

AVRA VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2013

**James H. Saunders
Certified Public Accountant
Certified Fraud Examiner
6008 West Cortez Street
Glendale, Arizona 85304
Fax 602-926-2431
Phone 623-476-8660**

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1	
INDEPENDENT AUDITOR 'S REPORT	5	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9	
BASIC FINANCIAL STATEMENTS:	17	
Government -Wide Financial Statements		
Statement of Net Position	18	A
Statement of Activities	19	B
Fund Financial Statements		
Balance Sheet - Governmental Funds	20	C
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21	D
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	22	E
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds To the Statement of Activities	23	F
Notes to the Financial Statements	25	

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2013**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	43	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) General Fund	44	G
Pension Financial Disclosures	45	
Notes to the Required Supplementary Information	48	
OTHER SUPPLEMENTARY INFORMATION	49	
Arizona Annual Report Information	50	
GOVERNMENT AUDIT STANDARDS SECTION	51	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	53	
Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55	
Findings	59	

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

SAUNDERS COMPANY, LTD.
JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, PI.

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED IN FINANCIAL FORENSICS
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATOR #1546900

6008 WEST CORTEZ STREET
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com

Member: American Institute of Certified Public Accountants Arizona Association of Licensed Private Investigators International Association of Certified Fraud Examiners
Arizona Society of Certified Public Accountants Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR 'S REPORT

To the Members of the District 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, 2013, 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.

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, 2013, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, along with any combining or individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining or individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 8, 2014, 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 Fire District's internal control over financial reporting and compliance.

James H. Saunders, CPA
Saunders Company, Ltd.

Glendale, Arizona
January 8, 2014

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Avra Valley Fire District

Management's Discussion and Analysis of Basic Financial Statements

June 30, 2013

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, 2013. 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 260 square miles and provides ambulance coverage for 325 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 31 full-time employees of which 19 are EMT's and 10 are State certified paramedics. Four of the full-time employees are administrative personnel. The District has a reserve pool of 13 employees, 3 paramedics and 10 EMT's.

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, Chairperson
Aleya Lassen, Board Vice-Chairwomen
Sara Bauer, Clerk of the Board
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

The District responded to approximately 1,781 requests for emergency and non-emergency services in 2012. Between January of 2013 and July 31, 2013, the District responded to 1,060 calls. Service is provided from three fire stations placed at strategic locations throughout the District.

In November 2012, the residents of the District voted to issue a total of \$4.1 million in bonds for current and future capital expenditure needs. The funding of these bonds in August 2013 is the culmination of extensive preparation and work during FY 2012-2013. The District made lease payments and purchases of two type 1 pumpers and a mechanics vehicle during FY 2012-2013 from the operating funds of the District. Soon after the new fiscal year began, bond funds were used to reimburse these expenditures.

A comprehensive audit was completed by the Insurance Services Office (ISO) which led to a much improved rating. Previously, the District's ISO rating was a 5/9. It has been lowered to a 3/8B which will substantially impact resident's ability to secure property owner's insurance at greatly reduced premiums.

The following grants were written for and received: Level B hazardous materials equipment, ten complete sets of structural turnouts, one thermal imaging camera, one complete set of extrication tools, ten self-contained breathing apparatus cylinders, one type 1 fire engine. Further information on these grants is provided below under *Governmental Activities*.

New sources of revenue were identified. An intergovernmental agreement between the District and the City of Tucson Water Department was signed. Additionally, a lease agreement with Trans World Network Inc. was negotiated. They have erected a 100-foot communications tower at station 193 which will provide rent revenue to the District from residents who subscribe to the Trans World Network. It will also provide improved VHF communications ability for the five Fire Districts that make up the Northwest Communications Consortium.

The District's electronic patient care reporting system was upgraded to the Zoll electronic reporting program.

Ms. Palmquist, a certified public accountant (CPA), was hired as a full-time Finance/Administrative Manager on April 1, 2013.

