



Hosaka, Rotherham & Company
Certified Public Accountants

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
COUNTY OF SAN DIEGO
SPRING VALLEY, CALIFORNIA
AUDIT REPORT
JUNE 30, 2015

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2015

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JUNE 30, 2015**

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SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

FINANCIAL SECTION

JUNE 30, 2015



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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, 2015, 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

Page 2

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, 2015, 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 on pages 5 through 10, budgetary comparison information on pages 41 through 42 and schedule of the District's proportionate share of the net pension liability, and schedule of the District's plan contributions on pages 43 through 46 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 48 through 54, and pages 56 through 57, 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, pages 48 through 54, and pages 56 through 57, 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

Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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
December 18, 2015

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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.

Governmental Accounting Standards Board (GASB) issued Statement No. 34 (GASB Statement No. 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and subsequently amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. GASB Statement 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 a deficit of \$15,036,788, primarily due to the prior period adjustment of \$29,708,893 noted below.
- The change in net position for the year was an increase of \$3,978,814.
- The District had an excess of revenues over expenditures in the General Fund (before transfers) in the amount of \$1,621,948 in the current year compared to \$1,882,054 in the previous year.
- This year the District had \$400,000 in additions to capital assets compared to \$588,143 in the previous year.
- The District's General Fund Budget for this year showed a deficit of revenues under expenditures of \$50,000 (before transfers) compared to an actual surplus amount of \$1,621,948 (before transfers).
- Effective June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires that the District record the Net Pension Liability of its defined benefit pension plan as of the measurement date. The implementation of GASB No. 68 resulted in a prior period adjustment to the beginning net position of \$29,708,873 and a net pension liability at June 30, 2015 of \$22,458,700. Additional information is provided in the footnotes and Required Supplementary Information.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic financial statements (Continued)

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.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Position (Deficit)

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, liabilities and deferred inflows exceeded assets and deferred outflows by \$15,036,788 as of June 30, 2015. The District's financial position (deficit) is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, the increase and reduction in long-term debt, and the depreciation of capital assets.

TABLE 1
Condensed Statement of Net Position (Deficit)

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current and other assets	\$ 15,307,081	\$ 14,865,210	\$ 441,871	3.0%
Capital assets, net	11,779,611	11,743,903	35,708	0.3%
TOTAL ASSETS	<u>27,086,692</u>	<u>26,609,113</u>	<u>477,579</u>	<u>1.8%</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>1,415,786</u>	<u>80,577</u>	<u>1,335,209</u>	<u>1657.1%</u>
LIABILITIES				
Current liabilities	2,942,511	2,674,688	267,823	10.0%
General long-term debt	33,674,743	43,030,604	(9,355,861)	-21.7%
TOTAL LIABILITIES	<u>36,617,254</u>	<u>45,705,292</u>	<u>(9,088,038)</u>	<u>-19.9%</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>6,922,012</u>	<u>-</u>	<u>6,922,012</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets	7,884,611	7,168,903	715,708	10.0%
Restricted	3,446,934	2,446,897	1,000,037	40.9%
Unrestricted (Deficit)	(26,368,333)	(28,631,402)	2,263,069	-7.9%
TOTAL NET POSITION (DEFICIT)	<u>\$ (15,036,788)</u>	<u>\$ (19,015,602)</u>	<u>\$ 3,978,814</u>	<u>-20.9%</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2015, excluding inter-fund transfers, increased to \$19,862,478. This was due primarily to an increase in general revenues.
- The District's total expenses decreased to \$15,883,664.
- The change in net position was an increase of \$3,978,814.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2015.

TABLE 2
Condensed Statement of Activities

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
REVENUES				
Program revenues	\$ 937,283	\$ 1,045,710	\$ (108,427)	-10.4%
General revenues	18,925,195	18,179,266	745,929	4.1%
Total revenues	<u>19,862,478</u>	<u>19,224,976</u>	<u>637,502</u>	<u>3.3%</u>
EXPENSES				
Operations	14,224,917	13,099,608	1,125,309	8.6%
Administration	699,172	2,276,582	(1,577,410)	-69.3%
Interest on long-term debt	595,283	685,464	(90,181)	-13.2%
Unallocated depreciation	364,292	350,577	13,715	3.9%
Total expenses	<u>15,883,664</u>	<u>16,412,231</u>	<u>(528,567)</u>	<u>-3.2%</u>
CHANGE IN NET POSITION	<u>3,978,814</u>	<u>2,812,745</u>	<u>1,166,069</u>	<u>41.5%</u>
NET POSITION - BEGINNING, AS RESTATED *	<u>(19,015,602)</u>	<u>(21,828,347)</u>	<u>2,812,745</u>	<u>12.9%</u>
NET POSITION - ENDING	<u>\$ (15,036,788)</u>	<u>\$ (19,015,602)</u>	<u>\$ 3,978,814</u>	<u>20.9%</u>

* Restatement of Beginning Net Position relates to both the 2015 year and the 2014 year

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 \$28,062 and \$2,025,211 were paid in leave credit withdrawals and long-term debt, respectively.

