

EXHIBIT B
AMBULANCE REVENUE AND COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

Reporting Ambulance Service

Report Fiscal Year

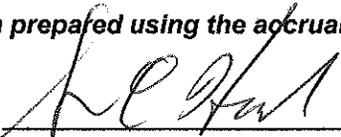
From: 07/01/14 To: 06/30/15
Mo. Day Year Mo. Day Year

CERTIFICATION

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature:  Date: 2/4/16

Print Name and Title: STEVEN C. HOLT Fire Chief

Mail to:

Arizona Department of Health Services
Bureau of Emergency Medical Services
Ambulance and Regional Services
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007
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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Tonto Basin Fire Districts
 FOR THE PERIOD FROM: 07/01/14 TO: 06/30/15

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	* (2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
01	Number of ALS Billable Transports:			203	203
02	Number of BLS Billable Transports :			11	11
03	Number of Loaded Billable Miles :			5255.8	5255.8
04	Waiting Time (Hr. & Min.):			0	0
05	Canceled (Non-Billable) Runs:			0	0

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

06	ALS Base Rate Revenue	\$193,023.60
07	BLS Base Rate Revenue	10,466.83
08	Mileage Charge Revenue	50,001.38
09	Waiting Charge Revenue	0
10	Medical Supplies Charge Revenue	3,771.76
11	Nurses Charge Revenue	0
12	Standby Charge Revenue (Attach Schedule)	
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE	\$257,263.57

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:		**No. of F.T.E.s
14	Management	\$ 109,283.80 3
15	Paramedics and IEMTs	64,134.22 \$ 60,475.67 2
16	Emergency Medical Technician (EMT)	161,814.94 \$ 121,361.21 4.8
17	Other Personnel	\$ 10,600.00
18	Payroll Taxes and Fringe Benefits - All Personnel	114,305.98 \$ 85,729.19

*This column reports only those runs where a contracted discount rate was applied.

**Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Tonto Basin Fire District
 FOR THE PERIOD FROM: 07/01/14 TO: 06/30/15

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION	FROM	
Operating Revenues:			
01	Total Ambulance Service Operating Revenue	Page 2, Line 13	\$ <u>257,263.57</u>
Settlement Amounts:			
02	AHCCCS		(21441.03)
03	Medicare		(41561.49)
04	Subscription Service		(0)
05	Contractual		(19,380.53)
06	Other		(3,959.14)
07	Total (Sum of Lines 02 through 06)		(86,345.19)
08	Total Operating Revenue (Line 01 minus Line 07)		\$ <u>170,914.38</u>
Operating Expenses:			
09	Bad Debt		\$ 8,831.25
10	Total Salaries, Wages, and Employee-Related Expenses		<u>387,450.17</u>
11	Professional Services		<u>116,424.56</u>
12	Travel and Entertainment		<u>1261.89</u>
13	Other General Administrative		<u>30,609.34</u>
14	Depreciation		<u>0</u>
15	Rent/Leasing		<u>45,410.03</u>
16	Building/Station		<u>20,502.40</u>
17	Vehicle Expense		<u>35,899.49</u>
18	Other Operating Expense		<u>3,718.10</u>
19	Cost of Medical Supplies Charged to Patients		<u>11,758.46</u>
20	Interest		<u>0</u>
21	Subscription Service Sales Expense		<u>0</u>
22	Total Operating Expense (Sum of Lines 09 through 21)		<u>561,866.46</u>
23	Total Operating Income or Loss (Line 08 minus Line 22)		\$ <u><390,951.91></u>
24	Subscription Contract Sales		<u>0</u>
25	Other Operating Revenue		<u>0</u>
26	Local Supportive Funding		<u>0</u>
27	Other Non-Operating Income (Attach Schedule)		<u>0</u>
28	Other Non-Operating Expense (Attach Schedule)		<u>0</u>
29	NET INCOME/(LOSS) (Line 23 plus Sum of Lines 24 through 28)		\$ <u><390,951.91></u>

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TONTO BASIN FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

**Saunders Company, Ltd.
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Glendale, Arizona 85304
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Phone 623-476-8660**

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**TONTO BASIN FIRE DISTRICT
TONTO BASIN, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2015**

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**TONTO BASIN FIRE DISTRICT
 TONTO BASIN, ARIZONA
 FINANCIAL STATEMENTS
 JUNE 30, 2015**

