

AVRA VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2014

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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2014**

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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2014**

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SAUNDERS COMPANY, LTD

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TRICIA E. SAUNDERS, PI.

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CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Avra Valley Fire District
Marana, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avra Valley Fire District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows 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 management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Legal and Regulatory Requirements

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Saunders Company, Ltd.

Glendale, Arizona
January 6, 2015

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Avra Valley Fire District

Management's Discussion and Analysis of Basic Financial Statements

June 30, 2014

The following discussion and analysis of the Avra Valley Fire District (the District's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Avra Valley Fire District (AVFD) was established in 1977 to provide dedicated and caring professionals who safely serve the community of Avra Valley, Arizona, by protecting life and property through education, prevention, fire suppression and emergency medical services.

Avra Valley Fire District encompasses an area of approximately 325 square miles and provides ambulance coverage for 365 square miles. The District straddles two counties, with 65.46% of the District within Pima County, and 33.74% in Pinal County. The District serves an estimated population of approximately 11,500 residents.

The District provides a wide range of dedicated services to its residential and commercial property owners, as well as services to locations and persons outside the District through automatic and mutual aid agreements. In addition to fire protection, paramedic equipped units located in the District assist with advanced life support on medical calls and transportation services to hospitals.

Avra Valley cooperates with the Arizona Forestry Service to provide fire suppression services to the State through a Cooperative Agreement. Fire prevention and injury prevention education services are provided to persons residing within the District boundaries.

The District has 35 full-time employees of which 22 are EMT's, 9 are State certified paramedics, and 4 are administrative personnel. The District currently has a reserve pool of 3 employees, 2 paramedics and 1 FF/EMT. As will be discussed herein, most of our reserve staff were promoted to fulltime status within the fiscal year. Therefore, we will be replenishing the reserve pool in the near future.

The District operates under the supervision of a five-member Board of Directors. The members of the Board are elected at large from within the District's boundaries for four

year terms and the chairperson position is elected by the Board members every year for a 1-year term. The present members of the Board are:

Luis J.G. Castaneda	Chairman
Aleyna Lassen	Vice-Chairwomen
Sara Bauer	Clerk
Brian Horch	Member
Eric Neilson	Member

The District is administered on a day-to-day basis by a Fire Chief. The current Fire Chief is Brian Delfs.

Results of Operations

Calls

The District responded to 1,680 requests for service in FY 2013-14: 76 fire, 1,332 rescue/EMS, 18 hazmat and 254 non-emergency calls. Service is currently provided from three fire stations, with a fourth station opening in the Red Rock area by the end of 2014. For fiscal 2013-14, the District's resources arrived on the scene of all incidents within 14 minutes 85% of the time. ALS resources continue to exceed the timeframes outlined in the District's Certificate of Necessity (CON) with the State of Arizona. Water tenders were placed in service at all three current stations.

Personnel

During the fiscal year, the District promoted several reserve firefighters to full-time positions. Twenty-four of our suppression personnel attended and completed Fire Science classes delivered in-house through a partnership with Pima Community College. Both the Fire Chief and the Assistant Chief completed another step in their Executive Fire Officer training through the National Fire Academy. Our District saw increased attendance at the State Fire School and one of our firefighters served as an instructor at school. Refresher training was designed and implemented for Technical Rescue personnel. We continue to actively participate in Wildland suppression, sending crews to 11 incidents during the fiscal year.

Administration

The District's administrative team collaborated to produce both a Strategic Plan and a Disaster Recovery/Business Continuity Plan, complete with instructions for an Emergency Command Center (ECC). Our strategic plan was written to encompass the goals of all divisions, including administration, finance, operations & training, logistics, fleet services and community relations. Many of these goals have already been attained and are outlined herein. The ECC was successfully activated recently when our District was threatened by severe weather conditions. Procedures manuals have been written for both the administrative division and the finance division, including adopting a set of Internal Controls.

Fleet

The District successfully completed refurbishment of Engine 217 which will be placed in service when Station 194 opens in Red Rock. The process was quite unique, allowing our District to serve as a role model to the Fire Community. Specifications were developed for new EMS vehicles, bids were obtained, and 2 new ambulances were purchased during the fiscal year.

Logistics

The District identified a timeline for construction of Station 194 in Red Rock. Designs were drawn for new buildings at Stations 192 and 193, as well as plans for a remodel of Station 191. These projects are being funded through the recent bond issue.