TABLE 3
Comparison of Fund Balances

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 2,549,632	\$ 2,222,293	\$ 327,339	14.7%
Capital Reserve Fund	959,446	1,005,554	(46,108)	-4.6%
Vehicle Replacement Fund	2,076,433	1,188,660	887,773	74.7%
Other Governmental Funds	411,055	252,683	158,372	62.7%
Total fund balances	<u>\$ 5,996,566</u>	<u>\$ 4,669,190</u>	<u>\$ 1,327,376</u>	<u>28.4%</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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	\$ 5,456	Professional services	\$ 8,339
Grant expenditures	\$ 102,614	Utilities	\$ 36,312
Insurance	\$ 117,003		

The District's General Fund Budget for this year showed a deficit of revenues under expenditures of \$50,000 (before transfers) compared to an excess of revenues over expenditures of \$1,621,948 (before transfers).

CAPITAL ASSET AND DEBT ADMINISTRATION

Long-Term Debt

The District has long-term debt in the amount of \$33,674,743. \$3,895,000 of this debt is for a capital lease and revenue bonds for the headquarters complex and Station 22. \$7,238,000 is for Public Property Financing as the result of funding the District's CalPERS Side Fund and \$83,043 is for annual leave and sick leave earnings to be paid out to employees when they leave the District. \$22,458,700 is for the Net Pension Liability.

Capital Assets

There was an overall increase in capital assets of \$35,708, due mainly to additions of various assets offset by the disposal of vehicles and apparatuses and depreciation.

TABLE 5
Changes in Capital Assets

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,236,317	\$ 2,093,520	\$ 142,797	6.8%
Structures and improvements	13,146,957	12,889,754	257,203	2.0%
Furniture and equipment	1,356,636	1,356,636	-	0.0%
Vehicles and apparatuses	7,370,293	8,302,160	(931,867)	-11.2%
Less: accumulated depreciations	(12,330,592)	(12,898,167)	567,575	-4.4%
Total capital assets, net	<u>\$ 11,779,611</u>	<u>\$ 11,743,903</u>	<u>\$ 35,708</u>	<u>0.3%</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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 by 6.97%, less 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 (DEFICIT)
JUNE 30, 2015**

	Governmental Activities
ASSETS	
Cash in County Treasury	\$ 8,216,284
Cash on hand and in banks	474,098
Accounts receivable	348,923
Noncurrent assets:	
Paid for current year benefit	1,253,556
Paid for future years benefit	5,014,220
Capital assets:	
Land	2,236,317
Structures and improvements	13,146,957
Furniture and equipment	1,356,636
Vehicles and apparatuses	7,370,293
Less: accumulated depreciation	(12,330,592)
Total assets	27,086,692
 DEFERRED OUTFLOWS OF RERSOURCES	
Pension related costs	1,415,786
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,942,511
Noncurrent liabilities:	
Due within one year	2,146,000
Due in more than one year	9,070,043
Net pension liability	22,458,700
Total liabilities	36,617,254
 DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	100,228
Pension related costs	6,821,784
Total deferred inflows of resources	6,922,012
 NET POSITION (DEFICIT)	
Investment in capital assets, net of related debt	7,884,611
Restricted for:	
Capital projects	3,361,098
Specific programs	85,836
Unrestricted (Deficit)	(26,368,333)
Total net position (deficit)	\$ (15,036,788)

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Totals
ASSETS					
Cash in County Treasury	\$ 4,780,044	\$ 958,509	\$ 2,067,165	\$ 410,566	\$ 8,216,284
Cash on hand and in banks	474,098	-	-	-	474,098
Accounts receivable	338,229	937	9,268	489	348,923
TOTAL ASSETS	\$ 5,592,371	\$ 959,446	\$ 2,076,433	\$ 411,055	\$ 9,039,305
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 2,942,511	\$ -	\$ -	\$ -	\$ 2,942,511
Total liabilities	2,942,511	-	-	-	2,942,511
Deferred Inflows of Resources:					
Unavailable revenue	100,228	-	-	-	100,228
Fund Balance:					
Assigned	-	959,446	2,076,433	411,055	3,446,934
Unassigned/unappropriated:					
Unassigned/unappropriated amount	2,549,632	-	-	-	2,549,632
Total fund balance	2,549,632	959,446	2,076,433	411,055	5,996,566
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 5,592,371	\$ 959,446	\$ 2,076,433	\$ 411,055	\$ 9,039,305

