UNIFIED SAN DIEGO COUNTY
EMERGENCY SERVICES ORGANIZATION

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2013

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

Unified Disaster Council
Unified San Diego County Emergency Services Organization
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Unified San Diego County Emergency Services Organization (the "ESO"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Unified San Diego County Emergency Services Organization'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.

Auditor's Responsibility (continued)

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

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 fund information of Unified San Diego County Emergency Services Organization, as of June 30, 2013, and the respective changes in financial position thereof for the 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 required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 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.

The ESO has omitted 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. 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 appropriate operational, economic, or historical context. The auditor's opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Unified San Diego County Emergency Services Organization's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

***Other Matters** (continued)*

Supplementary Information (continued)

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the ESO's financial statements for the year ended June 30, 2012, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014 on our consideration of Unified San Diego County Emergency Services Organization'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 Unified San Diego County Emergency Services Organization's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
February 7, 2014

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF NET POSITION
JUNE 30, 2013 (with summarized financial information at June 30, 2012)

	Governmental Activities	
	2013	**2012**
ASSETS		
Equity in pooled cash and investments	$ 339,007	$ 766,992
Accounts receivable	176,889	250,962
Interest receivable	569	725
Capital assets - net of accumulated depreciation	504,128	215,267
Total Assets	1,020,593	1,233,946
LIABILITIES		
Accounts payable	224,285	838,849
Due to County of San Diego	116,826	90,059
Unearned revenue	38,505	-
Total Liabilities	379,616	928,908
NET POSITION		
Net investment in capital assets	504,128	215,267
Restricted	99,119	-
Unrestricted	37,730	89,771
Total Net Position	$ 640,977	$ 305,038

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 (with summarized financial information at June 30, 2012)

		Program Revenues	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	**Expenses**	**Operating Grants and Contributions**	**Total 2013 Governmental Activities**	**Total 2012 Governmental Activities**
Primary government:				
Public Safety	$ 9,245,455	$ 9,463,006	$ 217,551	$ (18,395)
Depreciation	98,964	-	(98,964)	(39,211)
Total governmental activities	$ 9,344,419	$ 9,463,006	118,587	(57,606)
General revenues:				
Investment income			2,496	3,791
Other			58,866	726
Total General Revenues			61,362	4,517
Change in Net Position			179,949	(53,089)
Net position, Beginning			305,038	358,127
Prior period adjustment			155,990	-
Net position, Ending			$ 640,977	$ 305,038

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
BALANCE SHEET
JUNE 30, 2013 (with summarized financial information at June 30, 2012)

	ESO Fund	Hazmat Response Program	Total Governmental Funds 2013	Total Governmental Funds 2012
ASSETS				
Equity in pooled cash and investments	$ 37,700	$ 301,307	$ 339,007	$ 766,992
Accounts receivable	-	176,889	176,889	250,962
Interest receivable	30	539	569	725
Total Assets	$ 37,730	$ 478,735	$ 516,465	$ 1,018,679
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 224,285	$ 224,285	$ 838,849
Due to County of San Diego	-	116,826	116,826	90,059
Unearned revenue	-	38,505	38,505	-
Total Liabilities	-	379,616	379,616	928,908
FUND BALANCES				
Unassigned	37,730	-	37,730	89,771
Restricted	-	99,119	99,119	-
Total Fund Balances	37,730	99,119	136,849	89,771
Total Liabilities and Fund Balances	$ 37,730	$ 478,735	$ 516,465	$ 1,018,679

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013 (with summarized financial information at June 30, 2012)

	2013	2012
Total fund balances - governmental funds	$ 136,849	$ 89,771
Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is $984,631 and the accumulated depreciation is ($480,503).	504,128	215,267
Total net position - governmental activities	$ 640,977	$ 305,038

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013 (with summarized financial information at June 30, 2012)

