

AVRA VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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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, 2016, 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, 2016, 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.

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INDEPENDENT AUDITOR'S REPORT

6/30/2016

Page 2

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 4, 2017, 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 4, 2017

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Avra Valley Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2016

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, 2016. 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 two-thirds (65.46%) of the District within Pima County, and one-third (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. We continue to actively participate in Wildland suppression, sending crews to 9 incidents during the fiscal year.

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 44 full-time employees of which 28 are EMT's, 12 are State certified paramedics, and 4 are administrative personnel.

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 officer positions are elected by the Board members every year for a 1-year term. The present members of the Board are:

Luis J.G. Castaneda, Jr.	Chairman
Sara Bauer	Vice-Chairwomen
Eric Neilson	Clerk
Brian Horch	Member
Thomas Armendarez	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 1,993 requests for service in FY 2015-16: 66 fire, 1,555 rescue/EMS, 18 hazmat and 354 non-emergency calls. Service is currently provided from four fire stations. For fiscal 2015-16, 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.

Personnel

- λ In January 2016, the District was able to hire 12 firefighters through a SAFER grant.
- λ The District offered an in-house 6-month certification class to prepare participants for captain's promotional testing, resulting in six personnel being promoted to the rank of Captain in August 2016.
- λ All personnel completed driver operation classes.
- λ Two of our personnel are certified peer fitness trainers.
- λ Chief Delfs completed his Executive Fire Officer training through the National Fire Academy. Assistant Chief Klein will be attending his final class towards the EFO during the first quarter of FY17.
- λ The following training classes were offered in-house:
 - Incident Safety Officer, Swift Water Rescue, Fire Instructor I, Fire Officer I, Strategy & Tactics,
 - Fire Cause & Investigation.

Administration

- λ All of the SOPs have been reviewed and revised to reflect current operations.
- λ Procedures manuals for both the administrative division and the finance division, including internal controls, are reviewed regularly to reflect current practices.

Fleet

- λ In April of 2016, the District utilized grant funds to purchase a truck to be used in the recently launched Community Paramedicine Program.
- λ Engine 216 was refurbished during the fiscal year.
- λ The old command trucks have been used by the captains during the current fiscal year. However, old command unit 108 is scheduled to be surplus early in FY17.

Logistics

- λ During the fiscal year, bond funds were used to completely rebuild Stations 192 and 193, and to remodel Station 191.
- λ Water tenders are in place at every station, and fuel tanks have been placed at stations 191 and 193.
- λ Radios were replaced and a new community network was initiated.
- λ The National Weather Service installed dust sensors at station 194 as part of a system to detect severe dust storms on the I-10 corridor.
- λ Hydrants at stations 191 and 193 were equipped with new motors.
- λ Wildland equipment and shelters were upgraded.

Community Relations

- λ The District provided for several families through the annual holiday *Adopt-a-Family* program.
- λ Several community CPR classes were offered during the fiscal year.
- λ The firefighters conducted several safety and prevention classes at local elementary schools and provided station tours for many school children.
- λ The District launched a *Facebook* page to work in conjunction with the recently revamped website.
- λ Additionally, Chief Delfs has completed training for membership in a Type III Incident Management Team which will be utilized at large-scale incidents both in and out of State.

Financial Highlights

- § District investment in capital assets increased by \$531,137 or 18.04%.
- § The District's net position decreased \$27,111 or 1.73% from the previous fiscal year.
- § Total revenues decreased \$101,565 or 2.56% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental activities was \$750,942.