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balances - governmental fund balance sheet	\$ 5,996,566
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.	11,779,611
Prepaid expenditures which are not for the current period are not reported in the funds.	6,267,776
Payables for revenue bond principal which are not due in the current period are not reported in the funds.	(3,895,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(83,043)
Payables for net pension liabilities which are not due in the current period are not reported in the funds.	(22,458,700)
Deferred outflows relating to pension costs which are applicable to future periods are not reported in the funds	1,415,786
Deferred inflows relating to pension costs which are applicable to future periods are not reported in the funds	(6,821,784)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(7,238,000)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ (15,036,788)</u>

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 17,686,120	\$ -	\$ -	\$ -	\$ 17,686,120
Benefit assessments	686,998	-	-	-	686,998
Contract revenue	705,243	-	-	-	705,243
Mitigation fees	-	-	-	98,967	98,967
Grant revenue	73,455	-	-	-	73,455
Facilities rental	59,618	-	-	-	59,618
Other revenue	500,331	3,892	44,310	3,544	552,077
Total revenue	19,711,765	3,892	44,310	102,511	19,862,478
EXPENDITURES					
Salaries	510,653	-	-	28,062	538,715
Employee benefits	1,355,034	-	-	-	1,355,034
Communication services - Equipment	58,342	-	-	-	58,342
Grant expenditures	102,614	-	-	-	102,614
Medical services - Support	6,840	-	-	-	6,840
Household	24,286	-	-	-	24,286
Insurance	449,227	-	-	-	449,227
Maintenance - Equipment	38,096	-	-	-	38,096
Maintenance - Fleet	270,790	-	-	-	270,790
Maintenance - Stations	143,345	-	-	14,175	157,520
Office expenditures	19,652	-	-	-	19,652
Personnel development	12,415	-	-	-	12,415
Professional services	12,079,994	-	-	-	12,079,994
Publications and media	2,157	-	-	-	2,157
Safety clothing/equipment	43,465	-	-	-	43,465
Special district expenditures	99,496	-	-	-	99,496
Travel	783	-	-	-	783

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

**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, 2015**

	General Fund	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Totals
EXPENDITURES (Continued)					
Utilities	218,386	-	-	-	218,386
Noncapitalized equipment	60,959	-	-	-	60,959
Capital outlay	-	-	-	400,000	400,000
Debt service:					
Principal	1,998,000	-	-	-	1,998,000
Interest	595,283	-	-	-	595,283
Total expenditures	18,089,817	-	-	445,285	18,535,102
Excess (deficiency) of revenues over (under) expenditures	1,621,948	3,892	44,310	(342,774)	1,327,376
Other financing sources (uses):					
Transfers in	5,613	200,000	1,093,535	600,294	1,899,442
Transfers out	(1,300,222)	(250,000)	(250,072)	(99,148)	(1,899,442)
Total other financing sources (uses)	(1,294,609)	(50,000)	843,463	501,146	-
NET CHANGE IN FUND BALANCE	327,339	(46,108)	887,773	158,372	1,327,376
FUND BALANCE, JULY 1	2,222,293	1,005,554	1,188,660	252,683	4,669,190
FUND BALANCE, JUNE 30	<u>\$ 2,549,632</u>	<u>\$ 959,446</u>	<u>\$ 2,076,433</u>	<u>\$ 411,055</u>	<u>\$ 5,996,566</u>

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

**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, 2015**

Net change in fund balances - total governmental funds	\$ 1,327,376
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	400,000
The depreciation of capital assets used in governmental activities is not reported in the funds.	(364,292)
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.	680,000
Repayment of other long-term debt is an expenditure in the funds but is not an expense in the SOA.	1,318,000
Pension costs are recognized when contributions are made in the funds but are recognized on a accrual basis for the SOA.	1,844,175
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>27,111</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,978,814</u>

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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, 2015**

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

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, 2015**

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, 2015**

A. Significant Accounting Policies (Continued)

7. Implementation of GASB Pronouncements

Effective June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB Statement No. 71). GASB Statement No. 68 requires that the District record the Net Pension Liability of its defined benefit pension plan as of the measurement date. The implementation of GASB Statement No. 68 resulted in a prior period adjustment to the beginning net position of \$29,708,873 and a net pension liability at June 30, 2015 of \$22,458,700. GASB Statement No. 71 relates to amounts that are deferred and amortized at the time GASB Statement No. 68 is first implemented. The implementation of GASB Statement No. 71 resulted in the deferred outflows of \$1,415,786 and deferred inflows of \$6,821,784 at June 30, 2015. Additional information is provided in the footnotes and Required Supplementary Information.