	ESO Fund	Hazmat Response Program Fund	Total Governmental Funds 2013	Total Governmental Funds 2012
REVENUES				
Governmental grants	$ 6,065,600	$ -	$ 6,065,600	$ 5,239,958
Civil defense City	339,080	1,620,068	1,959,148	1,867,536
Interest	136	2,360	2,496	3,791
Contributions from County of San Diego	1,438,258	-	1,438,258	1,180,379
Other	32,227	26,639	58,866	726
Total revenues	7,875,301	1,649,067	9,524,368	8,292,390
EXPENDITURES				
Current:				
Contributions to other agencies	4,047,998	-	4,047,998	3,538,296
Salaries and benefits	1,709,920	-	1,709,920	1,774,781
Services and supplies	1,965,711	1,602,125	3,567,836	2,917,368
Other	151,536	-	151,536	48,059
Total expenditures	7,875,165	1,602,125	9,477,290	8,278,504
Excess (deficiency) of revenues over (under) expenditures	136	46,942	47,078	13,886
Net change in fund balances	136	46,942	47,078	13,886
Fund balances, Beginning	37,594	52,177	89,771	75,885
Fund balances, Ending	$ 37,730	$ 99,119	$ 136,849	$ 89,771

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 (with summarized financial information at June 30, 2012)

	2013	2012
Total net change in fund balances - governmental funds	$ 47,078	$ 3,235
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	132,871	48,739
Change in net position of governmental activities	$ 179,949	$ 51,974

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

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS
JUNE 30, 2013 (with summarized financial information at June 30, 2012)

2013	Civil Defense	San Diego County Arson Reward	San Diego County Fire Protection	Total Agency Funds
ASSETS				
Equity in pooled cash and investments	$ 14,412	$ 12,068	$ 5,129	$ 31,609
Interest receivable	-	10	4	14
Total Assets	$ 14,412	$ 12,078	$ 5,133	$ 31,623
LIABILITIES				
Due to other governments	$ 14,412	$ 12,078	$ 5,133	$ 31,623
Total Liabilities	$ 14,412	$ 12,078	$ 5,133	$ 31,623

2012	Civil Defense	San Diego County Arson Reward	San Diego County Fire Protection	Total Agency Funds
ASSETS				
Equity in pooled cash and investments	$ 14,412	$ 5,110	$ 12,023	$ 31,545
Interest receivable	-	5	11	16
Total Assets	$ 14,412	$ 5,115	$ 12,034	$ 31,561
LIABILITIES				
Due to other governments	$ 14,412	$ 5,115	$ 12,034	$ 31,561
Total Liabilities	$ 14,412	$ 5,115	$ 12,034	$ 31,561

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Unified San Diego County Emergency Services Organization (the "ESO"), located in San Diego County, 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 eighteenth 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 of 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 form 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 contribution 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% based upon property valuation, and the remaining 20% based on HIRT responses to jurisdictions in the previous year.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. 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 amount the elements are essential to achieving viable accounting systems and comparable, and unambiguous financial reporting. 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 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 presentation in its CAFR.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. <u>Basis of Accounting</u>

The ESO's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

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

Government-wide Financial Statements

The ESO's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the ESO. Fiduciary activities of the ESO are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the ESO's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the ESO in two categories:

- Operating grants and contributions
- Capital grants and contributions

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. The ESO has presented all major funds that met the applicable criteria.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Governmental Fund Financial Statements (continued)

All governmental funds are accounted for on spending or "current financial resource" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of current period.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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 Position. 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 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:

ESO Fund – The ESO 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Major Funds (continued)

Specifically, the expendable available financial resources and related current liabilities devoted to financing general services that the ESO performs for its members' are included in the 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.

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's policy has set the capitalization threshold for reporting capital assets at the following:

Equipment and vehicles	$5,000

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

F. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets– This amount consists of capital assets net of accumulated depreciation.

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

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Unassigned Fund Balance

In conformity with GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which the ESO is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance classification that is relevant the ESO is the "unassigned" classification. The general fund and Hazmat fund unassigned balance represents the ESO assets that are available for subsequent appropriations or other disposition pursuant to the joint powers agreement.