A radio tower was erected at Station 193, providing increased radio communication throughout the District, as well as wifi coverage to residents in the Northeast part of the District. Work has begun to enhance the radio antennae performance.

Community Relations

The District provided for several families through the annual holiday *Adopt-a-Family* program. Several community CPR classes were offered during the fiscal year. The firefighters conducted several training events at local elementary schools. The District website has been revamped and is now successfully utilized to publicize important benchmarks for our Avra family, such as employee promotions, retirements, new apparatus, and a pictorial streaming of the building process.

Financial Highlights

- λ District investment in capital assets increased by \$467,373 or 11.04.
- λ The District's net position decreased \$254,509 or 15.41% from the previous fiscal year.
- λ Total revenues increased \$2,796,140 or 75.68% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was \$358,608.

Overview of the Financial Statements

This *Discussion and Analysis* is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

Government - Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Net Position June 30, 2014

	Balance <u>June 30, 2013</u>	Balance <u>June 30, 2014</u>
Invested in Capital Assets, net of related debt	\$ 1,253,622	\$ (1,414,798)
Reserved – Debt Service	124,774	2,452,211
Unrestricted	<u>272,134</u>	<u>358,608</u>
Total Net Position	<u>\$ 1,650,530</u>	<u>\$ 1,396,021</u>

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the County.

The District is grateful to the *100 Club of Arizona* who provided grant funds for three sets of personal protective gear and one thermal imaging camera. We also received grant funds from the *Arizona Emergency Response Commission(AzSERC)* for hazmat equipment.

General Fund Budgetary Highlights

Ambulance revenue was lower than anticipated this fiscal year. However, through coordinated efforts of all personnel, the District was able to streamline expenditures and ended the fiscal year on target. In addition to the grant revenues/expenditures previously discussed, general fund revenues were generated from the following sources:

25 % Ambulance Revenue
60 % Property Tax Revenue
15 % Other

General Fund expenditures can be broken into two main categories, 85% (ERE) Employee Related Expenditures, and 15% Operating Expenditures.

Capital Asset and Debt Administration

Capital Assets

To continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. For fiscal year ended June 30, 2014 the District purchased, had contributed, or constructed the following assets:

- λ Hazmat equipment purchased through AzSERC grant
- λ Protective gear and thermal imaging camera purchased through 100 Club grant
- λ 2 new Ambulances were purchased with the use of Bond Funds
- λ Engine 217 was completely refurbished with the use of Bond Funds
- λ Bond Funds were committed to the construction of Station 194 in Red Rock, the Station going live by the end of 2014
- λ Bond Funds were committed to the remodel of Stations 191, 192 and 193

Capital Assets, Net of Depreciation June 30, 2014

	BALANCE <u>06/30/2013</u>	BALANCE <u>06/30/2014</u>
<u>Depreciable Assets</u>		
Vehicles	\$2,522,595	\$ 2,948,301
Buildings	788,571	788,571
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>737,367</u>	<u>769,034</u>
Total Historical Costs	<u>4,123,169</u>	<u>4,580,542</u>
Less Accum Depreciation		
Vehicles	1,251,013	1,433,360
Buildings	287,416	310,608
Equipment, Admin	50,146	56,332
Equipment, Fire	<u>632,582</u>	<u>677,552</u>
Less: Total Accumulated Depreciation	<u>2,221,157</u>	<u>2,477,852</u>
Depreciable Capital Assets, Net	1,902,012	2,102,690
<u>Non-Depreciable Assets</u>		
Construction in Progress	0	10,000
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,010,120</u>	<u>\$ 2,220,798</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$3,721,771. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	<u>BALANCE</u> <u>06/30/2013</u>	<u>BALANCE</u> <u>06/30/2014</u>
Bonds Payable 03	\$ 231,000	\$ 248,000
Bonds Payable 13	0	2,935,000
2 Fire Engines	501,767	452,597
Ambulance	<u>23,760</u>	<u>0</u>
Total Lease/Purchases and Bonds	756,527	3,635,597
Compensated Absences	<u>77,089</u>	<u>86,174</u>
Totals	<u>\$ 833,616</u>	<u>\$3,721,771</u>

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues which vary with economic conditions. The District is currently involved in the following activities which we anticipate will better prepare the District to serve its' residents in the future:

- λ The District is in the process of implementing a Community ParaMedicine program, which should come online by the end of 2014.
- λ Because many of our Reserve staff were promoted to fulltime status during the fiscal year, the District is planning to hire additional reserves by the end of 2014.
- λ The District will be promoting Captains in the Fall of 2014.
- λ As previously discussed, the District is constructing a fourth Fire Station in the Red Rock area. We anticipate Station 194 to go live by the end of 2014.
- λ Plans have been drawn and funds committed to reconstructing both Stations 192 and 193, as well as remodeling Station 191.
- λ The District plans to invest in two new Command vehicles, and pass the two existing command vehicles to the Captains.