8. 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, 2015, the District had \$429,121 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, 2015.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

A. Significant Accounting Policies (Continued)

8. Assets, Liabilities, and Equity (continued)

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:

Asset Class	Estimated Useful Lives
Structures and improvements	10-50
Furniture and equipment	7-20
Vehicles and apparatuses	5-20

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.

e. Fund Balance Reserves and Designation

The District has adopted GASB Statement No. 54 (GASB Statement No. 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 Statement No. 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.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

A. Significant Accounting Policies (Continued)

8. Assets, Liabilities, and Equity (continued)

e. Fund Balance Reserves and Designation (Continued)

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.

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. Deferred outflows/Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category, unavailable grant revenue, which is reported only in the governmental funds balance sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

The pension plan related costs are made up of two components: employer contributions paid during the year ended June 30, 2015 in the amount of \$76,255, which are deferred under GASB Statement No. 68; and adjustment due to differences in proportions in the amount of \$1,339,531 which is amortized over straight-line basis over the average expected remaining service lives of all members that are provided with benefits. At June 30, 2015, the deferred pension related costs are \$1,415,786.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

A. Significant Accounting Policies (Continued)

8. Assets, Liabilities, and Equity (continued)

h. Deferred outflows/Inflows of Resources (Resources)

In addition to assets, the statement of financial position includes a separate section for deferral of outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualify for reporting in this category.

The pension plan related costs are made up of the net difference between projected and annual earnings on pension plan investments in the amount of \$6,821,784, which is amortized on a straight-line basis over five years.

Unavailable revenue of \$100,228 represents federal, state and local grant funds that have been received and not spent. At June 30 2015, total deferred inflows of resources were \$6,922,012.

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

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 (\$8,216,284 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$8,224,500. 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 (\$474,098 as of June 30, 2015) are insured up to \$250,000 by the Federal Deposit Insurance Corporation. As of June 30, 2015, the District had \$429,121 of uninsured funds.

3. Analysis of Specific Deposits and Investments

The fair value of Cash and investments as of June 30, 2015, consist of the following:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not applicable	\$ 8,224,500
Cash in banks	Not applicable	471,998
Cash on hand	Not applicable	2,100
Total		<u>\$ 8,698,598</u>

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Cash in County Treasury	\$ 8,216,284
Deposits with financial institutions	471,998
Cash on hand	2,100
Total	<u>\$ 8,690,382</u>

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, 2015.

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, 2015.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

C. Cash and Investments (Continued)

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, 2015.

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, 2015.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

C. Cash and Investments (Continued)

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.

D. Accounts Receivable

Accounts receivable as of June 30, 2015, consist of the following:

	General Fund	Capital Reserve Fund	Vehicle Replacement Fund	Other Governmental Funds	Totals
Property taxes	\$ 27,945	\$ -	\$ -	\$ -	\$ 27,945
Grant receivable	50,967	-	-	-	50,967
Other receivables	259,317	937	9,268	489	270,011
Totals	<u>\$ 338,229</u>	<u>\$ 937</u>	<u>\$ 9,268</u>	<u>\$ 489</u>	<u>\$ 348,923</u>

Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Capital Reserve Fund	Other Governmental Funds	\$ 250,000	Budgeting Purposes
Vehicle Replacement Fund	Other Governmental Funds	250,072	Budgeting Purposes
Other Governmental Funds	Multiple Funds	99,148	Budgeting Purposes
General Fund	Multiple Funds	1,300,222	Budgeting Purposes
	Total	<u>\$ 1,899,442</u>	

E. Long-Term Asset

1. Long-Term Asset Activity

Changes in long-term assets for the year ended June 30, 2015, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Paid Within One Year
CalPERS Side Fund	\$ 7,521,332	\$ -	\$(1,253,556)	\$ 6,267,776	\$ 1,253,556
Total governmental activities	<u>\$ 7,521,332</u>	<u>\$ -</u>	<u>\$(1,253,556)</u>	<u>\$ 6,267,776</u>	<u>\$ 1,253,556</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

E. Long-Term Asset (Continued)

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.

