

**UNIFIED SAN DIEGO COUNTY  
EMERGENCY SERVICES ORGANIZATION**

**ANNUAL FINANCIAL REPORT**

**June 30, 2017**

UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
JUNE 30, 2017

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## **Independent Auditor's Report**

To the 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 and each major fund of the Unified San Diego County Emergency Services Organization (the ESO), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the ESO'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ESO as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in conformity 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 Budgetary Comparison Schedules of the ESO Fund and Hazmat Response Program Fund on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018, on our consideration of the ESO'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESO's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
April 19, 2018

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**

**Statement of Net Position**

**June 30, 2017**

**ASSETS**

Equity in pooled cash and investments	\$ 692,717
Accounts receivable, net of allowance	255,289
Interest receivable	2,541
Capital assets: being depreciated	
Equipment	871,458
Accumulated depreciation	<u>(871,458)</u>
 Total Assets	 <u>950,547</u>

**LIABILITIES**

Accounts payable	238,221
Due to County of San Diego	550,383
Unearned revenue	<u>38,505</u>
 Total Liabilities	 <u>827,109</u>

**NET POSITION**

Restricted for:	
Hazmat response program	83,041
Unrestricted	<u>40,397</u>
 Total Net Position	 <u><u>\$ 123,438</u></u>

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

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2017**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating	Capital	
		Charges for	Contributions	Contributions	Governmental
		Services	and Grants	and Grants	Activities
	Expenses				
Governmental Activities:					
Public safety	\$ 2,119,838	\$ -	\$ 2,127,294	\$ -	\$ 7,456
Total Governmental Activities	<u>\$ 2,119,838</u>	<u>\$ -</u>	<u>\$ 2,127,294</u>	<u>\$ -</u>	<u>7,456</u>
		General Revenues:			
		Investment earnings			7,929
		Miscellaneous			<u>25,292</u>
		Total General Revenues			<u>33,221</u>
		Change in Net Position			40,677
		Net Position, July 1, 2016			<u>82,761</u>
		Net Position, June 30, 2017			<u>\$ 123,438</u>

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

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**

**Balance Sheet  
Governmental Funds  
June 30, 2017**

	<b>ESO Fund</b>	<b>Hazmat Response Program Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 140,731	\$ 551,986	\$ 692,717
Receivables:			
Accounts	206,318	48,971	255,289
Interest	419	2,122	2,541
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 347,468	\$ 603,079	\$ 950,547
	<hr/>	<hr/>	<hr/>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 238,221	\$ 238,221
Due to County of San Diego	307,071	243,312	550,383
Unearned revenue		38,505	38,505
	<hr/>	<hr/>	<hr/>
Total Liabilities	307,071	520,038	827,109
	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>			
Restricted		83,041	83,041
Unassigned	40,397		40,397
	<hr/>	<hr/>	<hr/>
Total Fund Balances	40,397	83,041	123,438
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 347,468	\$ 603,079	\$ 950,547
	<hr/>	<hr/>	<hr/>

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

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

Fund Balances - Governmental Funds	\$ 123,438
------------------------------------	------------

Amounts reported for Governmental Activities in the Statement of Net Position is different from those reported in the governmental funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.

Capital assets	\$ 871,458	
Less: accumulated depreciation	<u>(871,458)</u>	

Net Position of Governmental Activities	<u>\$ 123,438</u>
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The accompanying notes are an integral part of these basic financial statements.