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, 2016

	Balance <u>June 30, 2015</u>	Balance <u>June 30, 2016</u>
Invested in Capital Assets, net of related debt	\$ (596,252)	\$ 459,782
Reserved – Debt Service	1,577,686	332,261
Unrestricted	<u>588,662</u>	<u>750,942</u>
Total Net Position	<u>\$ 1,570,096</u>	<u>\$ 1,542,985</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 for grant funding provided by:

- λ FEMA – SAFER Grant for staffing, January 2016 through December 2017
- λ FEMA – AFG Grant for a new vehicle for the Community Paramedicine Program
- λ 100 Club of Arizona for rope equipment and radio microphones
- λ Governor’s Office of Highway Safety Grant for extrication tools

General Fund Budgetary Highlights

For next fiscal year (FY17), a \$105,000 grant has been received for new turnouts for every firefighter.

Assessed property values within the District have decreased. As a result, our property tax levy was 7% lower than last year, and is projected to be another 2% lower for next fiscal year. The District has placed Proposition 445 on the ballot for the November 2016 general election. This proposition would allow a temporary budget override for five consecutive tax years and allow the statutory tax rate to increase twenty-five cents to a rate of \$3.50 per one hundred dollars of assessed valuation.

Even with this drop in property tax revenue, coordinated efforts of all personnel allowed the District to streamline expenditures and end the fiscal year on target. Additionally, strong teamwork has resulted in preparation of a sustainable 5-year budget plan. In addition to the grant revenues/expenditures previously discussed, general fund revenues were generated from the following sources:

- § 31 % Ambulance Revenue
- § 52 % Property Tax Revenue
- § 17 % 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, 2016 the District purchased, had contributed, or constructed the following assets:

- λ Truck to be used in the Community Paramedicine program
- λ Bond Funds were committed to the rebuild of Stations 192 and 193
- λ Bond Funds were committed to the remodel of Station 191
- λ Bond Funds were utilized to extinguish the existing lease-purchase agreement on the pumpers
- λ Radio microphones and rope equipment through a 100 Club Grant
- λ Extrication tools through a Governor's Office of Highway Safety grant

Capital Assets, Net of Depreciation June 30, 2016

	<u>BALANCE</u> <u>06/30/2015</u>	<u>BALANCE</u> <u>06/30/2016</u>
<u>Depreciable Assets</u>		
Vehicles	\$2,933,135	\$ 2,963,593
Buildings	1,509,533	2,422,682
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>957,619</u>	<u>984,991</u>
Total Historical Costs	<u>5,474,923</u>	<u>6,445,902</u>
Less Accum Depreciation		
Vehicles	1,584,026	1,826,984
Buildings	339,808	381,024
Equipment, Admin	62,518	68,704
Equipment, Fire	<u>735,020</u>	<u>802,516</u>
Less: Total Accumulated Depreciation	<u>2,721,372</u>	<u>3,079,228</u>
Depreciable Capital Assets, Net	2,753,551	3,366,674
<u>Non-Depreciable Assets</u>		
Construction in Progress	81,986	0
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,943,645</u>	<u>\$ 3,474,782</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$3,136,970. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	<u>BALANCE</u> <u>06/30/2015</u>	<u>BALANCE</u> <u>06/30/2016</u>
Bonds Payable 03	\$ 203,000	\$ 155,000
Bonds Payable 13	2,935,000	2,860,000
2 Fire Engines	<u>401,897</u>	<u>0</u>
Total Lease/Purchases and Bonds	3,539,897	3,015,000
Compensated Absences	<u>102,592</u>	<u>121,970</u>
Totals	<u>\$3,642,489</u>	<u>\$3,136,970</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 Decrease in property values resulting in lower property tax revenue
- λ Possibility of raising the property tax rate to \$3.50 if Prop 445 is approved by the voters
- λ The District has implemented the Community Paramedicine program
- λ Possible annexations

