

UNIFIED SAN DIEGO COUNTY
EMERGENCY SERVICES ORGANIZATION
FINANCIAL STATEMENTS
JUNE 30, 2009

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION

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INDEPENDENT AUDITOR'S REPORT

Unified Disaster Council
of the Unified San Diego County
Emergency Services Organization (ESO)
San Diego, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Unified San Diego County Emergency Services Organization (ESO) as of and for the fiscal year ended June 30, 2009 and 2008, which collectively comprise the ESO's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ESO's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Unified San Diego County Emergency Services Organization (ESO) as of June 30, 2009 and 2008, and the respective change in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2008, the ESO adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

The ESO has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010 on our consideration of the Unified San Diego County Emergency Services Organization (ESO)'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule – General Fund on page 21 and the budgetary comparison schedule – Hazmat Response Program Special Revenue Fund on page 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ESO's basic financial statements. The accompanying combining statement of fiduciary net assets and Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the ESO. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 5, 2010

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

	Governmental Activities	
	2009	2008
ASSETS		
Equity in pooled cash and investments	\$ 275,071	\$ 354,135
Accounts receivable	4,782	
Interest receivable	2,122	6,719
Due from County of San Diego		28,077
Capital assets - net of accumulated depreciation	305,275	365,437
Total Assets	587,250	754,368
LIABILITIES		
Accounts payable	209,712	
Accrued payroll		59,226
Due to County of San Diego		90,000
Total Liabilities	209,712	149,226
NET ASSETS		
Invested in capital assets, net of related debt	305,275	365,437
Unrestricted	72,263	239,705
Total Net Assets	\$ 377,538	\$ 605,142

See accompanying notes to basic financial statements

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF ACTIVITIES
For the Fiscal Years Ended June 30, 2009 and 2008

Functions/Programs	Expenses	Program Revenue	
		Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:			
Public Safety	\$ 11,306,144	\$ 11,017,132	\$ -
Total Governmental Activities	\$ 11,306,144	\$ 11,017,132	\$ -

General Revenues:

Investment income

Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning of fiscal year

Prior Period Adjustments

Net Assets - Beginning of fiscal year - restated

Net Assets - End of fiscal year

See accompanying notes to basic financial statements

Net (Expense)
Revenue and Change
in Net Assets

Total	
2009	2008
\$ (289,012)	\$ (2,999,583)
(289,012)	(2,999,583)
21,789	46,165
3,688	6,865
25,477	53,030
(263,535)	(2,946,553)
605,142	3,216,203
35,931	335,492
641,073	3,551,695
\$ 377,538	\$ 605,142

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Years Ended June 30, 2009 and 2008

	General Fund	Hazmat Response Program Fund	Total Governmental Funds	
			2009	2008
Revenues				
Governmental grants	\$ 4,728,600	\$ -	\$ 4,728,600	\$ 5,246,044
Civil defense County				191,478
Civil defense City	299,951	1,482,044	1,781,995	1,788,677
Interest	853	20,936	21,789	46,165
Contribution from County of San Diego	4,506,537		4,506,537	6,580,570
Other	3,688		3,688	6,865
Total Revenues	9,539,629	1,502,980	11,042,609	13,859,799
Expenditures				
Current:				
Contributions to other agencies	2,432,699		2,432,699	2,749,698
Salaries and benefits	2,147,375		2,147,375	2,054,523
Services and supplies	4,881,549	1,707,206	6,588,755	7,581,056
Capital outlay	77,153		77,153	1,229,015
Total Expenditures	9,538,776	1,707,206	11,245,982	13,614,292
Net Change in Fund Balances	853	(204,226)	(203,373)	245,507
Fund Balances, July 1,		239,705	239,705	(341,294)
Prior period adjustments	35,931		35,931	335,492
Fund Balances, July 1, Restated	35,931	239,705	275,636	(5,802)
Fund Balances, June 30,	\$ 36,784	\$ 35,479	\$ 72,263	\$ 239,705

See accompanying notes to basic financial statements

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
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, 2009**

Net changes in fund balances - total governmental funds \$ (203,373)

Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$80,273) exceeded capital outlays (\$20,111) in the current period.

