

**AVRA VALLEY FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2015**

**Saunders Company, Ltd  
6008 West Cortez Street  
Glendale, Arizona 85304  
Fax 602-926-2431  
Phone 623-476-8660**

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

**TABLE OF CONTENTS**

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

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	47	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) General Fund	49	G
Pension Financial Disclosures	50	
Notes to the Required Supplementary Information	53	
OTHER SUPPLEMENTARY INFORMATION	55	
Arizona Annual Report Information	57	
GOVERNMENT AUDIT STANDARDS SECTION	59	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	61	
Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63	
INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH ARS 48-805.02	67	

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

# SAUNDERS COMPANY, LTD

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

---

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

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Redheadedcutie10@AOL.com](mailto:Redheadedcutie10@AOL.com)

---

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

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

---

## INDEPENDENT AUDITOR'S REPORT

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 Xxxxx Fire District, Ccc, Arizona, as of and for the year ended June 30, 2015, 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, 2015, 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.

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**



**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.

*Implementation of New Accounting Standards*

As disclosed in the footnotes to the financial statements, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, And GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, during the fiscal year 2015.

**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, 2016, 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, 2016

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

# **Avra Valley Fire District**

## **Management's Discussion and Analysis of Basic Financial Statements**

**June 30, 2015**

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, 2015. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

### **Nature of Operations**

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

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

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

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

The District has 32 full-time employees of which 19 are EMT's, 9 are State certified paramedics, and 4 are administrative personnel. The District currently has a reserve pool of 6 employees, 2 paramedics and 4 FF/EMT.

The District operates under the supervision of a five-member Board of Directors. The members of the Board are elected at large from within the District's boundaries for four year terms and the chairperson position is elected by the Board members every year for a 1-year term. The present members of the Board are:

Luis J.G. Castaneda	Chairman
Aleyna Lassen	Vice-Chairwomen
Eric Neilson	Clerk
Sara Bauer	Member
Brian Horch	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 1,859 requests for service in FY 2014-15: 68 fire, 1,446 rescue/EMS, 10 hazmat and 335 non-emergency calls. Service is currently provided from four fire stations. For fiscal 2014-15, the District's resources arrived on the scene of all incidents within 14 minutes 85% of the time. ALS resources continue to exceed the timeframes outlined in the District's Certificate of Necessity (CON) with the State of Arizona. Water tenders were placed in service at all stations.

#### **Personnel**

During the fiscal year, the District promoted several reserve firefighters to full-time positions, and hired new reserve personnel. A captain's testing process was conducted resulting in 4 firefighters being promoted to Captain. Both the Fire Chief and the Assistant Chief completed another step in their Executive Fire Officer training through the National Fire Academy. Our District saw increased attendance at the State Fire School and one of our firefighters served as an instructor at the school. Training classes were offered in-house for Leadership I, II, and III, as well as Swift Water Rescue and Incident Safety. We continue to actively participate in Wildland suppression, sending crews to 9 incidents during the fiscal year.

#### **Administration**

The District's administrative team recently collaborated to produce both a Strategic Plan and a Disaster Recovery/Business Continuity Plan, complete with instructions for an Emergency Command Center (ECC). Additionally, procedures manuals for both the administrative division and the finance division, including internal controls, were updated to reflect current practices.

### **Fleet**

After being completely refurbished, Engine 217 was placed in service when Station 194 opened in Red Rock in January 2015. The entire refurbishment process was quite unique, allowing our District to serve as a role model to the Fire Community. Two new ambulances and two new command trucks were placed in service during the fiscal year. One ambulance was surplus during the fiscal year. A 1967 pumper was donated to the District. A new diagnostics software program was acquired to assist the fleet mechanic. And, radio equipment was acquired through the City of Tucson.

### **Logistics**

The District completed construction of Station 194 in the Red Rock area, with a well-attended grand opening celebration held in January 2015. Construction began for a new building at Station 192, with estimated completion in October 2015. Designs are in process for a new building at Station 193, as well as plans for a remodel of Station 191. These projects are being funded through the recent bond issue.

Near the end of the fiscal year, the District was notified that Pima County planned to terminate fuel and maintenance agreements with all outside agencies effective June 1, 2015. After research and consideration, the District entered into an agreement with Western Refining for above-ground diesel fuel tanks at stations 191 and 193, whereby Western Refining provides two new 1000-gallon storage tanks via permanent loan to the District.

