fund balance, June 30 | <u>\$ 109,910</u> | <u>\$ 109,910</u> | <u>\$ 189,438</u> | <u>\$ 79,528</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
VEHICLE REPLACEMENT FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other revenue | \$ - | \$ - | \$ 31,446 | \$ 31,446 |
| Total revenues | <u>-</u> | <u>-</u> | <u>31,446</u> | <u>31,446</u> |
| Expenditures: | | | | |
| Capital outlay | 610,000 | 610,000 | 21,532 | 588,468 |
| Total expenditures | <u>610,000</u> | <u>610,000</u> | <u>21,532</u> | <u>588,468</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(610,000)</u> | <u>(610,000)</u> | <u>9,914</u> | <u>(557,022)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 460,622 | (460,622) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>460,622</u> | <u>(460,622)</u> |
| Net change in fund balance | (610,000) | (610,000) | 470,536 | (96,400) |
| Fund balance, July 1 | 718,124 | 718,124 | 718,124 | - |
| Fund balance, June 30 | <u>\$ 108,124</u> | <u>\$ 108,124</u> | <u>\$ 1,188,660</u> | <u>\$ (96,400)</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ORGANIZATION STRUCTURE
JUNE 30, 2014**

San Miguel Consolidated Fire Protection District (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 eight fire stations located at:

- 3255 Helix Street
Spring Valley, CA 91977
 - 2850 Via Orange Way*
Spring Valley, CA 91978
 - 905 Gillespie Drive
Spring Valley, CA 91977
 - 1811 Suncrest Boulevard
El Cajon, CA 92021
- 10105 Vivera Drive
La Mesa, CA 91941
 - 11501 Via Rancho San Diego
El Cajon, CA 92019
 - 2140 Dehesa Road
El Cajon, CA 92019
 - 1273 Clarendon Street
El Cajon, CA 92020

* This site also houses the District Office

The Board of Directors for the fiscal year ended June 30, 2014, was comprised of the following members:

| Name | Office | Term | Term Expires |
|-----------------|----------------|---------|---------------|
| Dave Rickards | President | 4 Years | December 2016 |
| Rick Augustine | Vice President | 4 Years | December 2014 |
| Chris Winter | Director | 4 Years | December 2014 |
| Jeff Nelson | Director | 4 Years | December 2014 |
| Karrie Johnston | Director | 4 Years | December 2016 |
| William Kiel | Director | 4 Years | December 2016 |
| Dan McMillan | Director | 4 Years | December 2016 |

Administration

| Name | Position |
|----------------|--------------------------------|
| Ray Chaney | Fire Chief |
| Darilyn O'Dell | Administrative/Finance Manager |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2014**

Assessed Valuation:

| | |
|--------------------------|--------------------------|
| Secured Property | \$ 10,251,630,987 |
| Unsecured Property | <u>113,954,292</u> |
| Total Assessed Valuation | <u>\$ 10,365,585,279</u> |

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
GRANT REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | General Fund |
|--|-------------------|
| STATE: | |
| Management and Administration (RCIP) | \$ 22,591 |
| Total Urban Areas Security Initiative | 22,591 |
| State Homeland Security Grant: | |
| Equipment (Radios) | 25,000 |
| Equipment (Thermal Imaging Cameras) | 13,813 |
| Equipment (BA Cylinders) | 24,910 |
| Total State Homeland Security Grant | 63,723 |
| Indian Gaming Grant | |
| Command Vehicle | 45,000 |
| Total state | 131,314 |
| LOCAL: | |
| American Red Cross Grant - Live Fire | 19,062 |
| American Red Cross Grant - Fire Extinguisher | 3,312 |
| American Red Cross Grant - Kids in Charge | 198 |
| American Red Cross Grant - VIPER Program | 1,797 |
| American Red Cross Grant - CERT | 490 |
| Total local | 24,859 |
| TOTAL GRANT REVENUE | \$ 156,173 |

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2014



**INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining funds of San Miguel Consolidated Fire Protection District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise San Miguel Consolidated Fire Protection District's basic financial statements, and have issued our report thereon dated February 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Miguel Consolidated Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Miguel Consolidated Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Miguel Consolidated Fire Protection District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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***

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Miguel Consolidated Fire Protection District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
February 10, 2015



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on Compliance for Each State Program

We have audited San Miguel Consolidated Fire Protection District's compliance with the types of compliance requirements described in Article 13A of the Constitution of the State of California that could have a direct and material effect on the San Miguel Consolidated Fire Protection District's state program for the fiscal year ended June 30, 2014. San Miguel Consolidated Fire Protection District's state program is identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for San Miguel Consolidated Fire Protection District's state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Article 13A of the Constitution of the State of California. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state program occurred. An audit includes examining, on a test basis, evidence about San Miguel Consolidated Fire Protection District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the state program. However, our audit does not provide a legal determination of San Miguel Consolidated Fire Protection District's compliance. In connection with the audit referred to above, we selected transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

| Description | Procedures In Audit Guide | Procedures Performed |
|------------------------|---------------------------|----------------------|
| GANN Limit Calculation | 1 | Yes |

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Page 2

Opinion on State Program

In our opinion, San Miguel Consolidated Fire Protection District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the state program for the fiscal year ended June 30, 2014.

The purpose of this report on state compliance is solely to describe the scope of our testing of state compliance and the results of that testing based on the requirements of Article 13A of the Constitution of the State of California. Accordingly, this report is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
February 10, 2015

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

FINDINGS AND RECOMMENDATIONS SECTION

JUNE 30, 2014

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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> |
|-----------------------|---|

The District did not spend more than \$500,000 in Federal Expenditures

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

Auditee qualified as low-risk auditee? Yes N/A No

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 FISCAL YEAR ENDED JUNE 30, 2014**

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