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, 2016**

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents (Note 3)	\$ 791,368
Receivables:	
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 5)	240,051
Wildland (Note 5)	29,872
Property Taxes (Note 6)	257,632
Safer Grant (Note 5)	27,580
Prepaid Payroll	59,743
Prepaid Interest	64,675
Prepaid Principal	135,000
Total Capital Assets, Net (Note 7)	3,474,782
 Total Assets	 5,080,703
DEFERRED OUTFLOW OF RESOURCES	
Deferred Pension	647,615
Total Deferred Outflow of Resources	647,615
LIABILITIES	
Accounts Payable	28,656
Payroll Taxes Payable	18,876
Wages Payable	105,559
Net Pension Liability	530,209
Compensated Absences (Note 10)	
Portion due within one year	30,492
Portion due after one year	121,970
Bond Payable (Note 11)	
Portion due within one year	135,000
Portion due after one year	2,880,000
Total Liabilities	3,850,762
DEFERRED INFLOW OF RESOURCES	
Deferred Pension	118,874
Deferred Property Taxes	215,697
Total Deferred Inflow of Resources	334,571
NET POSITION	
Invested in Capital Assets, Net of related Debt	459,782
Restricted (Note 13)	332,261
Unrestricted (Note 13)	750,942
Total Net Position	\$ 1,542,985

-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, 2016**

Exhibit B

**Governmental
Activities**

EXPENSES

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 3,100,243
Materials & Services	745,511
Depreciation	<u>357,856</u>
Total Program Expenses	<u>4,203,610</u>

PROGRAM REVENUES

Operating and Capital Grants	403,730
Charges for Service	<u>1,250,073</u>
Total Program Revenues	<u>1,653,803</u>
Net Program Expense	<u>2,549,807</u>

GENERAL REVENUES

Property Taxes	1,795,338
Fire District Assistance	306,293
Investment Earnings	6,594
Miscellaneous	<u>414,471</u>
Total General Revenues	<u>2,522,696</u>

Increase (Decrease) in Net Position	(27,111)
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NET POSITION-BEGINNING OF THE YEAR	<u>1,570,096</u>
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NET POSITION-END OF THE YEAR	<u><u>\$ 1,542,985</u></u>
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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, 2016**

Exhibit C

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents (Note 3)	\$ 658,783	\$ 124,763	\$ 7,822	\$ 791,368
Receivables:				
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 5)	240,051	-	-	240,051
Wildland (Note 5)	29,872	-	-	29,872
Property Taxes (Note 6)	257,632	-	-	257,632
Safer Grant (Note 5)	27,580	-	-	27,580
Prepaid Payroll	59,743	-	-	59,743
Prepaid Interest	-	64,675	-	64,675
Prepaid Principal	-	135,000	-	135,000
	-	135,000	-	135,000
 Total Assets	 \$ 1,273,661	 \$ 324,438	 \$ 7,822	 \$ 1,605,921
LIABILITIES				
Accounts Payable	\$ 28,656	\$ -	\$ -	\$ 28,656
Payroll Taxes Payable	18,876	-	-	18,876
Wages Payable	105,559	-	-	105,559
Compensated Absences (Note 10)	30,492	-	-	30,492
	183,583	-	-	183,583
Total Liabilities	183,583	-	-	183,583
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	215,697	-	-	215,697
Total Deferred Inflow of Resources	215,697	-	-	215,697
FUND BALANCES				
Restricted (Note 13)	-	324,438	7,822	332,260
Assigned (Note 13)	10,831	-	-	10,831
Unassigned (Note 13)	863,550	-	-	863,550
	874,381	324,438	7,822	1,206,641
Total Fund Balances	874,381	324,438	7,822	1,206,641
Total Liabilities & Fund Balances	\$ 1,273,661	\$ 324,438	\$ 7,822	\$ 1,605,921