The District met its State *Certificate of Necessity* response times for ambulance transports every month, as well as our self-imposed response times outlined in the standard of response coverage (SORC).

Firefighting crews were dispatched to five wildland fires inside and outside the State of Arizona.

A Fire Science Associate Degree program was begun for our personnel. Classes are delivered by the Fire Chief and Assistant Fire Chief in cooperation with Pima Community College. The goal is to credential every member of the Avra Valley Fire District with an associate of Applied Science Degree in the fire science disciplines by Spring of 2014.

The District became an American Heart Association training site for CPR. These classes are provided at least three times a year to recertify District paramedics and EMTs. CPR classes are provided each quarter to the public. The District trained, equipped and implemented a level-B hazardous materials entry team. Full-time firefighters were trained in swift water, rope rescue I, and rope rescue II.

Chief Delfs and Chief Klein were accepted into the Executive Fire officer program through the National Fire Academy. Additionally, Chief Delfs and Chief Klein each completed and received credentials as Chief Fire Officer (CFO) from the Commission on Professional Credentialing, as well as professional certification in the Institution of Fire Engineers (MIFireE).

Financial Highlights

- λ District investment in capital assets increased by \$300,839 or 7.75%.
- λ The District's net position increased \$78,022 or 4.96% from the previous fiscal year.
- λ Program and General revenues increased \$560,152 or 18.14% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was \$224,225.

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 are comprised of 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 that 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, 2013

Net Assets:	Balance <u>June 30, 2012</u>	Balance <u>June 30, 2013</u>
Invested in Capital Assets, net of related debt	\$ 1,092,517	\$ 1,253,622
Reserved – Debt Service	116,558	124,774
Unreserved	<u>363,433</u>	<u>272,134</u>
Total Net Position	<u>\$ 1,572,508</u>	<u>\$ 1,650,530</u>

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the County. Additional cost recovery is derived from emergency ambulance transports to area hospitals. Significant funds are also recovered by providing manpower and equipment to the Arizona Department of State Lands through wildland firefighting.

The Avra Valley Fire District is grateful to the Arizona Governor's Office of Highway Safety, The Tohono O'odham Tribe and the 100 Club of Arizona who provided the grant funds for the following equipment during 2012-2013: level B hazardous materials equipment, ten complete sets of structural turnouts, one thermal imaging camera, one complete set of vehicle extrication tools, ten self-contained breathing apparatus cylinders, and one type 1 fire engine. In total, these grants represent \$285,521 in vehicles and equipment that were funded through grants to the District.

General Fund Budgetary Highlights

The District stayed in budget.

Capital Asset and Debt Administration

Capital Assets

In order 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, 2013 the District purchased, had contributed, or constructed the following capital assets at a cost of more than \$2500 each and with a life expectancy exceeding five years:

- λ 3 Type 1 , 1250 GPM, four wheel drive pumpers (1 pumper was grant-funded)
- λ 1 Thermal imaging camera
- λ 1 4000 gallon fold-a-tank portable water tank
- λ 2 sets of Genesis hydraulic extrication tools (1 set was grant-funded)
- λ 3 sets of communication equipment (headsets, intercom) for each new type 1 pumper
- λ 2 Phillips cardiac monitors

The District also purchased necessary equipment, tools, hoses and appliances that did not meet our definition of capital equipment, however, together these items totaled over \$45,000.