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

Year Ending June 30	Future Reductions
2016	\$ 1,253,556
2017	1,253,556
2018	1,253,556
2019	1,253,556
2020	1,253,552
Total	\$ 6,267,776

F. Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2015, is shown below:

Governmental Activities	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets, not being depreciated				
Land	\$ 2,093,520	\$ 142,797	\$ -	\$ 2,236,317
Total capital assets, not being depreciated	2,093,520	142,797	-	2,236,317
Capital assets, being depreciated:				
Structures and improvements	12,889,754	257,203	-	13,146,957
Furniture and equipment	1,356,636	-	-	1,356,636
Vehicles and apparatuses	8,302,160	-	(931,867)	7,370,293
Total capital assets, being depreciated	22,548,550	257,203	(931,867)	21,873,886
Less accumulated depreciation for:				
Structures and improvements	(6,150,405)	(259,130)	-	(6,409,535)
Furniture and equipment	(1,077,027)	(66,523)	-	(1,143,550)
Vehicles and apparatuses	(5,670,735)	(38,639)	931,867	(4,777,507)
Total accumulated depreciation	(12,898,167)	(364,292)	931,867	(12,330,592)
Total capital assets, being depreciated, net	9,650,383	(107,089)	-	9,543,294
Capital assets, net of depreciation	\$ 11,743,903	\$ 35,708	\$ -	\$ 11,779,611

Depreciation expense for the year ended June 30, 2015 was \$364,292 and is not allocated to the various governmental functions.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

G. Long-Term Obligations

1. Long-Term Obligation Activity

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

Changes in long-term obligations for the fiscal year ended June 30, 2015, are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds payable	\$ 4,575,000	\$ -	\$ (680,000)	\$ 3,895,000	\$ 715,000
Net pension liability	29,789,450		(7,330,750)	22,458,700	-
Public Property Financing	8,556,000	-	(1,318,000)	7,238,000	1,431,000
Compensated absences*	110,154	-	(27,111)	83,043	-
Total governmental activities	<u>\$ 43,030,604</u>	<u>\$ -</u>	<u>\$ (9,355,861)</u>	<u>\$ 33,674,743</u>	<u>\$ 2,146,000</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:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Revenue Bonds Payable	Governmental	General Fund
Public Property Financing	Governmental	General Fund

In the government-wide financial statements, interest expense for the year ended June 30, 2015, was \$595,283 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, 2015**

G. Long-Term Obligations (Continued)

The annual requirements to amortize revenue bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Totals
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>\$ 3,895,000</u>	<u>\$ 467,220</u>	<u>\$ 4,362,220</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
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>\$ 7,238,000</u>	<u>\$ 921,103</u>	<u>\$ 8,159,103</u>

4. Net pension liability

Effective June 30, 2015, the District implemented GASB Statement No. 68 and GASB Statement No. 71. GASB Statement No. 68 requires that the District record the Net Pension Liability of its defined benefit pension plan as of the measurement date. The implementation of GASB Statement No. 68 resulted in net pension liability at June 30, 2015 of \$22,458,700.

H. Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and include the following as of June 30, 2015:

Local Grants	\$ 100,228
Pension related costs	<u>6,821,784</u>
Total Deferred Inflows of Resources Governmental Funds	<u>\$ 6,922,012</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

I. Assigned Fund Balances

Assigned fund balances as of June 30, 2015, are as follows:

	other various assignments
Capital Reserve Fund	\$ 959,446
Vehicle Replacement Fund	2,076,433
Other Governmental Funds	411,055
Total	\$ 3,446,934

J. Employee Retirement Systems

1. Plan description, benefits provided and employees covered

The District contributes to the Miscellaneous and Safety Plans (Plans) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report.

This report is a publically available valuation report that can be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov under Forms and Publications.

2. Contribution description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.947% and 8.980% of annual pay for the Miscellaneous and safety plans respectively, and the average employer's contribution rate is 17.531% and 23.397% of annual payroll for the Miscellaneous and safety plans respectively.