### **Community Relations**

The District provided for several families through the annual holiday *Adopt-a-Family* program. Several community CPR classes were offered during the fiscal year. The firefighters conducted several safety and prevention classes at local elementary schools and provided station tours for many school children. Our personnel also participated in community events such as “Love of Reading” week, Vacation Bible School, and the “Climb for the Fallen” stair climb event.

Also during the fiscal year, the District has successfully taken steps to implement a Community Paramedicine program which will begin early in 2016.

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.

The District website has been revamped and is now successfully utilized to publicize important announcements and benchmarks for our Avra family, such as employee promotions and retirements, new apparatus, personnel training, wildland deployment, as well as our ongoing building projects. In addition, residents can now pay their ambulance billings and purchase burn permits online. District staff has accumulated old photos and news articles which are being compiled into an historical video of the District.

## **Financial Highlights**

- λ District investment in capital assets increased by \$722,847 or 32.55%.
- λ The District's net position increased \$174,076 or 12.47% from the previous fiscal year.
- λ Total revenues decreased \$2,523,132 or 38.87% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General activities was \$588,622.

## **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 Assets* 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, 2015**

	Balance <u>June 30, 2014</u>	Balance <u>June 30, 2015</u>
Invested in Capital Assets, net of related debt	\$ (1,414,798)	\$ (596,252)
Reserved – Debt Service	2,452,211	1,577,686
Unrestricted	<u>358,608</u>	<u>588,662</u>
<b>Total Net Position</b>	<b><u>\$ 1,396,021</u></b>	<b><u>\$ 1,570,096</u></b>

**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 the Arizona Emergency Response Commission (AzSERC) for hazmat equipment.

**General Fund Budgetary Highlights**

The District successfully identified alternate sources of revenue through City of Tucson and Silverbell Mining subscription services. An Assistance to Firefighters Grant (AFG) was written for and awarded in May 2014. The District used these grant funds to purchase new SCBA equipment during the fiscal year.

The District has been awarded a SAFER Grant to fund several new positions beginning in January 2016.

A wage/HR study was conducted in conjunction with preparation of a 5-year plan for a sustainable budget. Reporting policies were implemented to meet the HB2572 requirements. Internal control policies were codified.

Through coordinated efforts of all personnel, the District was able to streamline expenditures and ended the fiscal year on target. In addition to the grant revenues/expenditures previously discussed, general fund revenues were generated from the following sources:

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

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

## Capital Asset and Debt Administration

### Capital Assets

To continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. For fiscal year ended June 30, 2015 the District purchased, had contributed, or constructed the following assets:

- λ Hazmat equipment purchased through AzSERC grant
- λ Bond Funds were committed to the construction of Station 194 in Red Rock
- λ Bond Funds were committed to the remodel of Stations 191, 192 and 193

### Capital Assets, Net of Depreciation June 30, 2015

	<u>BALANCE</u> <u>06/30/2014</u>	<u>BALANCE</u> <u>06/30/2015</u>
<u>Depreciable Assets</u>		
Vehicles	\$2,948,301	\$ 2,933,135
Buildings	788,571	1,509,533
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>769,034</u>	<u>957,619</u>
Total Historical Costs	<u>4,480,542</u>	<u>5,474,923</u>
Less Accum Depreciation		
Vehicles	1,433,360	1,584,026
Buildings	310,608	339,808
Equipment, Admin	56,332	62,518
Equipment, Fire	<u>677,552</u>	<u>735,020</u>
Less: Total Accumulated Depreciation	<u>2,477,852</u>	<u>2,721,372</u>
Depreciable Capital Assets, Net	2,102,690	2,753,551
<u>Non-Depreciable Assets</u>		
Construction in Progress	10,000	81,986
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,220,798</u>	<u>\$ 2,943,645</u>



### **Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$3,642,489. All of the debt is backed by the full faith and credit of the District.