-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, 2016**

Exhibit D

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE				
Property Taxes	\$ 1,522,643	\$ 272,695	\$ -	\$ 1,795,338
Fire District Assistance Tax	306,293	-	-	306,293
Fees for Service	1,250,073	-	-	1,250,073
Interest	240	1,175	5,179	6,594
Grants	403,730	-	-	403,730
Miscellaneous	382,865	-	-	382,865
	<u>3,865,844</u>	<u>273,870</u>	<u>5,179</u>	<u>4,144,893</u>
Total Revenues				
EXPENDITURES				
Current:				
Public Safety	3,602,976	-	-	3,602,976
Administration	77,547	300	-	77,847
Debt Service				
Principal	-	123,000	401,897	524,897
Interest	-	138,262	12,043	150,305
Capital Outlay	8,415	-	848,972	857,387
	<u>3,688,938</u>	<u>261,562</u>	<u>1,262,912</u>	<u>5,213,412</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>176,906</u>	<u>12,308</u>	<u>(1,257,733)</u>	<u>(1,068,519)</u>
Net Change in Fund Balances	176,906	12,308	(1,257,733)	(1,068,519)
Fund Balances-Beginning of Year	<u>697,475</u>	<u>312,130</u>	<u>1,265,555</u>	<u>2,275,160</u>
Fund Balances-End of Year	<u>\$ 874,381</u>	<u>\$ 324,438</u>	<u>\$ 7,822</u>	<u>\$ 1,206,641</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, 2016**

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C)		\$ 1,206,641
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.</p>		
Governmental Capital Assets	6,554,010	
Less: Accumulated Depreciation	<u>(3,079,228)</u>	
		3,474,782
Deferred Outflows of Resources		647,615
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(3,136,970)
Net Pension Liability		(530,209)
Deferred Inflows of Resources		<u>(118,874)</u>
Net Position of Governmental Activities (Exhibit A)		<u><u>\$ 1,542,985</u></u>

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

**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, 2016**

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)	\$ (1,068,519)
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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.	531,137
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Net Changes to Deferred Outflows or Inflows of Resources	1,015,790
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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>(505,519)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	<u><u>\$ (27,111)</u></u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

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**AVRA VALLEY FIRE DISTRICT
MARANA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Activities) 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 *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, 2016:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 250,000	\$ 0	\$ 0	\$ 250,000
Collateralized	380,801	0	0	380,801
Uninsured	<u>37,191</u>	<u>124,763</u>	<u>7,822</u>	<u>169,776</u>
Total Deposits	667,992	124,763	7,822	800,577
In Transit Items	<u>(9,359)</u>	<u>0</u>	<u>0</u>	<u>(9,359)</u>
Total Depository Accounts	658,633	124,763	7,822	791,218

NON DEPOSITORY ACCOUNTS

Cash on Hand	<u>150</u>	<u>0</u>	<u>0</u>	<u>150</u>
Total Non Depository Accounts	<u>150</u>	<u>0</u>	<u>0</u>	<u>150</u>
Total Cash & Cash Equivalents	<u>\$ 658,783</u>	<u>\$ 124,763</u>	<u>\$ 7,822</u>	<u>\$ 791,368</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	\$ 169,776

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, 2016:

For Pool 5	32 Days
For Pool 7	79 Days
For Pool 500	1.47 Years
For Pool 700	1.67 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 \$240,686 with an allowance for bad debt of \$635 at June 30, 2016. This gave a net of \$240,051, before write off allowances and contractual adjustments, which was expected to be collectable.

Wildland receivables were \$29,872 with an allowance for bad debt of \$0.00 at June 30, 2016. This gave a net of \$29,872 which was expected to be collectable.