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

J. Employee Retirement Systems (Continued)

3. Actuarial methods and assumptions used to determine total pension liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

4. Discount rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

J. Employee Retirement Systems (Continued)

4. Discount rate

Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed the District's methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

J. Employee Retirement Systems (Continued)

5. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Discount Rate -1.00% 6.50%	Current Discount Rate 7.50%	Discount Rate +1.00% 8.50%
Misc Plan's Net Pension Liability	\$ 2,128,780	\$ 1,194,809	\$ 419,701
Safety Plan's Net Pension Liability	\$ 36,592,403	\$ 21,263,891	\$ 8,633,859

6. Pension plan fiduciary net position

The plan fiduciary net position disclosed in the District's GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the District's funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

At June 30, 2015, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

The District contributions to CalPERS for the fiscal years ending June 30, 2015, 2014, 2013, and 2012, were \$76,762, \$843,079, \$1,648,646, and \$2,871,986, respectively, and equal 100% of the required contributions for each year.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

K. Joint Power Agreements (Continued)

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.

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 November 1, 2011, the District's financial obligation is to pay the minimum amount required by law for health insurance coverage upon their retirement.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

L. Other Post-Employment Benefits (Continued)

- 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.

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)	\$ 2,054,711
Interest on Net OPEB Obligation	259,413
Adjustment to annual required contribution	<u>(397,692)</u>
Annual OPEB cost	1916432.24
Contributions made	<u>(895,260)</u>
Increase in OPEB Obligation	1,021,172
Net OPEB Obligation - beginning	<u>5,764,730</u>
Net OPEB Obligation - ending	<u><u>\$ 6,785,902</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 2014-15 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, 2015 and two preceding years were as follows:

Years Ended	Annual Required Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 2,162,947	38.3%	\$ 5,764,730
6/30/2014	\$ 2,201,460	41.4%	\$ 5,764,730
6/30/2015	\$ 2,054,711	43.6%	\$ 6,785,902

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

L. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress

As of June 30, 2015, 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.

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.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

L. Other Post-Employment Benefits (Continued)

Methods and Assumptions (continued)

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
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.

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.

M. Restatement of Net Position

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pension is in accordance with GASB Statement No. 68. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position, Beginning, as Previously Reported	\$ 10,693,271
Restatement	(29,708,873)
Net Position, Beginning, as Restated	\$ (19,015,602)

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

N. 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 December 18, 2015, which is the date the financial statements were available to be issued. Management has determined that there are no subsequent events or transactions that could have an effect on the current year financial statements.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SECTION

JUNE 30, 2015

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$17,366,534	\$ 17,366,534	\$ 17,686,120	\$ 319,586
Benefit assessments	686,821	686,821	686,998	177
Contract revenue	705,243	705,243	705,243	-
Grant revenue	33,669	33,669	73,455	39,786
Facilities rental	58,638	58,638	59,618	980
Other revenue	460,000	460,000	500,331	40,331
Total revenues	<u>19,310,905</u>	<u>19,310,905</u>	<u>19,711,765</u>	<u>400,860</u>
Expenditures:				
Salaries	677,937	677,937	510,653	167,284
Employee benefits	1,428,025	1,428,025	1,355,034	72,991
Communication services - Equipment	52,886	52,886	58,342	(5,456)
Grant expenditures	-	-	102,614	(102,614)
Medical services - Support	31,950	31,950	6,840	25,110
Household	28,141	28,141	24,286	3,855
Insurance	332,224	332,224	449,227	(117,003)
Maintenance - Equipment	65,175	65,175	38,096	27,079
Maintenance - Fleet	284,700	284,700	270,790	13,910
Maintenance - Stations	152,250	152,250	143,345	8,905
Office expenditures	24,597	24,597	19,652	4,945
Personnel development	59,500	59,500	12,415	47,085
Professional services	12,071,655	12,071,655	12,079,994	(8,339)
Publications and media	6,600	6,600	2,157	4,443
Safety clothing/equipment	52,435	52,435	43,465	8,970
Special district expenditures	354,715	354,715	99,496	255,219
Travel	1,120	1,120	783	337
Utilities	182,074	182,074	218,386	(36,312)
Noncapitalized equipment	89,650	89,650	60,959	28,691
Capital outlay	871,988	871,988	-	871,988
Debt service:				
Principal	1,998,000	1,998,000	1,998,000	-
Interest	595,283	595,283	595,283	-
Total expenditures	<u>19,360,905</u>	<u>19,360,905</u>	<u>18,089,817</u>	<u>1,271,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>1,621,948</u>	<u>1,671,948</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers in	50,000	50,000	5,613	44,387
Transfers out	-	-	(1,300,222)	1,300,222
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>(1,294,609)</u>	<u>1,344,609</u>
Net change in fund balance	-	-	327,339	327,339
Fund balance, July 1	2,222,293	2,222,293	2,222,293	-
Fund balance, June 30	<u>\$ 2,222,293</u>	<u>\$ 2,222,293</u>	<u>\$ 2,549,632</u>	<u>\$ 327,339</u>