**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<b>ESO Fund</b>	<b>Hazmat Response Program Fund</b>	<b>Totals</b>
<b>Revenues</b>			
Member assessments	\$ 307,071	\$ 1,820,223	\$ 2,127,294
Use of money and property	1,013	6,916	7,929
Other		25,292	25,292
	<hr/>	<hr/>	<hr/>
Total Revenues	308,084	1,852,431	2,160,515
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current:			
Services and supplies	307,071	1,812,767	2,119,838
	<hr/>	<hr/>	<hr/>
Total Expenditures	307,071	1,812,767	2,119,838
	<hr/>	<hr/>	<hr/>
Net Changes in Fund Balances	1,013	39,664	40,677
Fund Balances, July 1, 2016	39,384	43,377	82,761
	<hr/>	<hr/>	<hr/>
Fund Balances, June 30, 2017	<u>\$ 40,397</u>	<u>\$ 83,041</u>	<u>\$ 123,438</u>

The accompanying notes are an integral part of these 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, 2017**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances	<u>\$ 40,677</u>
Change in net position of governmental activities	<u><u>\$ 40,677</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

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 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 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.

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 expenses, and receive and disburse the funds of the ESO. Pursuant to that authority, the ESO's transactions are also included in the County's Comprehensive Annual Financial Report (CAFR).

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**A. Organization (Continued)**

The accompanying financial statements reflect the financial activities of the ESO. The ESO has no component units.

**B. Significant Accounting Policies**

The ESO's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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, net position, revenues, and expenditures/expenses. 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.

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 fund type using the modified accrual basis of accounting. Two trust 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 and the HIRT Fund – No. 49211.

The funds 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.

**Basis of Accounting and Measurement Focus**

**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.

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.

Program revenues of the ESO are reported as Operating Grants and Contributions on the Statement of Activities.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

Basis of Accounting and Measurement Focus (Continued)

**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 governmental funds. 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.

These financial statements are presented on a “current financial resource” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included in the accompanying 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 period in which they become both measurable and available to finance expenditures of the 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.

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 of all fund types (excluding fiduciary).

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 government entity. Specifically, the expendable available financial resources and related 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. The amounts presented in this fund are directly reconcilable to the accounts maintained by the County.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

Major Funds (Continued)

**Hazmat Response Program Special Revenue Fund** – This fund is used to account for revenues restricted to and expense incurred for the HIRT Program administered by the ESO. The amounts presented in this fund are directly reconcilable to the accounts maintained by the County.

Net Position

The ESO's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

**C. Revenue Recognition**

The ESO's major source of revenue is contributions from the member agencies.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**D. Capital Assets**

Capital assets, which include vehicles and equipment, are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The ESO's policy has set the capitalization threshold at \$5,000. For all capital assets, depreciation is recorded on a straight-line basis over the useful lives of the assets, which range from 5 to 20 years.

**E. Estimates**

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

**F. Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

**G. 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.

**H. Fund Balances**

In conformity with GASB Statement 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 to the Hazmat Response Program Fund is the restricted classification. The restricted fund balance represents the Hazmat Response Program's assets that are restricted for the Hazmat Response Program. The fund balance classification that is relevant to the ESO Fund is the unassigned classification. The unassigned fund 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 FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**I. Future Accounting Pronouncements**

The following GASB Statements will be implemented in future financial statements:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

**NOTE 2 RELATED PARTY TRANSACTIONS**

The County of San Diego maintains the books and records of the ESO, including the investment with the County Treasurer.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER**

In accordance with the Joint Powers Authority agreement and Government Code, cash balances of the ESO are deposited with and pooled and invested by the San Diego County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period.

Cash and cash equivalents are classified in the financial statements as shown below:

Equity in pooled cash and investments, Statement of Net Position \$ 692,717

Cash and cash equivalents as of June 30, 2017 consist of the following:

County of San Diego Investment Pool \$ 692,717

See the County of San Diego's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related interest rate risk, credit risk, custodial risk, and concentration risk.