### **Outstanding Debt**

	<u>BALANCE</u> <u>06/30/2014</u>	<u>BALANCE</u> <u>06/30/2015</u>
Bonds Payable 03	\$ 248,000	\$ 203,000
Bonds Payable 13	2,935,000	2,935,000
2 Fire Engines	<u>452,596</u>	<u>401,897</u>
Total Lease/Purchases and Bonds	3,635,596	3,539,897
Compensated Absences	<u>86,174</u>	<u>102,592</u>
Totals	<u>\$3,721,770</u>	<u>\$3,642,489</u>

### **Factors Affecting Future Results**

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

- λ The District is in the process of implementing a Community Paramedicine program, which should come online in 2016.
- λ The District has begun a hiring process in response to the SAFER Grant award. New personnel will come on board in January 2016..
- λ As previously discussed, the District is rebuilding Station 192. It will go live in October 2015.
- λ Plans have been drawn and funds committed to reconstructing Station 193, as well as remodeling Station 191.

### **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

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

# **BASIC FINANCIAL STATEMENTS**

**AVRA VALLEY FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash & Cash Equivalents (Note 3)	\$ 1,847,958
Receivables:	
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 5)	273,898
Wildland (Note 5)	58,336
Property Taxes (Note 6)	254,918
Prepaid Interest	76,419
Prepaid Principal	123,000
Total Capital Assets, Net (Note 7)	2,943,645
 Total Assets	 5,578,174
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Pension	577,944
Total Deferred Outflow of Resources	577,944
<b>LIABILITIES</b>	
Accounts Payable	30,979
Payroll Taxes Payable	23,250
Wages Payable	74,102
Net Pension Liability	406,986
Compensated Absences (Note 10)	
Portion due within one year	25,648
Portion due after one year	102,592
Bond Payable (Note 11)	
Portion due within one year	123,000
Portion due after one year	3,015,000
Lease/Purchases Payable (Note 11 )	
Portion due within one year	52,276
Portion due after one year	349,621
Total Liabilities	4,203,454
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Pension	177,179
Deferred Property Taxes	205,388
Total Deferred Inflow of Resources	382,567
<b>NET POSITION</b>	
Invested in Capital Assets, Net of related Debt Restricted (Note 13)	(596,252) 1,577,687
Unrestricted (Note 13)	588,662
<b>Total Net Position</b>	<b>\$ 1,570,097</b>

-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, 2015**

Exhibit B

**Governmental  
Activities**

---

**EXPENSES**

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 2,763,808
Materials & Services	727,527
Depreciation	331,870
	<hr style="width: 100%;"/>
Total Program Expenses	3,823,205
	<hr style="width: 100%;"/>

**PROGRAM REVENUES**

Operating and Capital Grants	176,743
Charges for Service	1,245,368
	<hr style="width: 100%;"/>
Total Program Revenues	1,422,111
	<hr style="width: 100%;"/>
Net Program Expense	2,401,094
	<hr style="width: 100%;"/>

**GENERAL REVENUES**

Property Taxes	1,949,937
Fire District Assistance	325,661
Investment Earnings	116,582
Miscellaneous	259,130
	<hr style="width: 100%;"/>
Total General Revenues	2,651,310
	<hr style="width: 100%;"/>

Increase (Decrease) in Net Position	250,216
-------------------------------------	---------

<b>NET POSITION-BEGINNING OF THE YEAR</b>	<hr style="width: 100%;"/>
	1,319,880

<b>NET POSITION-END OF THE YEAR</b>	<hr style="width: 100%;"/>
	\$ 1,570,096
	<hr style="width: 100%;"/>