(60,162)

Change in net assets of governmental activities

\$ (263,535)

See accompanying notes to basic financial statements

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2009 and 2008

	Agency Funds	
	2009	2008
ASSETS		
Equity in pooled cash and investments	\$ 31,129	\$ 30,662
Interest receivable	61	140
Total Assets	31,190	30,802
LIABILITIES		
Due to other governments	31,190	30,802
Total Liabilities	31,190	30,802
NET ASSETS		
Unrestricted	\$ -	\$ -

See accompanying notes to basic financial statements

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

The accounting methods and procedures of the Unified San Diego County Emergency Services Organization (ESO) conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following notes to the financial statements are an integral part of the ESO's basic financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Unified San Diego County Emergency Services Organization's agency status became effective with the fourth amendment (1991) to the joint powers agreement entered into pursuant to the County of San Diego, California Ordinance No. 2248 (Effective 8/29/61) and various City resolutions. Current parties to the agreement include the County of San Diego (County) and the eighteen incorporated cities within the County. The ESO is organized under the laws of the State of California for the preservation and safety of life and property. It provides for the execution of plans and programs in the event of an emergency or disaster, and provides for mutual assistance in the event of such emergencies or disasters.

Direction is provided to the member Jurisdictions by the Unified Disaster Council, the policy making body for the ESO. The Unified Disaster Council is comprised of the following individuals:

Ex-Official Chairperson: Chairperson of the County Board of Supervisors,

Vice-Chairperson: The Coordinator of the ESO selected by the Council from among the Chief Administrative Officer of the County or the City Manager and/or Chief Administrator of any participating City,

Members: A representative with alternate from each member agency.

Under the terms of the agreement, each participating member jurisdiction has one vote on the Council.

Under the agreement, fifty percent (50%) of the ESO's operating budget comes from the County after giving effect to other revenue. The remaining amount comes from the participating cities prorated under a formula whereby 50% is apportioned to the member cities based on population, and 50% is based on property values assessed in the fiscal year prior to the budgeted year. The agreement also provides member entities with the ability to contribute more than its required share and allows them to specify how the additional contribution is to be used.

The ESO administers the Hazardous Incident Response Team (HIRT) Program. The HIRT Program consists of the Hazardous Materials Unit of the City of San Diego Fire Department and the Hazardous Materials Management Division of the County of San Diego Department of Environmental Health. The unfunded costs of the HIRT Program are distributed to all member jurisdictions based upon a formula which calls for 40% to be distributed based upon population, 40% based upon property valuation, and the remaining 20% based on HIRT responses to jurisdictions in the previous year.

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

County employees, through the Office of Emergency Services, perform daily operating activities for the benefit of the ESO. The Chief Administrative Officer of the County, as the designated Coordinator of the Unified Disaster Council, has the authority to incur expenditures, and receive and disburse the funds of the ESO. Pursuant to that authority, the ESO's transactions are recorded in the County's accounting system. The financial transactions are also included in the County's Comprehensive Annual Financial Report (CAFR).

B. Basis of Presentation

According to the Governmental Accounting Standards Board (GASB), the recognized authoritative source of promulgated accounting principles generally accepted in the United States of America for state and local governments, the budget, the accounts, and the financial reports are inseparable elements in the financial administration process.

Terminology and classification consistency among the elements are essential to achieving viable accounting systems and comparable, and unambiguous financial reporting. To the maximum extent practicable, the terminology should be used consistently in all phases of budgeting, accounting, and reporting. With regards to the governmental and fiduciary fund types, these financial statements depart from those criteria in the interest of clarity and to render the statements not misleading for the following reason:

As previously noted, the ESO's financial transactions are included in the County of San Diego's accounting system. Amounts are recorded in the governmental and fiduciary fund types using the modified accrual basis of accounting. Two trust funds, three agency funds, and one organization unit identified in the County's accounting records are used to record all transactions of the ESO.

They are identified as the ESO Operating Fund - No. 49214, the HIRT Fund - No. 49211, the Civil Defense Fund - No. 61006, San Diego County Arson Reward Fund – No. 66036, San Diego County Fire Protection Fund – No. 61007, and the Office of Emergency Service - General Fund Organization Unit No. A3120.

The first two trust funds listed above are presented in the County's CAFR as interest bearing trust funds to inform the reader of the relationship between the County and the ESO operations. The specific objects of expenditures incurred for the benefit of the ESO are recorded in the County's General Fund. The County's budgeting and accounting procedures are consistent with the presentation in its CAFR.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The ESO fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund types are accounted for according to the nature of the fund.

D. Major Funds

GASB Statement No. 34 requires the ESO's major governmental type funds to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or more than ten percent of their fund-type total and five percent of the grand total.