**Investments Authorized by the California Government Code and the ESO's Investment Policy**

The table below identifies the investment types that are authorized for the ESO by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million
Negotiable Certificates of Deposit	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
U.S. Government Securities	5 years	None	None
County Pooled Investment Funds	N/A	None	None
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
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
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%
Mortgage Pass-Through Securities	5 years	20%	None
Joint Powers Authority Pools	N/A	None	None

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

**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 is to changes in market interest rates.

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	Totals	Remaining maturity (in Months)					
		12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
County of San Diego	\$ 692,717	\$ 692,717	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 692,717</u>	<u>\$ 692,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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 (where applicable) the California Government Code, the ESO's investment policy, debt agreements, 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 of the total investments.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
County of San Diego	\$ 692,717	N/A	\$ -	\$ -	\$ -	\$ -	\$ 692,717
Total	<u>\$ 692,717</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,717</u>

The ESO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are a significant other observable inputs; Level 3 inputs are significant unobservable inputs. The ESO had cash in the San Diego County Investment pooled cash, however, the external pool is exempt from being measured under Level 1, 2, or 3.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

**Custodial Credit Risk**

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

As of June 30, 2017, there were no ESO deposits with financial institutions in excess of federal depository insurance limits.

As of June 30, 2017, 100% of the ESO's cash and investments were on deposit in the County of San Diego Investment Pool.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, being depreciated:				
Equipment	\$ 871,458	\$ -	\$ -	\$ 871,458
Total capital assets, being depreciated	871,458			871,458
Less accumulated depreciation	(871,458)			(871,458)
Total capital assets, being depreciated, net	\$ -	\$ -	\$ -	\$ -

**NOTE 5 FUND BALANCE AND NET POSITION**

**Fund Balances**

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 classifications are as follows:

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 5 FUND BALANCE AND NET POSITION (Continued)**

**Fund Balances (Continued)**

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESO for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - Unassigned fund balance is the residual classification for the ESO Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Net Position**

Net position at June 30, 2017 consisted of the following:

Restricted for hazmat response program	\$ 83,041
Unrestricted net position	<u>40,397</u>
Total Net Position	<u><u>\$ 123,438</u></u>

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 6    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. The unearned revenue is revenue from AT&T that has not been earned as of June 30, 2017.

**NOTE 7    CONTINGENT LIABILITIES**

The ESO has represented there is no pending or threatened litigation.

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**

**Budgetary Comparison Schedule**

**ESO Fund**

**For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues				
Member assessments	\$ 307,071	\$ 307,071	\$ 307,071	\$ -
Use of money and property			1,013	1,013
Total Revenues	307,071	307,071	308,084	1,013
Expenditures				
Current:				
Services and supplies	307,071	307,071	307,071	
Total Expenditures	307,071	307,071	307,071	
Net Change in Fund Balance			1,013	1,013
Fund Balance (Deficit), July 1, 2016	39,384	39,384	39,384	
Fund Balance (Deficit), June 30, 2017	\$ 39,384	\$ 39,384	\$ 40,397	\$ 1,013

**UNIFIED SAN DIEGO COUNTY EMERGENCY SERVICES ORGANIZATION**  
**Budgetary Comparison Schedule**  
**Hazmat Response Program Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues				
Member assessments	\$ 1,818,332	\$ 1,818,332	\$ 1,820,223	\$ 1,891
Use of money and property			6,916	6,916
Other			25,292	25,292
Total Revenues	<u>1,818,332</u>	<u>1,818,332</u>	<u>1,852,431</u>	<u>34,099</u>
Expenditures				
Current:				
Services and supplies	<u>1,818,332</u>	<u>1,818,332</u>	<u>1,812,767</u>	<u>5,565</u>
Total Expenditures	<u>1,818,332</u>	<u>1,818,332</u>	<u>1,812,767</u>	<u>5,565</u>
Net Change in Fund Balance			39,664	39,664
Fund Balance, July 1, 2016	<u>43,377</u>	<u>43,377</u>	<u>43,377</u>	
Fund Balance, June 30, 2017	<u><u>\$ 43,377</u></u>	<u><u>\$ 43,377</u></u>	<u><u>\$ 83,041</u></u>	<u><u>\$ 39,664</u></u>