Capital Assets, Net of Depreciation June 30, 2013

	BALANCE <u>06/30/2012</u>	BALANCE <u>06/30/2013</u>
<u>Depreciable Assets</u>		
Vehicles	\$2,304,014	\$ 2,522,595
Buildings	788,571	788,571
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>712,784</u>	<u>737,367</u>
Total Historical Costs	<u>3,880,005</u>	<u>4,123,169</u>
Less Accum Depreciation		
Vehicles	1,097,091	1,251,013
Buildings	264,224	287,416
Equipment, Admin	43,960	50,116
Equipment, Fire	<u>591,866</u>	<u>632,582</u>
Less: Total Accumulated Depreciation	<u>1,997,141</u>	<u>2,221,127</u>
Depreciable Capital Assets, Net	1,882,864	1,902,042
<u>Non-Depreciable Assets</u>		
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$1,990,972</u>	<u>\$ 2,010,150</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$833,617. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	BALANCE <u>06/30/2012</u>	BALANCE <u>06/30/2013</u>
Bonds Payable	\$ 302,000	\$ 231,000
2 Fire Engines	550,000	501,767
Ambulance	<u>46,455</u>	<u>23,761</u>
Total Lease/Purchases and Bonds	898,455	756,528
Compensated Absences	<u>47,962</u>	<u>77,089</u>
Totals	<u>\$ 946,417</u>	<u>\$ 833,617</u>

Factors Affecting Future Results

With the sale of the first issuance of bonds, the District was provided with \$2,825,000 in bond funds with which to build new stations, purchase vehicles and equipment, and payoff current lease/purchases that impact the operating funds of the District. There are cogent plans to work with Pulte Homes to build a new fire station in Red Rock Village in early 2014. Simultaneously, a new facility will be built at the current site of fire station 191. Station 192 and 193 will then be remodeled or replaced. We also intend to purchase two new ambulances. One type 1 pumper is currently being refurbished with an estimated completion date of November 1, 2013. Staffing is expected to increase when the new station is opened in order to continue meeting the applicable NFPA and OSHA standards for response.

The Public Safety Personnel Retirement System has reported increases in its unfunded liabilities. The effect of the increase in PSPRS's unfunded liabilities is expected to result in increased contributions by the District and its employees, however the specific impact on the District, or on the District's and its employees' future annual contributions to PSPRS, cannot be determined at this time. Other personnel of the District participate in the Arizona State Retirement System ("ASRS"), a cost-sharing, multiple employer defined benefit plan. ASRS has also reported increases in its unfunded liabilities. The effect of the increase in ASRS' unfunded liabilities on the District, or on the District's and its employees' future annual contribution to ASRS, are projected to increase in future years.

The Avra Valley Fire District continues to cope with a chronically weak economy. Property values and the resulting property tax revenues have not risen to the levels previously expected, but building is starting to begin again in both the northern and the southern areas of the District. Economists at the University of Arizona and Pima County and Pinal County project that areas within the District will be some of the fastest growing commercial and industrial transportation hubs in the western United States over the next few years.

Over the past few years, the State of Arizona has lowered Medicare reimbursement rates for ambulance transportation carving away some of the revenues that AVFD relies upon to operate its medical division. The State legislature and the Governor have now begun to move toward increasing the rate.

The final impact that the Federal Affordable Healthcare Act will have on the District's ability to utilize reserve personnel are yet to be determined. It is likely that full-time personnel will be added or that reserve personnel will be promoted to full-time status.

Contacting the District

This financial report is designed to provide an overview of the District's finances 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 at 15790 W. Silverbell Rd., Marana, AZ., 85653-9577.

BASIC FINANCIAL STATEMENTS

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

Exhibit A

**Governmental
Activities**

ASSETS

Cash & Cash Equivalents (Note 3)	\$	397,047
Receivables:		
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 5)		180,345
Wildland (Note 5)		362
Property Taxes (Note 6)		408,691
Prepaid Interest		4,909
Prepaid Principal		43,000
Total Capital Assets, Net (Note 7)		<u>2,010,150</u>
 Total Assets		 <u>3,044,504</u>

LIABILITIES

Accounts Payable		54,137
Payroll Taxes Payable		20,503
Wages Payable		57,754
Deferred Revenue (Note 6)		408,691
Compensated Absences (Note 9)		
Portion due within one year		19,272
Portion due after one year		77,089
Bond Payable		
Portion due within one year		43,000
Portion due after one year		188,000
Lease/Purchases Payable (Note 11)		
Portion due within one year		72,931
Portion due after one year		<u>452,597</u>
 Total Liabilities		 <u>1,393,974</u>