SAFER Grant receivables were \$27,580 with an allowance for bad debt of \$0.00 at June 30, 2016. This gave a net of \$27,580 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>06/30/2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2016</u>
<u>Depreciable Assets</u>				
Vehicles	\$2,933,135	\$ 30,458	\$ 0	\$ 2,963,593
Buildings	1,509,533	913,149	0	2,422,682
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>957,619</u>	<u>27,372</u>	<u>0</u>	<u>984,991</u>
Total Historical Costs	<u>5,474,923</u>	<u>970,979</u>	<u>0</u>	<u>6,445,902</u>
Less Accum Depreciation				
Vehicles	1,584,026	242,958	0	1,826,984
Buildings	339,808	41,216	0	381,024
Equipment, Admin	62,518	6,186	0	68,704
Equipment, Fire	<u>735,020</u>	<u>67,496</u>	<u>0</u>	<u>802,516</u>
Less: Total Accumulated Depreciation	<u>2,721,372</u>	<u>357,856</u>	<u>0</u>	<u>3,079,228</u>
Depreciable Capital Assets, Net	2,753,551	613,123	0	3,366,674
<u>Non-Depreciable Assets</u>				
Construction in Progress	81,986	0	81,986	0
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,943,645</u>	<u>\$ 613,123</u>	<u>\$ 81,986</u>	<u>\$ 3,474,782</u>

NOTE 8 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District has two items that are reportable on the Governmentwide Statement of Net Position: the first item relates to outflows from changes in the net pension liability and the second item relates to property taxes.

Deferred outflows of resources balances for the year ended June 30, 2016 were as follows:

Governmentwide Deferred Outflows	
	Government <u>Activities</u>
Pensions	<u>\$ 647,615</u>
Total Governmental Activities	<u>\$ 647,615</u>

Deferred Inflows of Resource balances for the year ended June 30, 2016 were as follows:

Governmentwide Deferred Inflows	
	Government <u>Activities</u>
Property Taxes	\$ 215,697
Pensions	<u>118,874</u>
Total Governmental Activities	<u>\$ 334,571</u>

NOTE 9 - 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 10 – 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, 2016 was \$152,462. The District has elected to set aside funds in a designated account to cover the accrued liability.

NOTE 11 – 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. This lease/purchase was paid in full during the 2015/2016 fiscal year.

Changes in Long-Term Debt:

	BALANCE <u>06/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	BALANCE <u>06/30/2016</u>
Bonds Payable 03	\$ 203,000	\$ 0	\$ 48,000	\$ 155,000
Bonds Payable 13	2,935,000	0	75,000	2,860,000
2 Fire Engines	<u>401,897</u>	<u>0</u>	<u>401,897</u>	<u>0</u>
Total Lease/Purchases and Bonds	3,539,897	0	524,897	3,015,000
Compensated Absences	<u>102,592</u>	<u>19,378</u>	<u>0</u>	<u>121,970</u>
Totals	<u>\$3,642,489</u>	<u>\$ 19,378</u>	<u>\$524,897</u>	<u>\$3,136,970</u>

NOTE 12 - FUTURE MINIMUM LEASE/PURCHASE AND BOND OBLIGATIONS

The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2016, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 135,000	\$ 127,466	\$ 262,466
2018	142,000	123,080	265,080
2019	153,000	117,998	270,998
2020	165,000	112,906	277,906
2021	175,000	107,806	282,806
2022/2026	860,000	439,775	1,299,775
2027/2031	1,110,000	224,866	1,334,866
2032	<u>275,000</u>	<u>7,219</u>	<u>282,219</u>
Total Obligation	3,015,000	\$ <u>1,261,116</u>	\$ <u>4,276,116</u>
Less amount due within 1 year	<u>135,000</u>		
Amount due after 1 year	\$ <u>2,880,000</u>		

NOTE 13 – 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	\$ 459,782
Restricted – Debt Service	332,261
Unrestricted	<u>750,942</u>
Total Net Position	<u>\$ 1,542,985</u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	\$ 332,260
Assigned – Payroll	10,831
Unassigned Fund Balances	<u>863,550</u>
Total Fund Balance	<u>\$ 1,206,641</u>

NOTE 14 - 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 15 – 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 16 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District and employees contribute to two retirement plans. These plans are the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

At June 30, 2015, the District reported the following aggregate amounts related to pensions for which it contributes:

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension liability	\$ 365,996	\$ 164,213	\$ 530,209
Deferred outflows of resources	58,692	588,923	647,615
Deferred inflows of resources	30,908	87,966	118,874
Pension expense	23,568	174,206	197,774

A. Arizona State Retirement System

Plan Description: The District contributes to a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System* (ASRS) 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 the provisions of Arizona Revised Statute Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained online at www.azasrs.gov, by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

Benefits Provided – Benefits are established by State Statute and 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 retiree’s average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree’s health care insurance premiums, in amount based on whether the benefit is for the retiree or for the retiree and his or her dependents. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<u>Retirement initial membership date</u>	
	Before July 1, 2011	After July 1, 2011
Years of service and receive benefits	Sum of years and age equals 80 10 years age 62 any years age 65	30 years age 55 25 years age 60 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for member who joined the ASRS prior to September 13, 2013 are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contribution and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members’ and the District’s contribution rates. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.35 percent (10.53 percent retirement, .70 percent for health insurance premiums and .12 percent for long-term disability) of the active members’ annual covered payroll. The District’s contributions to ASRS for the year ended June 30, 2016 was \$ 23,568.

The District's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

<u>Years ended June 30</u>	<u>Total Contribution</u>
2016	\$ 23,568
2015	22,358
2014	22,963

During fiscal year 2016, the District paid for ASRS from the general fund.

Pension Liability – At June 30, 2016, the District reported a liability of \$23,568 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all employers' contribution for the year ended June 30, 2015. The District's proportion measure as of June 30, 2015, was 0.056 percent, which was consistent to its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the District recognized pension expense for ASRS of \$ 22,538. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to ASR from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,987	\$ 13,179
Net difference between projected and actual earnings	0	11,729
Changes in proportion and differences between contributions and proportionate share of contributions	48,705	0
District contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 58,692</u>	<u>\$ 30,908</u>

The amount reported as deferred outflows of resources relates to ASRS pensions resulting from the District's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30

2016	\$ 28,447
2017	(1,015)
2018	(8,114)
2019	8,466
2020	0
2021 & Future	0

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	61%	7.03%
Fixed Income	22%	3.20%
Real Estate	7%	4.75%
Other	10%	4.5%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona Statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7 percent) or 1 percent point higher (9 percent) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
The district’s proportionate share of the net pension liability	<u>\$ 479,580</u>	<u>\$ 365,996</u>	<u>\$ 288,154</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Description – The District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to overall full-time personnel engage in fire suppression activities and/or fire support. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information of PSPRS. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

<u>Retirement and Disability</u>	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Years of service and age required to receive benefit	20 years any age 15 year age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<hr/> Survivor Benefit		
Retired Members	80% to 100% of retired members pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plan’s benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitle to but not yet receiving benefits	13
DROP	0
Active employees	<u>32</u>
Total	<u>0</u>

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active members and employer contribution rates are expected to finance costs of accrued liability. Contribution rates for the year ended June 30, 2015, active PSPRS members were required to contribute 7.65% of the members’ annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2016, was 11.93% for the pension plan, and 0.12% for the health insurance premium benefit. Total contributions made during the year were \$ 174,206.

Pension Liability – The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions:

- λ In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- λ The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Annual Pension Cost (APC) – The District’s annual and required contributions for the year ended June 30, 2016, were \$ 174,206. The District’s most recent actuarial valuation is for the year ended June 30, 2015. Information related to this valuation follows.