**AVRA VALLEY FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Exhibit C

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 3)	\$ 469,690	\$ 112,711	\$ 1,265,557	\$ 1,847,958
Receivables:				
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 5)	273,898	-	-	273,898
Property Taxes (Note 6)	254,918	-	-	254,918
Wildland (Note 5)	58,336	-	-	58,336
Prepaid Interest	-	76,419	-	76,419
Prepaid Principal	-	123,000	-	123,000
	<u>\$ 1,056,842</u>	<u>\$ 312,130</u>	<u>\$ 1,265,557</u>	<u>\$ 2,634,529</u>
Total Assets				
<b>LIABILITIES</b>				
Accounts Payable	\$ 30,979	\$ -	\$ -	\$ 30,979
Payroll Taxes Payable	23,250	-	-	23,250
Wages Payable	74,102	-	-	74,102
Compensated Absences (Note 10)	25,648	-	-	25,648
	<u>153,979</u>	<u>-</u>	<u>-</u>	<u>153,979</u>
Total Liabilities				
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable Property Tax Revenue	205,388	-	-	205,388
	<u>205,388</u>	<u>-</u>	<u>-</u>	<u>205,388</u>
Total Deferred Inflow of Resources				
<b>FUND BALANCES</b>				
Nonspendable (Note 13)	-	112,711	-	112,711
Restricted (Note 13)	-	199,419	1,265,557	1,464,976
Assigned (Note 13)	10,841	-	-	10,841
Unassigned (Note 13)	686,634	-	-	686,634
	<u>697,475</u>	<u>312,130</u>	<u>1,265,557</u>	<u>2,275,162</u>
Total Fund Balances				
Total Liabilities & Fund Balances	<u>\$ 1,056,842</u>	<u>\$ 312,130</u>	<u>\$ 1,265,557</u>	<u>\$ 2,634,529</u>

-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, 2015**

Exhibit D

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Property Taxes	\$ 1,656,361	\$ 293,576	\$ -	\$ 1,949,937
Fire District Assistance Tax	325,661	-	-	325,661
Fees for Service	1,245,368	-	-	1,245,368
Interest	793	916	8,861	10,570
Grants	176,743	-	-	176,743
Miscellaneous	259,130	-	-	259,130
	<u>3,664,056</u>	<u>294,492</u>	<u>8,861</u>	<u>3,967,409</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
Public Safety	3,231,936	-	-	3,231,936
Administration	13,048	300	-	13,348
Grants	-	-	-	-
Debt Service				
Principal	-	105,000	50,700	155,700
Interest	-	131,307	14,074	145,381
Capital Outlay	202,470	-	876,498	1,078,968
	<u>3,447,454</u>	<u>236,607</u>	<u>941,272</u>	<u>4,625,333</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>216,602</u>	<u>57,885</u>	<u>(932,411)</u>	<u>(657,924)</u>
Net Change in Fund Balances	216,602	57,885	(932,411)	(657,924)
<b>Fund Balances-Beginning of Year</b>	<u>480,873</u>	<u>254,244</u>	<u>2,197,967</u>	<u>2,933,084</u>
<b>Fund Balances-End of Year</b>	<u>\$ 697,475</u>	<u>\$ 312,129</u>	<u>\$ 1,265,556</u>	<u>\$ 2,275,160</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, 2015**

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C)		\$ 2,275,162
--	--	--------------

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

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

Governmental Capital Assets		5,665,017	
Less: Accumulated Depreciation		<u>(2,721,372)</u>	
			2,943,645

Deferred Outflows of Resources			577,944
--------------------------------	--	--	---------

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.			(3,642,489)
---	--	--	-------------

Net Pension Liability Restated per GASB #68			(406,986)
---	--	--	-----------

Deferred Inflows of Resources			<u>(177,179)</u>
-------------------------------	--	--	------------------

Net Position of Governmental Activities (Exhibit A)			<u><u>\$ 1,570,097</u></u>
---	--	--	----------------------------



**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, 2015**

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)	\$ (657,924)
---	--------------

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.	722,847
--	---------

Net Changes to Deferred Outflows or Inflows of Resources	264,574
--	---------

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>(79,281)</u>
---	-----------------

Change in Net Position of Governmental Activities (Exhibit B)	<u><u>\$ 250,216</u></u>
---	--------------------------

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 1<sup>st</sup> 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, 2015:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 250,000	\$	\$	\$ 250,000
Collateralized	189,099			189,099
Uninsured	<u>46,531</u>	<u>112,711</u>	<u>1,291,789</u>	<u>1,451,031</u>
Total Deposits	485,630	112,711	1,291,789	1,890,130
In Transit Items	<u>(16,040)</u>	<u>0</u>	<u>(26,232)</u>	<u>(42,272)</u>
Total Depository Accounts	469,590	112,711	1,265,557	1,847,858

NON DEPOSITORY ACCOUNTS

Cash on Hand	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Total Non Depository Accounts	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Total Cash & Cash Equivalents	<u>\$ 469,690</u>	<u>\$ 112,711</u>	<u>\$ 1,265,557</u>	<u>\$ 1,847,958</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	\$ 1,451,031

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, 2015:

For Pool 5	40 Days
For Pool 7	47 Days
For Pool 500	1.54 Years
For Pool 700	1.73 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 \$292,143 with an allowance for bad debt of \$18,245 at June 30, 2015. This gave a net of \$273,898, before write off allowances and contractual adjustments, which was expected to be collectable.