Contacting the District

This financial report is designed to provide an overview of the District for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to:

Avra Valley Fire District
15790 W Silverbell Road
Marana, AZ 85653
(520) 682-3255

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BASIC FINANCIAL STATEMENTS

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit A

**Governmental
Activities**

ASSETS

Cash & Cash Equivalents (Note 3)	\$	2,659,523
Receivables:		
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 5)		208,892
Wildland (Note 5)		13,573
Property Taxes (Note 6)		157,646
Prepaid Interest		127,367
Prepaid Principal		45,000
Total Capital Assets, Net (Note 7)		<u>2,220,798</u>
 Total Assets		 <u>5,432,799</u>

LIABILITIES

Accounts Payable		52,828
Payroll Taxes Payable		22,186
Wages Payable		60,805
Compensated Absences (Note 9)		
Portion due within one year		21,543
Portion due after one year		86,174
Bond Payable (Note 11)		
Portion due within one year		45,000
Portion due after one year		3,138,000
Lease/Purchases Payable (Note 11)		
Portion due within one year		50,699
Portion due after one year		<u>401,897</u>
 Total Liabilities		 <u>3,879,132</u>

DEFERRED INFLOW OF RESOURCES

Unavailable Property Tax Revenue		<u>157,646</u>
 Total Deferred Inflow of Resources		 <u>157,646</u>

NET POSITION

Invested in Capital Assets, Net of related Debt		(1,414,798)
Restricted (Note 12)		2,452,211
Unrestricted (Note 12)		<u>358,608</u>
 Total Net Position	\$	 <u><u>1,396,021</u></u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit B

**Governmental
Activities**

EXPENSES

Public Safety - Fire/EMS Protection		
Personnel Services	\$	2,613,858
Materials & Services		919,375
Depreciation		276,788
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Total Program Expenses		3,810,021
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PROGRAM REVENUES

Operating and Capital Grants		27,584
Charges for Service		1,012,657
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Total Program Revenues		1,040,241
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Net Program Expense		2,769,780
		<hr style="width: 100%;"/>

GENERAL REVENUES

Property Taxes		1,816,746
Fire District Assistance		309,587
Investment Earnings		119,839
Miscellaneous		269,129
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Total General Revenues		2,515,301
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Decrease in Net Position		(254,479)
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NET POSITION-BEGINNING OF THE YEAR		1,650,500
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NET POSITION-END OF THE YEAR		\$ 1,396,021
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

Exhibit C

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents (Note 3)	\$ 379,679	\$ 81,877	\$ 2,197,967	\$ 2,659,523
Receivables:				
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 5)	208,892	-	-	208,892
Property Taxes (Note 6)	157,646	-	-	157,646
Wildland (Note 5)	13,573	-	-	13,573
Prepaid Interest	-	127,367		127,367
Prepaid Principal	-	45,000		45,000
Total Assets	\$ 759,790	\$ 254,244	\$ 2,197,967	\$ 3,212,001
LIABILITIES				
Accounts Payable	\$ 52,828	\$ -	\$ -	\$ 52,828
Payroll Taxes Payable	22,186	-	-	22,186
Wages Payable	60,805	-	-	60,805
Compensated Absences (Note 9)	21,543	-	-	21,543
Total Liabilities	157,362	-	-	157,362
DEFERRED INFLOW OF RESOURCES				
Unavailable Property Tax Revenue	157,646	-	-	157,646
Total Deferred Inflow of Resources	157,646	-	-	157,646
FUND BALANCES				
Nonspendable (Note 12)	-	172,367	-	172,367
Restricted (Note 12)	-	81,877	2,197,967	2,279,844
Assigned (Note 12)	10,835	-	-	10,835
Unassigned (Note 12)	433,947	-	-	433,947
Total Fund Balances	444,782	254,244	2,197,967	2,896,993
Total Liabilities & Fund Balances	\$ 759,790	\$ 254,244	\$ 2,197,967	\$ 3,212,001