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Discount Rate	7.85%
Projected salary increases	4.50 – 8.50%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term investments	2%	.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

Pension Discount Rates – The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances At June 30, 2014	\$ 3,145,639	\$ 3,081,143	\$ 64,496
Changes for the current year:			
Service Cost	243,114	0	243,114
Interest on the total pension liability	251,945	0	251,945
Changes of benefit terms	0	0	0
Differences between expected and actual experience in the measurement of the pension liability	66,867	0	66,867
Change of assumptions or other inputs	0	0	0
Contributions – Employer	0	174,206	(174,206)
Contributions – Employee	0	176,956	(176,956)
Net investment income	0	116,873	(116,873)
Benefit payments, including refunds of employee contributions	(115,408)	(115,408)	0
Other changes	0	(5,826)	5,826
Net Changes	<u>446,518</u>	<u>346,801</u>	<u>99,717</u>
Balances at June 30, 2015	<u>\$ 3,592,157</u>	<u>\$ 3,427,944</u>	<u>\$ 164,213</u>

Sensitivity of the District’s net pension liability to changes in the discount rate – The following table presents the District’s net pension liability calculated using the discount rates noted above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.85%	Current Discount Rate 7.85%	1% Increase 8.85%
Net pension liability	<u>\$ 739,853</u>	<u>\$ 164,213</u>	<u>\$ (299,518)</u>

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2016, the District recognized pension expense for PSPRS of \$ 174,206. At June 30, 2016, the District reported deferred inflows of resources related pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 319,840	\$ 0
Changes of assumption or other inputs	161,217	87,966
Net difference between project and actual earnings on pension plan investments	<u>0</u>	<u>0</u>
Total	<u>\$ 588,923</u>	<u>\$ 87,966</u>

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ 64,048
2018	64,048
2019	64,048
2020	93,371
2021	66,566
Thereafter	<u>148,876</u>
	<u>\$ 500,957</u>

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016 were established by the June 30, 2014 actuarial valuations, and those valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plan's funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the District and plan's members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plan and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

OPEB Contribution Requirements

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

<u>PSPRS</u>	<u>Year ending June 30,</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>
Health Insurance	2013	\$ 10,695	100%
	2014	0	100%
	2015	2,105	100%

Agent Plan OPEB Funding Status (Required Supplementary Information) – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow:

<u>Health Insurance</u>						
<u>Valuation Date June 30,</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability (Excess)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as Percentage Of Covered Payroll</u>
2013	\$ 0	\$ 68,522	\$ 68,522	0.00%	\$1,194,411	5.74%
2014	135,393	64,602	(70,791)	209.58%	1,240,323	0.00%
2015	154,079	79,007	(75,072)	195.02%	1,622,093	00.0%

The actuarial methods and assumptions used are the same on all the PSPRS health insurance premium benefit plans (unless noted), and the most recent valuation date is as follows:

OPEB Funded Status

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

The District provides neither administrative services nor investment advice. Accordingly, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for either of the aforementioned plans, are not included as a fund of the District.

NOTE 17 - 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 18 - 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, 2016**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,525,180	\$ 1,525,180	\$ 1,522,643	\$ (2,537)
Fire District Assistance	305,036	305,036	306,293	1,257
Fees for Service	1,127,750	1,127,750	1,250,073	122,323
Grant Revenue	2,500,000	2,500,000	403,730	(2,096,270)
Interest	-	-	240	240
Miscellaneous	1,325	1,325	382,865	381,540
Total Revenues	5,459,291	5,459,291	3,865,844	(1,593,447)
Expenditures:				
Current:				
Public Safety	3,440,653	3,440,653	3,602,976	(162,323)
Administration	218,638	218,638	77,547	141,091
Grants	2,500,000	2,500,000	-	2,500,000
Capital Outlay	-	-	8,415	(8,415)
Total Expenditures	6,159,291	6,159,291	3,688,938	2,470,353
Excess (Deficiency) of Revenues over Expenditures	(700,000)	(700,000)	176,906	876,906
Net Change in Fund Balances	(700,000)	(700,000)	176,906	876,906
Fund Balances at Beginning of Year	700,000	700,000	697,475	(2,525)
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 874,381</u>	<u>\$ 874,381</u>