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 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 generally accepted in the United States of America accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates. Management believes that the estimates are reasonable.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash and investments with County Treasury	$ 370,616	$ 798,537
Total cash and investments	$ 370,616	$ 798,537

Cash and cash equivalents are presented in the accompanying basic financial statements, as follows:

	2013	2012
Equity in pooled cash and equivalents, statement of net position	$ 339,007	$ 766,992
Equity in pooled cash and investments, statement of fiduciary net position	31,609	31,545
Total cash and investments	$ 370,616	$ 798,537

Cash in County Treasury – The ESO is a voluntary participant in an external investment pool. The fair value of the ESO's investment in the pool is reported in the financial statements at amounts based upon the ESO's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest ESO funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate 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 ESO manages it exposure to interest rate risk is by purchasing a combination of short 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 flows and liquidity needed for operations.

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk (continued)

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

2013		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
San Diego County Investment Pool	$ 370,616	$ 370,616	$ -	$ -	$ -
Total	$ 370,616	$ 370,616	$ -	$ -	$ -

2012		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
San Diego County Investment Pool	$ 798,537	$ 798,537	$ -	$ -	$ -
Total	$ 798,537	$ 798,537	$ -	$ -	$ -

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of 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 and Code and the ESO's investment policy, and the actual rating as of fiscal year end for each investment type. 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 total Organization investments.

2013				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
San Diego County Investment Pool	$ 370,616	N/A	$ -	$ 370,616	$ -	$ -	$ -
Total	$ 370,616		$ -	$ 370,616	$ -	$ -	$ -

2012				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
San Diego County Investment Pool	$ 798,537	N/A	$ -	$ 798,537	$ -	$ -	$ -
Total	$ 798,537		$ -	$ 798,537	$ -	$ -	$ -

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

The custodial credit risk for investments is 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 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 investments pools (such as the San Diego County Investment Pool).

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, consists of the following:

	Beginning Balance July 1, 2012	Prior Period Adjustment	Restated Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013
Equipment	$ 508,293	$ 265,701	$ 773,994	$ 231,835	$ 21,198	$ 984,631
Total at historical cost	508,293	265,701	773,994	231,835	21,198	984,631
Less accumulated depreciation:						
Equipment	293,026	109,711	402,737	98,964	21,198	480,503
Total accumulated depreciation	293,026	109,711	402,737	98,964	21,198	480,503
Total capital assets, net	$ 215,267	$ 155,990	$ 371,257	$ 132,871	$ -	$ 504,128

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 – PRIOR PERIOD ADJUSTMENT

There was a restatement of net position during the year ended June 30, 2013. The total restatement to net position of $155,990 is the net adjustment of capital assets that were acquired in prior years but not included on the ESO's financial statements. This amount represents the costs of capital assets offset by the accumulated depreciation that has been accumulated since the acquisition date.

REQUIRED SUPPLEMENTARY INFORMATION

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
BUDGETARY COMPARISON SCHEDULE – ESO FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amount	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
REVENUES			
Governmental grants	$ 9,325,694	$ 6,065,600	$ (3,260,094)
Civil defense City	339,083	339,080	(3)
Interest	-	136	136
Contributions from County of San Diego	1,528,682	1,438,258	(90,424)
Other	-	32,227	32,227
Total Revenues	11,193,459	7,875,301	(3,318,158)
EXPENDITURES			
Current:			
Contributions to other agencies	6,254,786	4,047,998	2,206,788
Salaries and benefits	2,166,274	1,709,920	456,354
Services and supplies	2,611,698	1,965,711	645,987
Other	160,701	151,536	9,165
Total expenditures	11,193,459	7,875,165	3,318,294
Excess (deficiency) of revenues over (under) expenditures	-	136	136
Fund balances, July 1, 2012	37,594	37,594	-
Fund balances, June 30, 2013	$ 37,594	$ 37,730	$ 136