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2014**

Exhibit D

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE				
Property Taxes	\$ 1,551,290	\$ 265,456	\$ -	\$ 1,816,746
Fire District Assistance Tax	309,587	-	-	309,587
Fees for Service	1,012,657	-	-	1,012,657
Bond Proceeds	-	-	2,935,000	2,935,000
Interest	451	613	9,714	10,778
Grants	27,584	-	-	27,584
Miscellaneous	269,129	-	109,060	378,189
	<u>3,170,698</u>	<u>266,069</u>	<u>3,053,774</u>	<u>6,490,541</u>
EXPENDITURES				
Current:				
Public Safety	3,091,679	-	-	3,091,679
Administration	13,406	300	210,981	224,687
Grants	-	-	-	-
Debt Service				
Principal	-	43,000	72,931	115,931
Interest	-	94,623	16,671	111,294
Capital Outlay	51,137	-	472,817	523,954
	<u>3,156,222</u>	<u>137,923</u>	<u>773,400</u>	<u>4,067,545</u>
Excess (Deficiency) of Revenues over Expenditures	<u>14,476</u>	<u>128,146</u>	<u>2,280,374</u>	<u>2,422,996</u>
Net Change in Fund Balances	14,476	128,146	2,280,374	2,422,996
Transfers	<u>81,083</u>	<u>1,324</u>	<u>(82,407)</u>	<u>-</u>
Net Change in Fund Balances	95,559	129,470	2,197,967	2,422,996
Fund Balances-Beginning of Year	<u>349,223</u>	<u>124,774</u>	<u>-</u>	<u>473,997</u>
Fund Balances-End of Year	<u>\$ 444,782</u>	<u>\$ 254,244</u>	<u>\$ 2,197,967</u>	<u>\$ 2,896,993</u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit E

**Reconciliation of Governmental Fund Balance to Net Position
(Exhibit A) of governmental activities:**

Fund Balances - Total Governmental Funds (Exhibit C) \$ 2,896,993

Amounts reported for governmental activities in the statement
of net position are different because:

Capital Assets used in governmental activities are
not financial resources and, therefore are not
reported in the other funds.

Governmental Capital Assets	4,698,650	
Less: Accumulated Depreciation	<u>(2,477,852)</u>	
		2,220,798

Long-term liabilities, including bonds payable are
not due and payable in the current period and therefore
are not reported in the funds. (3,721,770)

Net Position of Governmental Activities (Exhibit A) \$ 1,396,021

**AVRA VALLEY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2014**

Exhibit F

**Reconciliation of the change in fund balance-total governmental funds
to the change in net position of governmental activities:**

Net Change in Fund Balances -	
Total Governmental Funds (Exhibit D)	\$ 2,422,996

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	210,678
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The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(2,888,153)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	<u><u>\$ (254,479)</u></u>
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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

INTRODUCTION

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

BASIC FINANCIAL STATEMENTS

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

GOVERNMENT -WIDE STATEMENTS

The government -wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business -type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to users of the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within the accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the construction of capital projects other than those which are voter approved by a bond issue, therefore, capital projects funded by District operating revenues or Lease/Purchase arrangements.

The *Debt Service Fund* is used to account for the proceeds of tax revenues received from a voter approved bond issue for capital improvements to the District. The fund is administered and held by the County Treasurer. The proceeds of the fund may only be used to repay the bond issue.

Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/ Fund Equity

Net Position on Government Wide Financial Statements – Exhibit A

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net position and is classified in the following categories:

- λ Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital Assets balances.
- λ Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Fund Balances on Government Fund Financial Statements – Exhibit C

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- λ Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- λ Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- λ Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- λ Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.2(a)

Pursuant to ARS 48.805.2(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1st of each year.

Budgets are adopted by the District on basis consistent with Arizona Revised Statutes.

Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer which is in turn invested in the Local Government Investment Pool (LGIP) operated by the Arizona State Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the State Treasurer's Office.

The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2014:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 250,000	\$	\$	\$ 250,000
Collateralized	111,232			111,232
Uninsured	<u>32,229</u>	<u>81,877</u>	<u>2,197,967</u>	<u>2,312,073</u>
Total Deposits	393,461	81,877	2,197,967	2,673,305
In Transit Items	<u>(13,782)</u>	<u>0</u>	<u>0</u>	<u>(13,782)</u>
Total Cash & Cash Equivalents	<u>\$ 379,679</u>	<u>\$ 81,877</u>	<u>\$2,197,967</u>	<u>\$ 2,659,523</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$ 2,312,073

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The District normally invests only in FDIC insured bank accounts, accounts collateralized above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, which is reinvested in the Arizona State Treasurer Local Government Investment Pool (LGIP), and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate risk factors and information are not available for the mutual fund investments of the District.