The ESO reported the following major governmental funds in the accompanying financial statements:

General Fund - The General Fund is presented herein in accordance with accounting principles generally accepted in the United States of America appropriate for a legally separate, economically independent, local governmental entity. The presentation is particularly beneficial in portraying the ESO's relationship to its members by presenting the ESO's assets and the members' aggregate equity interest in those assets as provided by the joint powers agreement. The amounts presented in the ESO's General Fund are directly reconcilable to the accounts maintained by the County.

Specifically, the expendable available financial resources and related current liabilities devoted to financing the general services that the ESO performs for its members are included in the General Fund budget allocations of the individual members, grants, cost reimbursements, and other revenue used to finance the operations of the ESO are specific resources included in this fund. The fund is also charged with the costs of operating the ESO.

Hazmat Response Program Special Revenue Fund - The Special Revenue Fund is used to account for revenues restricted to and expenditures incurred for the HIRT Program administered by the ESO. The amounts presented in the ESO's Special Revenue Fund are directly reconcilable to the accounts maintained by the County.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets are reported in the governmental activities in the Government-wide Financial Statements. All purchased capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated (contributed) capital assets are valued at their estimated fair value on the date received.

The ESO policy has set the capitalization threshold for reporting capital assets at the following:

Equipment and vehicles	\$5,000
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For all capital assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Equipment and vehicles	5-20 years
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F. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws, or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

G. Unreserved Fund Balance

In conformity with GASB codifications, fund balance is presented as the arithmetical difference between fund assets and fund liabilities. GASB further provides that when a portion of the fund balance is reserved, the unreserved amount should be reported as the Unreserved Fund Balance. The general fund and Hazmat fund unreserved balance represents the ESO assets that are available for subsequent appropriations or other disposition pursuant to the joint powers agreement.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budgetary Accounting

Budget Policies – An operating budget is adopted each fiscal year for the ESO by unanimous consent of its members. Budgetary control is achieved at the appropriate level.

Reserve for Encumbrances – For purposes of a budgetary presentation in the financial statements, actual expenditures are adjusted to include any encumbrances outstanding at fiscal year-end. Outstanding encumbrances at fiscal year-end are fully reserved thereby assuring a continued expenditure authorization in the subsequent fiscal year. There was no encumbrance reserve at the end of the fiscal year.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

J. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009 the ESO implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of net assets, such as landfill closure and postclosure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the ESO implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”. The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the ESO implemented GASB Statement No. 55, "The hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the ESO implemented GASB Statement No. 56, "Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards". The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

Note 2 CASH AND INVESTMENTS

The ESO cash and investments at June 30, 2009, consisted of the following:

Cash and investments with County Treasurer	<u>\$ 306,200</u>
Total cash and investments	<u><u>\$ 306,200</u></u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Equity in pooled cash and investments, statement of net assets	\$ 275,071
Equity in pooled cash and investments, statement of fiduciary net assets	<u>31,129</u>
Total cash and investments	<u><u>\$ 306,200</u></u>

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 CASH AND INVESTMENTS (Continued)

Cash in County Treasury

The ESO maintains all of its cash in the San Diego County Treasury as part of the common investment pool (\$306,200 as of June 30, 2009). The fair value of this pool as of that date, as provided by the plan sponsor, was \$306,200. Interest is deposited in the participating funds. The ESO is restricted by Government Code Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase agreements.

Investments Authorized by the Organization's Investment Policy

The ESO investment policy only authorizes investment in the local government investment pool administered by the San Diego County. The ESO's investment policy does not contain any specific provisions intended to limit the ESO's exposure to interest rate risk, credit risk, and concentration of credit risk.

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. One of the ways that the ESO manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the ESO's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the ESO's investments by maturity:

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
San Diego County Investment Pool	\$ 306,200	\$ 306,200	\$ -	\$ -	\$ -
Total	\$ 306,200	\$ 306,200	\$ -	\$ -	\$ -

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. Presented below is the minimum rating required by the California Government Code and the ESO's investment policy, and the actual rating as of fiscal year end for each investment type.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 2 CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
San Diego County Investment Pool	\$ 306,200	N/A	\$ -	\$ -	\$ -	\$ -	\$ 306,200
Total	<u>\$ 306,200</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,200</u>

Concentration of Credit Risk

The investment policy of the ESO contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than the investment pool) that represent 5% or more of total Organization investments.

Custodial Credit Risk

The custodial credit risk for investments 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 ESO'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 (such as San Diego County Investment Pool).