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
MISCELLANEOUS PLAN
LAST 10 YEARS
JUNE 30, 2015

	June 30, 2015
Proportion of the net pension liability	0.01920%
Proportionate share of the net pension liability	\$ 1,194,809
Covered - employee payroll	\$ 511,999
Proportionate Share of the net pension liability as percentage of covered-employee payroll	233.36%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 158,069
Plan fiduciary net position as a percentage of the total pension liability	83.03%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: None

- Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS - MISCELLANEOUS PLAN
LAST 10 YEARS
JUNE 30, 2015

	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 76,839
Contributions in relation to the actuarially determined contributions	(76,839)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 511,999
Contributions as a percentage of covered employee payroll	15.01%

Notes to Schedule:

Valuation date: June 30, 2014

- Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
SAFETY PLAN
LAST 10 YEARS
JUNE 30, 2015

	June 30, 2015
Proportion of the net pension liability	0.34173%
Proportionate share of the net pension liability	\$ 21,263,891
Covered - employee payroll	\$ 81,575
Proportionate Share of the net pension liability as percentage of covered-employee payroll	26066.56%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 2,637,831
Plan fiduciary net position as a percentage of the total pension liability	81.42%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: None

- Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS - SAFETY PLAN
LAST 10 YEARS**

	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 14,294
Contributions in relation to the actuarially determined contributions	(14,294)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 81,575
Contributions as a percentage of covered employee payroll	17.52%

Notes to Schedule:

Valuation date: June 30, 2014

- Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
OTHER SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2015

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
 BUDGET STABILIZATION FUND - SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 2	\$ 2
Total revenues	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Expenditures:				
Miscellaneous expenditures	-	-	2	(2)
Total expenditures	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Other financing sources (uses):				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	4
Fund balance, July 1	587	587	587	-
Fund balance, June 30	<u>\$ 587</u>	<u>\$ 587</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 373	\$ 373
Total revenues	-	-	373	373
Expenditures:				
Salaries	-	-	28,062	(28,062)
Total expenditures	-	-	28,062	(28,062)
Excess (deficiency) of revenues over (under) expenditures	-	-	(27,689)	(27,689)
Other financing sources (uses):				
Transfers in	-	-	50,222	(50,222)
Total other financing sources (uses)	-	-	50,222	(50,222)
Net change in fund balance	-	-	22,533	22,533
Fund balance, July 1	62,629	62,629	62,629	-
Fund balance, June 30	<u>\$ 62,629</u>	<u>\$ 62,629</u>	<u>\$ 85,162</u>	<u>\$ 22,533</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
FIRE MITIGATION FUND - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Mitigation fees	\$ -	\$ -	\$ 98,967	\$ 98,967
Other revenue	-	-	170	170
Total revenues	<u>-</u>	<u>-</u>	<u>99,137</u>	<u>99,137</u>
Expenditures:				
Miscellaneous expenditures	1,000	1,000	-	1,000
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>99,137</u>	<u>100,137</u>
Other financing sources (uses):				
Transfers in	-	-	72	(72)
Transfers out	-	-	(99,122)	99,122
Proceeds from long-term debt	-	-	-	-
Proceeds to CalPERS Side Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(99,050)</u>	<u>99,050</u>
Net change in fund balance	(1,000)	(1,000)	87	1,087
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ 87</u>	<u>\$ 1,087</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
CAPITAL RESERVE FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 3,892	\$ 3,892
Total revenues	-	-	3,892	3,892
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	3,892	3,892
Other financing sources (uses):				
Transfers in	-	-	200,000	(200,000)
Transfers out	-	-	(250,000)	250,000
Total other financing sources (uses)	-	-	(50,000)	50,000
Net change in fund balance	-	-	(46,108)	(46,108)
Fund balance, July 1	1,005,554	1,005,554	1,005,554	-
Fund balance, June 30	<u>\$ 1,005,554</u>	<u>\$ 1,005,554</u>	<u>\$ 959,446</u>	<u>\$ (46,108)</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SPECIAL PROJECTS FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 2,095	\$ 2,095
Total revenues	<u>-</u>	<u>-</u>	<u>2,095</u>	<u>2,095</u>
Expenditures:				
Miscellaneous expenditures	58,376	-	3,046	(3,046)
Capital outlay	500,000	500,000	400,000	100,000
Total expenditures	<u>558,376</u>	<u>500,000</u>	<u>403,046</u>	<u>96,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(558,376)</u>	<u>(500,000)</u>	<u>(400,951)</u>	<u>99,049</u>
Other financing sources (uses):				
Transfers in	-	-	500,000	(500,000)
Transfers out	-	-	(26)	26
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>499,974</u>	<u>(499,974)</u>
Net change in fund balance	(558,376)	(500,000)	99,023	(400,925)
Fund balance, July 1	29	29	29	-
Fund balance, June 30	<u>\$ (558,347)</u>	<u>\$ (499,971)</u>	<u>\$ 99,052</u>	<u>\$ (400,925)</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
CAPITAL FACILITIES FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 904	\$ 904
Total revenues	<u>-</u>	<u>-</u>	<u>904</u>	<u>904</u>
Expenditures:				
Maintenance - Stations	43,000	43,000	14,175	28,825
Total expenditures	<u>43,000</u>	<u>43,000</u>	<u>14,175</u>	<u>28,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,000)</u>	<u>(43,000)</u>	<u>(13,271)</u>	<u>29,729</u>
Other financing sources (uses):				
Transfers in	-	-	50,000	(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
Net change in fund balance	(43,000)	(43,000)	36,729	79,729
Fund balance, July 1	189,438	189,438	189,438	-
Fund balance, June 30	<u>\$ 146,438</u>	<u>\$ 146,438</u>	<u>\$ 226,167</u>	<u>\$ 79,729</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
VEHICLE REPLACEMENT FUND - CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ -	\$ -	\$ 44,310	\$ 44,310
Total revenues	<u>-</u>	<u>-</u>	<u>44,310</u>	<u>44,310</u>
Expenditures:				
Capital outlay	660,000	660,000	-	660,000
Total expenditures	<u>660,000</u>	<u>660,000</u>	<u>-</u>	<u>660,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(660,000)</u>	<u>(660,000)</u>	<u>44,310</u>	<u>(615,690)</u>
Other financing sources (uses):				
Transfers in	-	-	1,093,535	(1,093,535)
Transfers out	-	-	(250,072)	250,072
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>843,463</u>	<u>(843,463)</u>
Net change in fund balance	(660,000)	(660,000)	887,773	227,773
Fund balance, July 1	1,188,660	1,188,660	1,188,660	-
Fund balance, June 30	<u>\$ 528,660</u>	<u>\$ 528,660</u>	<u>\$ 2,076,433</u>	<u>\$ 227,773</u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ORGANIZATION STRUCTURE
JUNE 30, 2015**