The weighted average maturity of the LGIP-GOV pool at June 30, 2014:

For Pool 5	34 Days
For Pool 7	53 Days
For Pool 500	1.82 Years
For Pool 700	2.02 Years

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities. The District also conducts regular drivers license checks on all employees authorized to operate District vehicles.

Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

NOTE 4 - INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

NOTE 5 - RECEIVABLES

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Ambulance receivables were \$222,689 with an allowance for bad debt of \$13,797 at June 30, 2014. This gave a net of \$208,892, before write off allowances and contractual adjustments, which was expected to be collectable.

Wildland receivables were \$13,573 with an allowance for bad debt of \$0.00 at June 30, 2014. This gave a net of \$13,573 which was expected to be collectable.

NOTE 6 - PROPERTY TAX REVENUE RECEIVABLE

Property Tax Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arise.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2014</u>
<u>Depreciable Assets</u>				
Vehicles	\$2,522,595	\$ 453,106	\$ 27,400	\$ 2,948,301
Buildings	788,571	0	0	788,571
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>737,367</u>	<u>31,667</u>	<u>0</u>	<u>769,034</u>
Total Historical Costs	<u>4,123,169</u>	<u>484,773</u>	<u>27,400</u>	<u>4,580,542</u>
Less Accum Depreciation				
Vehicles	1,251,013	202,440	20,093	1,433,360
Buildings	287,416	23,192	0	310,608
Equipment, Admin	50,146	6,186	0	56,332
Equipment, Fire	<u>632,582</u>	<u>44,970</u>	<u>0</u>	<u>677,552</u>
Less: Total Accumulated Depreciation	<u>2,221,157</u>	<u>276,788</u>	<u>20,093</u>	<u>2,477,852</u>
Depreciable Capital Assets, Net	1,902,012	207,985	0	2,102,690
<u>Non-Depreciable Assets</u>				
Construction in Progress	0	10,000	0	10,000
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,010,120</u>	<u>\$ 217,985</u>	<u>\$ 20,093</u>	<u>\$ 2,220,798</u>

NOTE 8 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 9 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District's accrued PTO on June 30, 2014 was \$107,717. The District has elected to set aside funds in a designated account to cover the accrued liability.

NOTE 10 – LONG-TERM INDEBTEDNESS

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

General Obligation Bonds

Bond Issue 2003: On August 11th 2003 the District issued voter approved bonds in the amount of \$600,000 for the financing of two fire engines, an ambulance and various related equipment. The bonds were for 15 years at an interest rate of 4.25% with semi-annual interest payments due on July 1st and January 1st each year and annual principal payments due each July 1st. The amounts of the principal and interest payments vary over the life of the bonds. The final payment is scheduled on July 1, 2018.

Bond Issue 2013: On August 1st 2013 the District issued voter approved bonds in the amount of \$2,935,000 for the financing of two ambulances, various related equipment and the construction and remodel of fire stations. The bonds were for 18 years at an interest rate of 4.25% with semi-annual interest payments due on July 1st and January 1st each year and annual principal payments due each July 1st. The amounts of the principal and interest payments vary over the life of the bonds. The final payment is scheduled on July 1, 2031.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

2 Fire Engines: On June 27th 2012 the District entered into a lease/purchase agreement with Zion Bank for the purchase of a two fire engines. The initial purchase was in the amount of \$550,000 at an interest rate of 3.110% for a term of 10 years. Annual payments are due each June 15th in the amount of \$64,774 with a final payment due on June 15th, 2022.

Ambulance: On July 9th, 2009 the District entered into a lease/purchase agreement with Wells Fargo Bank for the purchase of a ambulance. The initial purchase was in the amount of \$111,434.00 at an interest rate of 4.695% for a term of 5 years. Annual payments are due each December 15th in the amount of \$24,876.06 with a final payment due on December 15th, 2013.