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the fiscal year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Equipment	\$ 559,906	\$ 20,111	\$ -	\$ 580,017
Total Capital Assets being depreciated	<u>559,906</u>	<u>20,111</u>	<u> </u>	<u>580,017</u>
Less accumulated depreciation for:				
Equipment	194,469	80,273	<u> </u>	<u>274,742</u>
Total accumulated depreciation	<u>194,469</u>	<u>80,273</u>	<u> </u>	<u>274,742</u>
Total capital assets being depreciated, net	<u>\$ 365,437</u>	<u>\$ (60,162)</u>	<u>\$ -</u>	<u>\$ 305,275</u>

Depreciation expense of \$80,273 was charged to the public safety function in the statement of activities.

Note 4 LIABILITIES

Liabilities are debts that will be met by using current appropriations and expenditures of the expendable financial resources. The liabilities are comprised of amounts owed to vendors for services provided. Also included are funds due to the County of San Diego for contracted services.

Note 5 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of expenditures over appropriations is as follows:

<u>Fund/Department</u>	<u>Expenditure</u>	<u>Final Appropriation</u>	<u>Excess</u>
Hazmat Response Program Special Revenue Fund			
Services and supplies	\$ 1,707,206	\$ 1,587,553	\$ 119,653

Note 6 PRIOR PERIOD ADJUSTMENT

The prior period adjustment was made to the general fund of \$35,931 due to overstatement of prior year due to the County of San Diego.

REQUIRED SUPPLEMENTARY INFORMATION

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Governmental grants	\$ 5,622,964	\$ 11,523,239	\$ 4,728,600	\$ (6,794,639)
Civil defense County	209,000	209,000		(209,000)
Civil defense City	300,959	300,959	299,951	(1,008)
Interest			853	853
Contribution from County of San Diego	3,617,150	3,617,150	4,506,537	889,387
Other			3,688	3,688
Total Revenues	9,750,073	15,650,348	9,539,629	(6,110,719)
Expenditures				
Current:				
Contributions to other agencies	3,279,962	5,953,844	2,432,699	3,521,145
Salaries and benefits	2,139,495	2,209,455	2,147,375	62,080
Services and supplies	1,922,515	8,788,906	4,881,549	3,907,357
Capital outlay	3,417,150	77,153	77,153	
Total Expenditures	10,759,122	17,029,358	9,538,776	7,490,582
Net Change in Fund Balance	(1,009,049)	(1,379,010)	853	1,379,863
Fund Balance, July 1, 2008				
Prior period adjustments			35,931	35,931
Fund Balance, July 1, 2008, Restated			35,931	35,931
Fund Balance, June 30, 2009	\$ (1,009,049)	\$ (1,379,010)	\$ 36,784	\$ 1,415,794

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
 BUDGETARY COMPARISON SCHEDULE
 HAZMAT RESPONSE PROGRAM SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2009**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Civil defense City	\$ 1,577,553	\$ 1,577,553	\$ 1,482,044	\$ (95,509)
Interest	5,000	5,000	20,936	15,936
Other	5,000	5,000		(5,000)
	<u>1,587,553</u>	<u>1,587,553</u>	<u>1,502,980</u>	<u>(84,573)</u>
Total Revenues				
Expenditures				
Current:				
Services and supplies	<u>1,587,553</u>	<u>1,587,553</u>	<u>1,707,206</u>	<u>(119,653)</u>
	<u>1,587,553</u>	<u>1,587,553</u>	<u>1,707,206</u>	<u>(119,653)</u>
Total Expenditures				
Net Change in Fund Balance			(204,226)	(204,226)
Fund Balance, July 1, 2008	<u>239,705</u>	<u>239,705</u>	<u>239,705</u>	
Fund Balance, June 30, 2009	<u>\$ 239,705</u>	<u>\$ 239,705</u>	<u>\$ 35,479</u>	<u>\$ (204,226)</u>

OTHER SUPPLEMENTARY INFORMATION

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2009

	<u>Civil Defense</u>	<u>San Diego County Arson Reward</u>	<u>San Diego County Fire Protection</u>	<u>Total Agency Funds</u>
ASSETS				
Equity in pooled cash and investments	\$ 14,412	\$ 4,986	\$ 11,731	\$ 31,129
Interest receivable		18	43	61
	<u>14,412</u>	<u>5,004</u>	<u>11,774</u>	<u>31,190</u>
Total Assets		<u>5,004</u>	<u>11,774</u>	<u>31,190</u>
LIABILITIES				
Due to other governments	<u>14,412</u>	<u>5,004</u>	<u>11,774</u>	<u>31,190</u>
	<u>14,412</u>	<u>5,004</u>	<u>11,774</u>	<u>31,190</u>
Total Liabilities		<u>5,004</u>	<u>11,774</u>	<u>31,190</u>
NET ASSETS				
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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***