NET POSITION

Invested in Capital Assets, Net of related Debt		1,253,622
Restricted (Note 12)		124,774
Unrestricted (Note 12)		<u>272,134</u>
 Total Net Position	 \$	 <u>1,650,530</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, 2013**

Exhibit B

**Governmental
Activities**

EXPENSES

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 2,633,976
Materials & Services	652,750
Depreciation	<u>281,691</u>
Total Program Expenses	<u>3,568,417</u>

PROGRAM REVENUES

Operating and Capital Grants	296,525
Charges for Service	<u>1,199,757</u>
Total Program Revenues	<u>1,496,282</u>
Net Program Expense	<u>2,072,135</u>

GENERAL REVENUES

Property Taxes	1,794,973
Fire District Assistance	344,915
Investment Earnings	1,771
Miscellaneous	<u>8,498</u>
Total General Revenues	<u>2,150,157</u>

Increase in Net Position	78,022
--------------------------	--------

NET POSITION-BEGINNING OF THE YEAR	<u>1,572,508</u>
---	------------------

NET POSITION-END OF THE YEAR	<u><u>\$ 1,650,530</u></u>
-------------------------------------	----------------------------

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

**AVRA VALLEY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

Exhibit C

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	\$ 320,182	\$ 76,865	\$ 397,047
Receivables:			
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 5)	180,345	-	180,345
Property Taxes (Note 6)	408,691	-	408,691
Wildland (Note 5)	362	-	362
Prepaid Interest	-	4,909	4,909
Prepaid Principal	-	43,000	43,000
Total Assets	\$ 909,580	\$ 124,774	\$ 1,034,354
LIABILITIES			
Accounts Payable	\$ 54,137	\$ -	\$ 54,137
Payroll Taxes Payable	20,503	-	20,503
Wages Payable	57,754	-	57,754
Deferred Revenue (Note 6)	408,691	-	408,691
Compensated Absences (Note 9)	19,272	-	19,272
Total Liabilities	560,357	-	560,357
FUND BALANCES			
Nonspendable (Note 12)	-	47,909	47,909
Restricted (Note 12)	-	75,865	75,865
Assigned (Note 12)	10,830	-	10,830
Unassigned (Note 12)	338,393	-	338,393
Total Fund Balances	349,223	123,774	472,997
Total Liabilities & Fund Balances	\$ 909,580	\$ 123,774	\$ 1,033,354

-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, 2013**

Exhibit D

	General	Debt Service	Total Governmental Funds
REVENUE			
Property Taxes	\$ 1,705,373	\$ 89,600	\$ 1,794,973
Fire District Assistance Tax	344,915	-	344,915
Fees for Service	1,247,719	-	1,247,719
Loan Proceeds		-	
Interest	865	906	1,771
Grants	296,525	-	296,525
Miscellaneous	8,463	35	8,498
	3,603,860	90,541	3,694,401
Total Revenues			
EXPENDITURES			
Current:			
Public Safety	3,176,286	-	3,176,286
Administration	16,710	-	16,710
Grants		-	
Debt Service			
Principal	70,928	71,000	141,928
Interest	18,675	11,325	30,000
Capital Outlay	335,472	-	335,472
	3,618,071	82,325	3,700,396
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	(14,211)	8,216	(5,995)
Net Change in Fund Balances	(14,211)	8,216	(5,995)
Fund Balances-Beginning of Year	363,434	116,558	479,992
Fund Balances-End of Year	\$ 349,223	\$ 124,774	\$ 473,997

-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, 2013**

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C) \$ 473,997

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	4,231,277	
Less: Accumulated Depreciation	<u>(2,221,127)</u>	2,010,150

Long-term liabilities, including bonds payable are
not due and payable in the current period and therefore
are not reported in the funds. (833,617)

Net Position of Governmental Activities (Exhibit A) \$ 1,650,530

**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, 2013**

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)	\$	(5,995)
---	----	---------

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.		19,148
--	--	--------

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>64,869</u>
---	--	---------------

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u><u>78,022</u></u>
---	----	----------------------

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



THIS PAGE

IS

DELIBERATELY LEFT BLANK

**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 60 days of the end of any 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 *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.