Changes in Long-Term Debt:

	BALANCE <u>06/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	BALANCE <u>06/30/2014</u>
Bonds Payable 03	\$ 231,000	\$ 60,000	\$ 43,000	\$ 248,000
Bonds Payable 13	0	2,935,000	0	2,935,000
2 Fire Engines	501,766	0	49,170	452,596
Ambulance	<u>23,760</u>	<u>0</u>	<u>23,760</u>	<u>0</u>
Total Lease/Purchases and Bonds	756,526	2,995,000	115,930	3,635,596
Compensated Absences	<u>77,089</u>	<u>9,085</u>	<u>0</u>	<u>86,174</u>
Totals	<u>\$ 833,615</u>	<u>\$3,004,085</u>	<u>\$115,930</u>	<u>\$3,721,770</u>

NOTE 11 - FUTURE MINIMUM LEASE/PURCHASE AND BOND OBLIGATIONS

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 50,699	\$ 14,075	\$ 64,774
2016	52,276	12,498	64,774
2017	53,902	10,872	64,774
2018	55,578	9,196	64,774
2019	57,306	7,468	64,774
2020/2022	<u>182,835</u>	<u>11,087</u>	<u>193,922</u>
Total Obligation	452,596	<u>\$ 65,196</u>	<u>\$ 517,792</u>
Less amount due within 1 year	<u>50,699</u>		
Amount due after 1 year	<u>\$ 401,897</u>		

The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2014, were as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 45,000	\$ 193,857	\$ 238,857
2016	123,000	141,130	264,130
2017	135,000	127,466	262,466
2018	142,000	123,080	265,080
2019	153,000	117,998	270,998
2020/2024	875,000	504,731	1,379,731
2025/2029	935,000	324,972	1,259,972
2030/2032	<u>775,000</u>	<u>62,869</u>	<u>837,869</u>
Total Obligation	3,183,000	\$ <u>1,596,103</u>	\$ <u>4,779,103</u>
Less amount due within 1 year	<u>45,000</u>		
Amount due after 1 year	\$ <u>3,138,000</u>		

NOTE 12 – NET POSITION/FUND BALANCE

The District’s Net Position balances consist of restricted, unrestricted, nonspendable and net investment in capital assets amounts.

The District’s Governmental Funds fund balances consist of restricted, committed, assigned, nonspendable and unassigned amounts.

Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Nonspendable fund balances are amounts that are not in a spendable form such as inventories or pre-paid expenses.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

Invested in Capital Assets, Net of Related Debt	\$(1,414,798)
Restricted – Debt Service	2,452,211
Unrestricted	<u>358,608</u>
 Total Net Position	 <u>\$ 1,396,021</u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	\$ 2,279,844
Assigned – Payroll	10,835
Non Spendable	172,367
Unassigned Fund Balances	<u>433,947</u>
 Total Fund Balance	 <u>\$ 2,896,993</u>

NOTE 13 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met.

The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

NOTE 14 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District’s position that it has no liability for investment losses under the plan but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)

Plan Descriptions

The District contributes to the two plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ annual compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health Insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost sharing, multiple-employer defined benefit pension plan, a cost-sharing, multiple employer defined health insurance premium plan, and a cost-sharing, multiple employer defined long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The

ASRS is governed by the Arizona State Retirement System Board according to provisions of the A.R.S. Title 38, Chapter 5, Article 2. The ASRS System does not provide information on each individual entity that has an account in the System. Information provided in this report is based on the information provided by ASRS, which is on a state wide basis.

Normal retirement is when an individual achieves 80 points, which is age plus years of service after age 62. Retirement benefits are computed by the Arizona State Retirement System.

The information required by GASB 50 paragraph 7b, three year trend information, is not currently available.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administration agent, is governed by a five-member board known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Normal retirement is on completion of 20 years of service or 15 years of service and attainment of age 62. Retirement benefits after 20 years are 50% of average monthly compensation plus an additional 2% for each year of service from 20 to 25 years. Upon attainment of 25 years of service the additional percentage is increased to 2 ½ % for each year beyond 20. Maximum pension is 80% of average compensation. All participants are fully vested upon 10 years of service with deferred retirement possible at reduced benefits. Disability, survivor's benefits and medical care are also integrated into the plan.

ASRS
3300 N. Central Avenue
Suite 200
PO Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778

PSPRS
3010 E. Camelback Road,
Phoenix, AZ 85016-4416
Phone (602) 255-5575

NOTE 16 - POST EMPLOYMENT BENEFITS

The government provides certain health care and insurance benefits for recently separated employees as required by the Federal law under COBRA. Any cost of

health care and insurance benefits would be short term and recognized as an expenditure as claims are paid. The District currently has no such claims.