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
 - 1105 Pepper Drive
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, 2015, was comprised of the following members:

Name	Office	Term	Term Expires
William Kiel	President	4 Years	December 2016
Theresa McKenna	Vice President	4 Years	December 2018
Karrie Johnston	Director	4 Years	December 2016
Dan McMillan	Director	4 Years	December 2016
Dave Rickards	Director	4 Years	December 2016
Jim Ek	Director	4 Years	December 2018
Mike Vacio	Director	4 Years	December 2018

Administration	
Name	Position
Ray Chaney	Fire Chief
Darilyn O'Dell	Administrative Officer/CFO

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2015**

Assessed Valuation:

Secured Property	\$ 10,677,027,395
Unsecured Property	<u>116,547,615</u>
Total Assessed Valuation	<u><u>\$ 10,793,575,010</u></u>

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
GRANT REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund
STATE:	
State Homeland Security Grant:	
Equipment (BA Cylinders)	\$ 21,870
Equipment (Gas Detectors)	2,553
Equipment (SCBAs)	21,892
Equipment (Rescue Equipment)	20,000
Total state	66,315
 LOCAL:	
American Red Cross Grant - Live Fire	2,044
American Red Cross Grant - Fire Extinguisher	381
American Red Cross Grant - VIPER Program	1,232
American Red Cross Grant - CERT	3,483
Total local	7,140
 TOTAL GRANT REVENUE	 \$ 73,455

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

OTHER INDEPENDENT AUDITORS' REPORTS SECTION

JUNE 30, 2015



**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, 2015, 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 December 18, 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**

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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
December 18, 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, 2015. 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

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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, 2015.

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.

Arsata, Rotherham & Company

San Diego, California
December 18, 2015

SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT

FINDINGS AND RECOMMENDATIONS SECTION

JUNE 30, 2015

**SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015**

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, 2015**

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