Wildland receivables were \$58,336 with an allowance for bad debt of \$0.00 at June 30, 2015. This gave a net of \$58,336 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>06/30/2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2015</u>
<u>Depreciable Assets</u>				
Vehicles	\$2,948,301	\$ 73,184	\$ 88,350	\$ 2,933,135
Buildings	788,571	720,962	0	1,509,533
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>769,034</u>	<u>188,585</u>	<u>0</u>	<u>957,619</u>
Total Historical Costs	<u>4,480,542</u>	<u>982,731</u>	<u>88,350</u>	<u>5,474,923</u>
Less Accum Depreciation				
Vehicles	1,433,360	239,016	88,350	1,584,026
Buildings	310,608	29,200	0	339,808
Equipment, Admin	56,332	6,186	0	62,518
Equipment, Fire	<u>677,552</u>	<u>57,468</u>	<u>0</u>	<u>735,020</u>
Less: Total Accumulated Depreciation	<u>2,477,852</u>	<u>331,870</u>	<u>0</u>	<u>2,721,372</u>
Depreciable Capital Assets, Net	2,102,690	650,861	0	2,753,551
<u>Non-Depreciable Assets</u>				
Construction in Progress	10,000	76,986	5,000	81,986
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$2,220,798</u>	<u>\$ 727,847</u>	<u>\$ 5,000</u>	<u>\$ 2,943,645</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, 2015 were as follows:

Governmentwide Deferred Outflows	
	Government <u>Activities</u>
Pensions	<u>\$ 577,944</u>
Total Governmental Activities	<u>\$ 577,944</u>

Deferred Inflows of Resource balances for the year ended June 30, 2015 were as follows:

Governmentwide Deferred Inflows	
	Government <u>Activities</u>
Property Taxes	\$ 205,388
Pensions	<u>177,179</u>
Total Governmental Activities	<u>\$ 382,567</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, 2015 was \$128,240. 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 11<sup>th</sup> 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 1<sup>st</sup> and January 1<sup>st</sup> each year and annual principal payments due each July 1<sup>st</sup>. 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 1<sup>st</sup> 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 1<sup>st</sup> and January 1<sup>st</sup> each year and annual principal payments due each July 1<sup>st</sup>. 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 27<sup>th</sup> 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 15<sup>th</sup> in the amount of \$64,774 with a final payment due on June 15<sup>th</sup>, 2022.

Changes in Long-Term Debt:

	BALANCE <u>06/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	BALANCE <u>06/30/2015</u>
Bonds Payable 03	\$ 248,000	\$ 0	\$ 45,000	\$ 203,000
Bonds Payable 13	2,935,000	0	0	2,935,000
2 Fire Engines	<u>452,596</u>	<u>0</u>	<u>50,699</u>	<u>401,897</u>
Total Lease/Purchases and Bonds	3,635,596	0	95,699	3,539,897
Compensated Absences	<u>86,174</u>	<u>16,418</u>	<u>0</u>	<u>102,592</u>
Totals	<u>\$3,721,770</u>	<u>\$ 16,418</u>	<u>\$ 95,699</u>	<u>\$3,642,489</u>

**NOTE 12 - FUTURE MINIMUM LEASE/PURCHASE AND BOND OBLIGATIONS**

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2015, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 52,276	\$ 12,498	\$ 64,774
2017	53,902	10,872	64,774
2018	55,578	9,196	64,774
2019	57,306	7,468	64,774
2020	59,088	5,686	64,774
2021/2022	<u>123,747</u>	<u>5,402</u>	<u>129,149</u>
Total Obligation	401,897	\$ <u>51,122</u>	\$ <u>453,019</u>
Less amount due within 1 year	<u>52,276</u>		
Amount due after 1 year	\$ <u>349,621</u>		