NOTE 17- SUBSEQUENT EVENTS

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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AVRA VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2014

Exhibit G

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,540,351	\$ 1,540,351	\$ 1,551,290	\$ 10,939
Fire District Assistance	308,070	308,070	309,587	1,517
Fees for Service	1,041,000	1,041,000	1,012,657	(28,343)
Loan Proceeds	-	-	-	-
Grant Revenue	-	-	27,584	27,584
Interest	1,000	1,000	451	(549)
Miscellaneous	500,000	500,000	269,129	(230,871)
Total Revenues	3,390,421	3,390,421	3,170,698	(219,723)
Expenditures:				
Current:				
Public Safety	3,376,221	3,376,221	3,091,679	284,542
Administration	14,200	14,200	13,406	794
Grants	-	-	-	-
Capital Outlay	-	-	51,137	(51,137)
Total Expenditures	3,390,421	3,390,421	3,156,222	234,199
Excess (Deficiency) of Revenues over Expenditures	-	-	14,476	14,476
Net Change in Fund Balances	-	-	14,476	14,476
Transfers	-	-	81,083	81,083
Net Change in Fund Balances	-	-	95,559	95,559
Fund Balances at Beginning of Year	0	0	349,223	349,223
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 444,782</u>	<u>\$ 444,782</u>

AVRA VALLEY FIRE DISTRICT

GASB STATEMENT NO. 25 SUPPLEMENTARY PENSION INFORMATION

SCHEDULE OF FUNDING PROGRESS

(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)

Year Ended June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a)/(c))
2003	847,550	416,668	(430,882)	203.4%	435,669	0.0%
2004	947,980	514,211	(433,769)	184.4%	607,400	0.0%
2005	1,062,739	702,852	(359,887)	151.2%	802,357	0.0%
2006	1,222,432	938,311	(284,121)	130.3%	1,124,072	0.0%
2007	1,763,763	1,584,515	(179,248)	111.3%	1,139,685	15.7%
2008	1,739,910	885,299	(854,611)	196.5%	550,342	0.0%
2009	1,976,863	1,040,144	(936,719)	190.1%	860,896	0.0%
2010	2,155,657	1,224,422	(931,235)	176.1%	1,119,817	0.0%
2011	2,136,749	1,517,475	(619,274)	140.8%	1,044,032	0.0%
2012	2,542,667	1,810,845	(731,822)	140.4%	1,330,934	0.0%
2013	2,908,326	2,389,866	(518,460)	121.7%	1,194,411	0.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution
2003	22,979
2004	24,943
2005	32,546
2006	34,228
2007	56,759
2008	52,304
2009	83,266
2010	45,299
2011	(est) 60,271
2012	(est) 106,690
2013	(est) 130,759
2014	(est) 179,604
2015	(est) 154,171

-See Accountant's Report-

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	June 30, 2013
Actuarial cost method:	Entry Age Normal
Amortization Method:	Level percent-of-pay closed
Remaining amortization period:	23 years for underfunded 20 years for overfunded
Asset valuation method:	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment Rate of Return:	7.85%
Projected Salary increases*	4.5% - 8.5%
Payroll Growth	4.5%
Cost-of-living adjustments	None

GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION

The following information is presented concerning the post-retirement health insurance subsidy. The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25. Although segregated assets for the health insurance subsidy have not been available historically, it is our understanding that they will be made available beginning with the June 30, 2014 valuation.

SCHEDULE OF FUNDING PROGRESS

Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded AAL (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	\$0	\$27,969	\$27,969	0.00%	\$1,124,072	2.49%
2007	\$0	\$56,228	\$56,228	0.00%	\$1,139,685	4.93%
2008	\$0	\$18,222	\$18,222	0.00%	\$550,342	3.31%
2009	\$0	\$36,295	\$36,295	0.00%	\$860,896	4.22%
2010	\$0	\$46,821	\$46,821	0.00%	\$1,119,817	4.18%
2011	\$0	\$56,531	\$56,531	0.00%	\$1,044,032	5.41%
2012	\$0	\$66,204	\$66,204	0.00%	\$1,330,934	4.97%
2013	\$0	\$68,522	\$68,522	0.00%	\$1,194,411	5.74%