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
BUDGETARY COMPARISON SCHEDULE – HAZMAT RESPONSE PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
REVENUES			
Civil defense City	$ 1,583,786	$ 1,620,068	$ 36,282
Interest	5,000	2,360	(2,640)
Other	5,000	26,639	21,639
Total Revenues	1,593,786	1,649,067	55,281
EXPENDITURES			
Current:			
Services and supplies	1,593,786	1,602,125	8,339
Total expenditures	1,593,786	1,602,125	8,339
Excess (deficiency) of revenues over (under) expenditures	-	46,942	-
Fund balances, July 1, 2012	52,177	52,177	-
Fund balances, June 30, 2013	$ 52,177	$ 99,119	$ 46,942

SUPPLEMENTARY INFORMATION SECTION

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2012-13 Federal Expenditures
Federal Programs:			
U.S. Department of Homeland Security/California Office of Emergency Services:			
Passed Through County of San Diego			
Emergency Management Performance Grant - FY 11	97.042	#2011-0048, OES#073-00000	$ 401,894
Emergency Management Performance Grant - FY 12	97.042	#2012-0027, OES#073-00000	524,077
State Homeland Security Program Grant - FY 09	97.067	#2009-0019, OES#073-00000	(5,237)
State Homeland Security Program Grant - FY 10	97.067	#2010-0085, OES#073-00000	2,352,545
State Homeland Security Program Grant - FY 11	97.067	#2011-0077, OES#073-00000	1,820,918
State Homeland Security Program Grant - FY 12	97.067	#2012-00123, OES#073-00000	261,463
California Volunteer Disaster Corp Grant	97.067	#2009-0019, OES#073-00000	(722)
Buffer Zone Protection Program - FY 08	97.078	#2008-0008, OES#073-00000	39,653
Buffer Zone Protection Program - FY 09	97.078	#2009-BF-T9-0026, OES#073-00000	63,919
Buffer Zone Protection Program - FY 10	97.078	#2010-0020, OES#073-00000	383,696
Passed Through City of San Diego			
Urban Area Security Initiative - FY 11	97.067	2011-0077, OES#073-00000	1,487
Total Expenditures of Federal Awards			$ 5,843,693

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. 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 is 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 operation 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 Program 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.

Urban Areas 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.

NOTE 2 – PROGRAM DESCRIPTIONS (continued)

US Department of Homeland Security (continued)

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.

Buffer Zone Protection Plan (BZPP)
The objective of the BZPP program is to provide funds to increase the preparedness capabilities of jurisdictions responsible for the safety and security of communities surrounding high-priority Critical Infrastructure and Key Resource (CIKR) assets through planning and equipment acquisition.

OTHER INDEPENDENT AUDITORS' REPORTS

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Michael Ash, CPA

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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*

Independent Auditors' Report

Unified Disaster Council
Unified San Diego County Emergency Services Organization
San Diego, 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 fund information of Unified San Diego County Emergency Services Organization, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Unified San Diego County Emergency Services Organization's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Unified San Diego County Emergency Services Organization'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 Unified San Diego County Emergency Services Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Unified San Diego County Emergency Services Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified San Diego County Emergency Services Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Christy White Associates

San Diego, California
February 7, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Unified Disaster Council
Unified San Diego County Emergency Services Organization
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited Unified San Diego County Emergency Services Organization's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Unified San Diego County Emergency Services Organization's major federal programs for the year ended June 30, 2013. Unified San Diego County Emergency Services Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Unified San Diego County Emergency Services Organization's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments*. 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 Unified San Diego County Emergency Services Organization'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 each major federal program. However, our audit does not provide a legal determination of Unified San Diego County Emergency Services Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Unified San Diego County Emergency Services Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Unified San Diego County Emergency Services Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Unified San Diego County Emergency Services Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Unified San Diego County Emergency Services Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
February 7, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.067	State Homeland Security Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.*

There were no audit findings related to the financial statements during 2012-13.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs).

There were no Federal award findings or questioned costs in 2012-13.

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

There were no findings or questioned costs in 2011-12.