Deferred Revenue

Deferred revenue (in the fund financial statements) represents property taxes earned during the year but not collected in time to be available to finance the current year's operation.

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

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 assets. 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 – Schedule A

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net assets 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 – Schedule 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

During the last quarter of the fiscal year, the ensuing years operating budget, including proposed expenditures and the means of financing them, is compiled by the Fire Chief. A public hearing is held on the budget subsequent to the publication of the proposed budget. Once the proposed budget is prepared it must be published in a newspaper of general circulation in the County in which the District is located at least twenty days prior to a budget hearing. Notice of the hearing must also be posted in at least three public locations in the District and posted to the District website at least twenty days prior to the hearing. Copies of the proposed budget must also be provided upon written request. Once the budget hearing is held, the District Board approves the budget. After approval by the District Board the budget is then sent to the County Board of Supervisors no later than August 1st of each year as required by ARS 48-807(e).

Budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

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 \$250,000.00 for interest bearing accounts and \$250,000 for demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency.

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, 2013:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 94,316	\$	\$ 94,316
Investments	<u>231,941</u>	<u>76,865</u>	<u>308,806</u>
Total Deposits	326,257	76,865	403,122
In Transit Items	<u>(6,075)</u>	<u>0</u>	<u>(6,075)</u>
Total Cash & Cash Equivalents	<u>\$ 320,182</u>	<u>\$ 76,865</u>	<u>\$ 397,047</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	\$ 308,806

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, 2013:

For Pool 5	24 Days
For Pool 7	40 Days
For Pool 500	1.32 Years
For Pool 700	1.49 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 \$208,884 with an allowance for bad debt of \$28,539 at June 30, 2013. This gave a net of \$180,345, before write off allowances and contractual adjustments, which was expected to be collectable.

Wildland receivables were \$362 with an allowance for bad debt of \$0.00 at June 30, 2013. This gave a net of \$362 which was expected to be collectable.

NOTE 6 - DEFFERED REVENUES

Deferred Taxes Receivable arises when property taxes are levied by not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises.

Pima County Treasurer reported \$372,225 in outstanding delinquent taxes due the District at June 30, 2013. Pinal County Treasurer reported \$36,466 in outstanding delinquent taxes due the District at June 30, 2013. The total reported is \$408,691 in outstanding delinquent taxes due the District at June 30, 2013. This amount is reported as deferred revenue.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2013</u>
<u>Depreciable Assets</u>				
Vehicles	\$2,304,014	\$ 276,256	\$ 57,675	\$ 2,522,595
Buildings	788,571	0	0	788,571
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>712,784</u>	<u>24,583</u>	<u>0</u>	<u>737,367</u>
Total Historical Costs	<u>3,880,005</u>	<u>300,839</u>	<u>57,675</u>	<u>4,123,169</u>
Less Accum Depreciation				
Vehicles	1,097,091	211,597	57,675	1,251,013
Buildings	264,224	23,192	0	287,416
Equipment, Admin	43,960	6,186	0	50,116
Equipment, Fire	<u>591,866</u>	<u>40,716</u>	<u>0</u>	<u>632,582</u>
Less: Total Accumulated Depreciation	<u>1,997,141</u>	<u>281,691</u>	<u>57,675</u>	<u>2,221,127</u>
Depreciable Capital Assets, Net	1,882,864	19,148	0	1,902,042
<u>Non-Depreciable Assets</u>				
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$1,990,972</u>	<u>\$ 19,148</u>	<u>\$ 0</u>	<u>\$ 2,010,150</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, 2013 was \$96,361. 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.