-See Accountant's Report-

ANNUAL REQUIRED CONTRIBUTION

Valuation Date June 30	Fiscal Year Ended June 30	Normal Cost (a)	Actuarial Accrued Liability (b)	Total (a) + (b)	Dollar Amount
2006	2008	0.51%	0.15%	0.66%	\$3,632
2007	2009	0.65%	0.30%	0.95%	\$5,228
2008	2010	0.58%	0.20%	0.78%	\$4,293
2009	2011	0.64%	0.26%	0.90%	\$8,624
2010	2012	0.65%	0.25%	0.90%	\$11,217
2011	2013	0.44%	0.34%	0.78%	\$8,978
2012	2014	0.44%	0.30%	0.74%	\$10,858
2013	2015	0.46%	0.36%	0.82%	\$10,695

Health Insurance Subsidy Payments Reported for FY 2013: \$0

BENEFITS

Normal retirement is the first day of the month following completion of 20 years of service or following the 62nd birthday after 15 years of service. Normal pension after 25 years of credited service is 50% of average monthly compensation for the first 20 years of credited service plus 2½% of average monthly compensation for each year of credited service above 20 years. Retirement at other lengths of service vary according to the plan. The maximum compensation is 80% of the average monthly compensation. Employees are fully vested after 10 years of service.

The plan provides for disability retirement, survivors benefits, temporary disability, child's benefits, health insurance and other post employment benefits.

The plan is a multiple employer defined benefit pension plan operated by the State of Arizona for the benefit of all public safety employees in the state.

The plan issues a separate report for the entire system and annually issues an actuarial study for each participating governmental agency. These reports are available through the Arizona Public Safety Personnel Retirement System.

The figures and information used in this report were obtained from the actuarial report issued by Gabriel, Roeder, Smith & Company. A complete copy of the actuarial valuation as of June 30, 2013 is available from the Arizona Public Safety Personnel Retirement System, Phoenix, Arizona or from Gabriel Roeder Smith & Company, One Towne Square, Suite 800, Southfield, MI 48076.

Date of Information

The information above reflects the most currently available information about this pension plan as of the published actuarial study for June 30, 2013 issued October 11th 2013.

-See Accountant's Report-

**AVRA VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2014**

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

2. PUBLIC SAFETY PENSION DISCLOSURE INFORMATION

All Public Safety Pension disclosure information has been furnished by the actuary for the Districts' Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

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OTHER SUPPLEMENTARY INFORMATION

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**AVRA VALLEY FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2014**

AZ Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ “Annual Report” of Special Districts. This information is included as other supplementary information.

REGULAR FIRE BOARD MEETINGS:

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 24, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
August 21, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
Sept. 25, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
October 23, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
November 26, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
December 17, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
January 22, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
February 19, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
March 19, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
April 16, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
May 28, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
June 25, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ

BOARD MEMBERS:

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>
Luis Castaneda	520-682-3255	Businessman
Sara Bauer	520-682-3255	Retired
Aleyna Lassen	520-682-3255	Retired
Eric Neilson	520-682-3255	Businessman
Brian Horch	520-682-3255	Fire Engineer

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

Avra Valley Fire Station #191	15790 W Silverbell Road	Marana , Arizona
Avra Valley Fire Station #192	Anway & Tucker Road	Marana , Arizona
Avra Valley Fire Station #193		Marana , Arizona
Minut Mart	12505 N Trico Rd	Marana, Arizona
Valley Mart	16560 W Avra Valley Rd	Marana, Arizona

LEGAL DESCRIPTION OF BOUNDARY CHANGES: 17868 W Avra Valley Road, Marana, AZ

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AVRA VALLEY FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS
June 30, 2014

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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
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SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.
TRICIA E. SAUNDERS, PI.

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706
CERTIFIED IN FINANCIAL FORENSICS
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT

6008 W. CORTEZ ST
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Redheadedcutie10@AOL.com

Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators
AICPA Government Audit Quality Center

International Association of Certified Fraud Examiners
Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board
Avra Valley Fire District
Marana, Arizona

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 Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

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

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

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Internal Control and Compliance Report

June 30, 2014

Page 2

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

State of Arizona Required Statutory Compliance Matter

Arizona Revised Statutes section 48-805.02 requires auditors of fire districts in the State of Arizona to test compliance with certain matters. Our audit was not designed to test for all possible areas of non-compliance with this statute. In connection with the tests we performed relating to compliance with laws, regulations or other matters, nothing came to our attention that would indicate the District failed to comply with this statute, as it relates to accounting matters.

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.

Saunders Company, Ltd.

Glendale, Arizona
January 6, 2015

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