Unified Disaster Council
of the Unified San Diego County
Emergency Services Organization (ESO)
San Diego, California

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Unified San Diego County Emergency Services Organization (ESO) as of and for the fiscal year ended June 30, 2009, which collectively comprise the ESO's basic financial statements, and have issued our report thereon dated February 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ESO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Unified Disaster Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 5, 2010



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Unified Disaster Council
of the Unified San Diego County
Emergency Services Organization (ESO)
San Diego, California

Compliance

We have audited the compliance of the Unified San Diego County Emergency Services Organization (ESO) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the fiscal year ended June 30, 2009. The ESO's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal programs is the responsibility of the ESO's management. Our responsibility is to express an opinion on the ESO's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the ESO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ESO's compliance with those requirements.

In our opinion, the ESO complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of the ESO is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the ESO's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ESO's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the ESO as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated February 5, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that comprise the ESO's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Unified Disaster Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 5, 2010

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Department of Homeland Security/California			
Office of Emergency Services:			
Passed Through County of San Diego			
Emergency Management Performance Grant - FY 06	97.042	2006-8, OES#073-0000	\$ 446,897
State Homeland Security Grant - FY 06	97.073	2006-071, OES#073-00000	3,217,546
Law Enforcement Terrorism Prevention Program - FY 06	97.074	2004-045, OES#073-00000	418,259
Passed Through City of San Diego			
Urban Area Security Initiative - FY 06	97.008	2006-071	613,991
Metropolitan Medical Response System (direct award)	97.071	2005-015	<u>14,605</u>
Total Expenditures of Federal Awards			<u>\$ 4,711,298</u>

See accompanying notes to the schedule of expenditure of federal awards

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various federal grant programs have been recorded within the general fund and special revenue fund of the ESO. The ESO utilizes the modified accrual method of accounting for the general fund and special revenue fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying schedule presents the activity of all federal financial assistance programs of the ESO. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California, County of San Diego, and City of San Diego are also included in the schedule.

The schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the ESO.

Note 2 PROGRAM DESCRIPTIONS

US Department of Homeland Security

Emergency Management Performance Grant

The objective of the Emergency Management Performance Grant is to develop comprehensive emergency management, including terrorism consequence management preparedness, at the State and local levels and to improve emergency planning, preparedness, mitigation, response, and recovery capabilities.

State Homeland Security Grant

The objectives of the State Homeland Security Grant are to enhance the capacity of State and local first responders to respond to terrorism incident involving chemical, biological, nuclear, radiological, incendiary, and explosive devices.

Law Enforcement Terrorism Prevention Program (LETPP)

The objectives of the LETPP is to provide State and local law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks; target hardening to reduce vulnerability of selected high value targets; recognition and mapping of potential or developing threats; interoperable communications; and interdiction of terrorists before they can execute a threat or intervention activities that prevent terrorists from executing a threat.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

Note 2 PROGRAM DESCRIPTIONS (Continued)

US Department of Homeland Security (Continued)

Urban Area Security Initiative (UASI)

The objectives of the UASI program are to enhance local emergency, prevention, and response agencies' ability to prepare for and respond to threats or incidents of terrorism involving weapons of mass destruction (WMD). This program will also enhance selected mass transit authorities' protection of critical infrastructure and emergency preparedness activities.

Metropolitan Medical Response System (MMRS)

The purpose of the MMRS program is to provide funding to designated localities to assist in maintaining plans, delivering training, purchasing equipment and pharmaceuticals, and conducting exercises to develop and sustain the capabilities necessary to respond to a mass casualty event, whether caused by a CBRNE terrorist act, epidemic disease outbreak, natural disaster, or HAZMAT accident, during the crucial first hours of a response until significant external assistance can arrive and become operational.

FINDINGS AND RECOMMENDATIONS

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)

_____ Yes X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

97.074 _____

Law Enforcement Terrorism Prevention Program

97.073 _____

State Homeland Security Grant _____

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

 X Yes _____ No

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Section II – Findings – Financial Statement Audit

No findings noted.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

No findings noted.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

No prior year findings.