The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2015, were as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 123,000	\$ 141,130	\$ 264,130
2017	135,000	127,466	262,466
2018	142,000	123,080	265,080
2019	153,000	117,998	270,998
2020	165,000	112,906	277,906
2021/2025	865,000	473,263	1,338,263
2026/2030	1,020,000	277,922	1,297,922
2031/2032	<u>535,000</u>	<u>28,481</u>	<u>563,481</u>
Total Obligation	3,138,000	\$ <u>1,402,246</u>	\$ <u>4,540,246</u>
Less amount due within 1 year	<u>123,000</u>		
Amount due after 1 year	\$ <u>3,015,000</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	\$ (596,252)
Restricted – Debt Service	1,577,687
Unrestricted	<u>588,662</u>
Total Net Position	<u>\$ 1,570,097</u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	\$ 1,464,976
Assigned – Payroll	10,841
Non Spendable	112,711
Unassigned Fund Balances	<u>686,634</u>
Total Fund Balance	<u>\$ 2,275,162</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 (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)**

##### **Plan Descriptions**

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

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

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

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

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

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

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

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

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

**NOTE 17 – PENSIONS – Liabilities, Expenses and Deferred Cash Flows**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability of \$342,490 for the Arizona State Retirement System as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2014, the District's proportion was 0.002315, which was an increase of 0.000684 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension total expenses of \$56,945. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 314,126	\$ 0
Changes in assumptions	184,685	0
Net difference between projected and actual earning on retirement plan investments	0	177,179
Changes in proportion and differences between District contributions and proportionate share of contributions	79,133	0
	<u>\$ 577,944</u>	<u>\$ 177,179</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

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>	<u>Amount</u>
2016	\$ 57,160
2017	27,778
2018	15,186
2019	30,159
2020	59,481
Thereafter	<u>184,000</u>
Total	<u>\$373,764</u>

**NOTE 18 – PENSION**

Actuarial Assumptions - PSPRS

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

**Methods and Assumptions Used to Determine Total Pension Liability:**

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	4.00%
Price Inflation	3.0% - 4.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

**Other Information:**

Assumed Future Permanent  
Benefit Increases

Members retired on or before July 1, 2011: 2% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona Public Safety Personnel Retirement System annual actuarial valuation report.

**NOTE 19 - 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 20 - NEW ACCOUNTING PRONOUNCEMENTS**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68	<i>“Accounting and Financial Pensions – an amendment of GASB Statement No. 27”</i>	The provisions of this <i>Reporting for</i> statement are effective for financial statements for fiscal years beginning after June 15, 2014.
Statement No. 69	<i>“Government Combinations And Disposals of Government Operations”</i>	The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.
Statement No. 71	<i>“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 27”</i>	The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

**NOTE 21 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment was made to adjust the governmental activities beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability, to comply with GASB Statement #68.

The restatement of beginning net position of the governmental activities is summarized as follows:

	Governmental <u>Activities</u>
Net position at July 1, 2014	\$ 1,396,021
Net pension liability adjustment	(112,232)
Net property tax adjustment	<u>36,091</u>
Net restated position at July 1, 2014	<u>\$ 1,319,880</u>

**NOTE 22 - 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**

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**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, 2015**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,638,408	\$ 1,638,408	\$ 1,656,361	\$ 17,953
Fire District Assistance	327,682	327,682	325,661	(2,021)
Fees for Service	1,001,375	1,001,375	1,245,368	243,993
Grant Revenue	1,500,000	1,500,000	176,743	(1,323,257)
Interest	-	-	793	793
Miscellaneous	350,000	350,000	259,130	(90,870)
<b>Total Revenues</b>	<b>4,817,465</b>	<b>4,817,465</b>	<b>3,664,056</b>	<b>(1,153,409)</b>
Expenditures:				
Current:				
Public Safety	3,303,265	3,303,265	3,231,936	71,329
Administration	14,200	14,200	13,048	1,152
Grants	1,500,000	1,500,000	-	1,500,000
Capital Outlay	-	-	202,470	(202,470)
<b>Total Expenditures</b>	<b>4,817,465</b>	<b>4,817,465</b>	<b>3,447,454</b>	<b>1,370,011</b>
Excess (Deficiency) of Revenues over Expenditures	-	-	216,602	216,602
Net Change in Fund Balances	-	-	216,602	216,602
Fund Balances at Beginning of Year	0	0	480,873	480,873
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 697,475</u>	<u>\$ 697,475</u>