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:

	<u>BALANCE</u> <u>06/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE</u> <u>06/30/2013</u>
Bonds Payable	\$ 302,000	\$	\$ 71,000	\$ 231,000
2 Fire Engines	550,000	0	48,233	501,767
Ambulance	<u>46,455</u>	<u>0</u>	<u>22,694</u>	<u>23,761</u>
 Total Lease/Purchases and Bonds	 898,455	 0	 141,927	 756,528
 Compensated Absences	 <u>31</u>	 <u>77,058</u>	 <u>0</u>	 <u>77,089</u>
 Totals	 <u>\$ 898,486</u>	 <u>\$ 77,058</u>	 <u>\$141,927</u>	 <u>\$ 833,617</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, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 72,931	\$ 16,719	\$ 89,650
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
2019/2022	<u>240,142</u>	<u>18,955</u>	<u>259,097</u>
 Total Obligation	 525,528	 <u>\$ 82,315</u>	 <u>\$ 607,843</u>
 Less amount due within 1 year	 <u>72,931</u>		
 Amount due after 1 year	 <u>\$ 452,597</u>		

The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2013, were as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 43,000	\$ 9,541	\$ 52,541
2015	45,000	7,034	52,034
2016	48,000	5,057	53,057
2017	50,000	2,975	52,975
2018	<u>45,000</u>	<u>956</u>	<u>45,956</u>
Total Obligation	231,000	\$ <u>25,563</u>	\$ <u>256,563</u>
Less amount due within 1 year	<u>43,000</u>		
Amount due after 1 year	\$ <u>188,000</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	\$ 1,253,622
Restricted – Debt Service	124,774
Unrestricted	<u>272,134</u>
Total Net Position	<u>\$ 1,650,530</u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	<u>\$ 76,865</u>
Total Restricted Fund Balances	76,865
Assigned – Payroll	<u>10,830</u>
Total Assigned Fund Balances	10,830
Non Spendable	47,909
Unassigned Fund Balances	<u>338,392</u>
Total Fund Balance	<u>\$ 473,996</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, other than the property tax initiative listed below, and does not know of any additional comments or disclosures that should be made thru the date of this report.

Voter Approved Property Tax Restriction:

On November 6, 2012 the voters of the State of Arizona approved a Property Tax Initiative limiting the annual increase in property tax valuation to a maximum of 5% per year and established a single limited property value as the basis for determining property taxes on real property beginning in 2014. The impact of this restriction on future revenue of the District is not currently known.

Statutory Internal Control Changes:

On September 13, 2013 House Bill #2572, passed by the Arizona State Legislature, becomes effective. This new statute mandates certain new internal control measures for Fire Districts. Among these statutory requirements are time limits on the preparation of reconciliations, presentation on a monthly basis, to governing boards, of financial statements, reconciliations & documents and timely review by the governing board. The governing board is also required to review cash flow projections and notify the County Treasurer and County Board of Supervisors, by certified mail, of any adverse impact found in the cash flow projections. Additional certifications are now required by auditors and reviewers as to the Districts compliance with these new statutory requirements. Auditors and reviewers are now required to appear in person before the governing board to explain and report on the audit or review's results. The impact on the District from these changes is not fully known at this time.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**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, 2013**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,725,383	\$ 1,725,383	\$ 1,705,373	\$ (20,010)
Fire District Assistance	345,077	345,077	344,915	(162)
Fees for Service	1,000,248	1,000,248	1,247,719	247,471
Loan Proceeds	-	-	-	-
Grant Revenue	1,500,000	1,500,000	296,525	(1,203,475)
Interest	-	-	865	865
Miscellaneous	23,192	23,192	8,463	(14,729)
Total Revenues	4,593,900	4,593,900	3,603,860	(990,040)
Expenditures:				
Current:				
Public Safety	2,864,079	2,864,079	3,176,286	(312,207)
Administration	65,244	65,244	16,710	48,534
Grants	1,500,000	1,500,000	300,000	1,200,000
Capital Outlay	164,577	164,577	125,075	39,502
Total Expenditures	4,593,900	4,593,900	3,618,071	975,829
Excess (Deficiency) of Revenues over Expenditures	-	-	(14,211)	(14,211)
Net Change in Fund Balances	-	-	(14,211)	(14,211)
Fund Balances at Beginning of Year	0	0	363,433	363,433
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349,222</u>	<u>\$ 349,222</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%