AVRA VALLEY FIRE DISTRICT

GASB STATEMENT NO. 27 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))	AAL as a Percent of Covered Payroll (b)/(c)
2006	\$1,222,432	\$ 938,311	(284,121)	130.3%	\$1,124,072	0.0%	83.5%
2007	1,763,763	1,584,515	(179,248)	111.3%	1,139,685	15.7%	139.0%
2008	1,739,910	885,299	(854,611)	196.5%	550,342	0.0%	160.9%
2009	1,976,863	1,040,144	(936,719)	190.1%	860,896	0.0%	120.8%
2010	2,155,657	1,224,422	(931,235)	176.1%	1,119,817	0.0%	109.3%
2011	2,136,749	1,517,475	(619,274)	140.8%	1,044,032	0.0%	145.3%
2012	2,542,667	1,810,845	(731,822)	140.4%	1,330,934	0.0%	136.1%
2013	2,908,326	2,389,866	(518,460)	121.7%	1,194,411	0.0%	200.1%
2014	3,124,467	3,145,639	21,172	99.3%	1,240,323	1.7%	253.6%
2015	3,508,070	3,592,157	84,087	97.7%	1,622,093	5.2%	221.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution
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
2016*	(est) 164,740
2017*	(est) 210,359

*This is the estimated Annual Required Contribution before the phase-in plan.

-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, 2015
Actuarial cost method:	Entry Age Normal
Amortization Method:	Level percent-of-pay closed
Remaining amortization period:	21 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*	4.0% - 8.0%
Payroll Growth	4.0%
Permanent Benefit Increases	Members Retired on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

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. 27.

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%
2014	\$135,393	\$64,602	\$(70,791)	209.58%	\$1,240,323	0.00%
2015	\$154,079	\$79,007	\$(75,072)	195.02%	\$1,622,093	0.00%

-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
2014	2016	0.41%	(0.41)%	0.00%	\$0
2015	2017	0.42%	(0.30)%	0.12%	\$2,105

Health Insurance Subsidy Payments Reported for FY 2015: \$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, 2015 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, 2015 issued November 6th 2015.

-See Accountant's Report-

**AVRA VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016**

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 22, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
August 26, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
Sept. 23, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
October 20, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
November 18, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
December 16, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
January 27, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
February 23, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
March 22, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
April 27, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
May 25, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
June 22, 2016	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ

BOARD MEMBERS:

<u>Name</u>	<u>Business Phone Number</u>	<u>Position</u>
Luis Castaneda , Jr	520-682-3255	Chairman
Sara Bauer	520-682-3255	Vice-Chairman
Thomas Armendarez	520-682-3255	Director
Eric Neilson	520-682-3255	Clerk
Brian Horch	520-682-3255	Director

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: 9926 Running Back Way, Red Rock

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**AVRA VALLEY FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS
June 30, 2016**

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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.

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

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, 2016, 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 4, 2017.

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.

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.

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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*.

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 4, 2017

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SAUNDERS COMPANY, LTD

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

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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	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH ARS 48-805.02

To the Governing Board
Avra Valley Fire District
Marana, Arizona

We have examined management's assertion that the Avra Valley Fire District has complied with Arizona Revised Statutes (ARS) 48-805.02(F) for the year ended June 30, 2016. This statute requires the District to comply with ARS 48-805 (B)(2), 48-806 and 48-807. These requirements relate to debt and liabilities incurred by the District. The District's management is responsible for the assertion and compliance with the provisions of these statutes. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination as conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the District's compliance with the statutes referred to above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In connection with our examination, nothing came to our attention that caused us to believe that the District's assertion of compliance with these statutes was inaccurate or that the District failed to comply with the provisions of ARS sections 48-805 (B)(2), 48-806, 48-807 and 48-805.02(F) as required, insofar as it relates to accounting matters. However, our examination was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the statute, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Governing Board and management of the District and the State of Arizona. This report is not intended to be and should not be used by anyone other than these specified parties.

Saunders Company, Ltd.

Glendale, Arizona

January 4, 2017

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