**AVRA VALLEY FIRE DISTRICT**

**GASB STATEMENT NO. 27 SUPPLEMENTARY PENSION INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

**(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)**

<b>Year Ended June 30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b)-(a)/(c))</b>
2003	847,550	416,668	(430,882)	203.4%	435,669	0.0%
2004	947,980	514,211	(433,769)	184.4%	607,400	0.0%
2005	1,062,739	702,852	(359,887)	151.2%	802,357	0.0%
2006	1,222,432	938,311	(284,121)	130.3%	1,124,072	0.0%
2007	1,763,763	1,584,515	(179,248)	111.3%	1,139,685	15.7%
2008	1,739,910	885,299	(854,611)	196.5%	550,342	0.0%
2009	1,976,863	1,040,144	(936,719)	190.1%	860,896	0.0%
2010	2,155,657	1,224,422	(931,235)	176.1%	1,119,817	0.0%
2011	2,136,749	1,517,475	(619,274)	140.8%	1,044,032	0.0%
2012	2,542,667	1,810,845	(731,822)	140.4%	1,330,934	0.0%
2013	2,908,326	2,389,866	(518,460)	121.7%	1,194,411	0.0%
2014	3,124,467	3,145,639	21,172	99.3%	1,240,323	1.7%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>
2003	22,979
2004	24,943
2005	32,546
2006	34,228
2007	56,759
2008	52,304
2009	83,266
2010	45,299
2011	(est) 60,271
2012	(est) 106,690
2013	(est) 130,759
2014	(est) 179,604
2015	(est) 154,171
2016*	(est) 164,740

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

## 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, 2014
Actuarial cost method:	Entry Age Normal
Amortization Method:	Level percent-of-pay closed
Remaining amortization period:	22 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% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

## **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%

**ANNUAL REQUIRED CONTRIBUTION**

<b>Valuation Date June 30</b>	<b>Fiscal Year Ended June 30</b>	<b>Normal Cost (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Total (a) + (b)</b>	<b>Dollar Amount</b>
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%	(0.41%)	\$0

**Health Insurance Subsidy Payments Reported for FY 2014:** \$0

**BENEFITS**

Normal retirement is the first day of the month following completion of 20 years of service or following the 62<sup>nd</sup> 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, 2014 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, 2014 issued October 27<sup>th</sup> 2014.

**AVRA VALLEY FIRE DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2015**

**1. BUDGETARY BASIS OF PRESENTATION**

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

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

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

**2. PUBLIC SAFETY PENSION DISCLOSURE INFORMATION**

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

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**



## **OTHER SUPPLEMENTARY INFORMATION**

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2015**

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 23, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
August 27, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
Sept. 24, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell , Marana , AZ
October 28, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana, AZ
November 14, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana, AZ
December 16, 2014	10:00 A.M	Halberg Community Center, 15790 W Silverbell, Marana, AZ
January 27, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
February 25, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
March 25, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
April 22, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
May 27, 2015	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
June 23, 2015	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	520-682-3255	Chairman
Sara Bauer	520-682-3255	Director
Aleyna Lassen	520-682-3255	Vice-Chairman
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: NONE.**

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
GOVERNMENT AUDIT STANDARDS**

**June 30, 2015**

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
TABLE OF CONTENTS  
GOVERNMENT AUDIT STANDARDS SECTION  
JUNE 30, 2015**

	<u>PAGE</u>
GOVERNMENT AUDIT STANDARDS SECTION	59
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	61
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement s Performed in Accordance with <i>Government Auditing Standards</i>	63
INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH ARS 48-805.02	67

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**



# SAUNDERS COMPANY, LTD

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

---

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

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Redheadedcutie10@AOL.com](mailto:Redheadedcutie10@AOL.com)

---

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

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

---

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

To the Governing Board  
Avra Valley Fire District  
Marana, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2015, 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, 2016.

### 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.

### 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*.

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

Independent Auditor's Report on Internal Control...  
June 30, 2015  
Page 2

### **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, 2016

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

# SAUNDERS COMPANY, LTD

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

---

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

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Redheadedcutie10@AOL.com](mailto:Redheadedcutie10@AOL.com)

---

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

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

---

## **INDEPENDENT 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, 2015. 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 Districts 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 no 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, 2016

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**