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

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, 2012
Actuarial cost method:	Entry Age Normal
Amortization Method:	Level percent-of-pay closed
Remaining amortization period:	24 years for underfunded 20 years for overfunded
Asset valuation method:	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment Rate of Return:	8.00%
Projected Salary increases*	5.00% - 8.00%
Payroll Growth	5.00%
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.

Beginning with the June 30, 2012 valuation an 8.00% interest rate assumption was used. It is our understanding that currently assets are not segregated to fund these liabilities. As a result, according to GASB Statement No. 45, these benefits may not be considered to be pre-funded. In that case the 8.00% interest rate assumption may not be appropriate. The issue should be discussed with the auditors and with legal counsel.

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	0.0%	\$1,124,072	2.49%
2007	\$0	\$56,228	\$56,228	0.0%	\$1,139,685	4.93%
2008	\$0	\$18,222	\$18,222	0.0%	\$550,342	3.31%
2009	\$0	\$36,295	\$36,295	0.0%	\$860,896	4.22%
2010	\$0	\$46,821	\$46,821	0.0%	\$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%

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

Health Insurance Subsidy Payments Reported for FY 2012: \$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, 2012 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, 2012 issued October 17th 2012.

AVRA VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2013

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 District's Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

OTHER SUPPLEMENTARY INFORMATION

**AVRA VALLEY FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2013**

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 25, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
August 22, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
Sept. 27, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
October 24, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
November 28, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
December 19, 2012	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
February 27, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
March 27, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
April 30, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
May 22, 2013	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana , AZ
June 26, 2013	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: NONE

AVRA VALLEY FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS
June 30, 2013

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
TABLE OF CONTENTS
GOVERNMENT AUDIT STANDARDS SECTION
JUNE 30, 2013**

	<u>PAGE</u>
GOVERNMENT AUDIT STANDARDS SECTION	51
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	53
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Findings	59

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

SAUNDERS COMPANY, LTD.

JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, PI.

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATOR #01534603
CERTIFIED IN FINANCIAL FORENSICS

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com

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

International Association of Certified Fraud Examiners

Arizona Association of Licensed Private Investigators
Arizona Association of Certified Fraud Examiners

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 Members of the 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, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated January 8, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avra Valley Fire 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Our findings are reported on the attached report numbered 2013-01.

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

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*.

Avra Valley Fire District's Response to Findings

Avra Valley Fire District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

James H. Saunders, CPA

Saunders Company, Ltd

Glendale, Arizona
January 8, 2014

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK

AVRA VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Finding 2013-01

Internal Control Deficiency over Financial Statements

Condition: We found that no adjusting or audit adjustment entries were entered in the accounting system from the June 30, 2012 audit. In addition we found that the debt service fund had no accounting entries for the entire year ended June 30, 2013.

Criteria: Internal control would dictate that the accounting system be corrected for misstatement on a regular basis and maintained as current as possible. Additionally, bank reconciliations should be prepared for all bank accounts. This is now mandated by Arizona state statues effective for months after September 2013.

Cause: The individual responsible for the accounting system failed to properly enter adjustments or reconcile all bank accounts as needed.

Effect: The financial statements during this period were incomplete and not as accurate as required by good accounting and internal control purposes.

Questioned Costs None:

Recommendations: Policies and procedures should be established to assure that bank reconciliations are prepared for all bank accounts as now required by law. Also, procedures should be established to assure that audit adjustments are entered timely.

District Response: The District has hired a full time Certified Public Accountant who is responsible for correcting these deficiencies and bringing the District into compliance with GAAP & GASB standards.

f

THIS PAGE

IS

DELIBERATELY LEFT BLANK