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SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT	6008 W. CORTEZ ST
CERTIFIED FRAUD EXAMINER	GLENDALE, ARIZONA 85304
CERTIFIED GOVERNMENT FINANCIAL MANAGER	Tel: (623) 476-8660
LICENSED PRIVATE INVESTIGATOR S #01534603, # 1003706	Fax: (602) 926-2431
CERTIFIED IN FINANCIAL FORENSICS	E-Mail: JamesH49@AOL.com
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT	Redheadedcutie10@AOL.com

Member: American Institute of Certified Public Accountants	Arizona Association of Licensed Private Investigators	International Association of Certified Fraud Examiners
Arizona Society of Certified Public Accountants	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Tonto Basin Fire District
Tonto Basin, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tonto Basin Fire District, Tonto Basin, 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.

Basis for Qualified Opinion

We were unable to obtain a discussion or evaluation from the District's outside legal counsel of the pending or threatened litigation described in Note 20. We were unable to obtain sufficient appropriate audit evidence by performing other auditing procedures.

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Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph 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 Tonto Basin 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.

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.

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 9-956 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Arizona State Fire Marshal as mandated 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 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 8, 2016

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Tonto Basin Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2015

The following discussion and analysis of the Tonto Basin 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 Tonto Basin Fire District provides Fire, Ambulance, and Paramedic services to homes, property and persons residing within the District boundaries, as well as services to locations and persons outside the District thru mutual aid agreements and contracts.

Results of Operations

55 Fire related calls

398 EMS related calls

Participated in Fire Safety Week at School

Participated in Open House for K – 1st grade

Secured Grants from VFA & Freeport Mine

Financial Highlights

- λ District investment in capital assets decreased by \$204,838 or 26.68%.
- λ The District's net position increased \$84,305 or 10.56% from the previous fiscal year.
- λ Total revenues increased \$107,643 or 10.73% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the Governmental activities was \$516,936.

Overview of the Financial Statements

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

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

Government - Wide Financial Statements

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

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

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

Fund Financial Statements

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

Net Position June 30, 2015

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
Invested in Capital Assets, Net of related Debt	\$ 519,791	\$ 365,914
Unrestricted	<u>278,754</u>	<u>516,936</u>
Total Net Position	<u>\$ 798,545</u>	<u>\$ 882,850</u>

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Governmental Activities

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

Additional revenue of:

Ambulance revenue of \$142,485.81

Lease income of \$9562.38

Sale of "Hilltop" real estate to Gila County

General Fund Budgetary Highlights

Tonto Basin Fire District stayed within the budget in fiscal year 2014/2015 .

Capital Assets

In order to continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects.

For fiscal year ended June 30, 2015 the District purchased, had contributed, or constructed the following assets:

Lease Purchase 2015 Chevrolet Tahoe and 4 Panasonic Toughpads

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Capital Assets, Net of Depreciation June 30, 2015

	BALANCE <u>06/30/2014</u>	BALANCE <u>06/30/2015</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 925,055	\$ 960,140
Buildings	200,102	200,102
Equipment, Fire	<u>432,082</u>	<u>446,298</u>
Total Historical Costs	<u>1,557,239</u>	<u>1,606,540</u>
Less Accum Depreciation		
Vehicles	642,383	700,595
Buildings	61,045	66,048
Equipment, Fire	<u>341,489</u>	<u>368,073</u>
Less: Total Accumulated Depreciation	<u>1,044,917</u>	<u>1,134,716</u>
Depreciable Capital Assets, Net	512,322	471,824
<u>Non-Depreciable Assets</u>		
Land	<u>255,332</u>	<u>90,992</u>
Capital Assets, Net	<u>\$ 767,654</u>	<u>\$ 562,816</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$205,909. All of the debt is backed by the full faith and credit of the District.

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Outstanding Debt

	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2015</u>
Ambulance Lease	\$ 181,048	\$ 142,464
Land, E-Ones, Trailer	66,814	0
Tahoe Lease	<u>0</u>	<u>54,438</u>
Total Lease Obligations	247,862	196,902
Compensated Absences	<u>11,468</u>	<u>9,007</u>
Totals	<u>\$ 259,330</u>	<u>\$ 205,909</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 that vary with economic conditions.

Declining property values and new legislation will negatively impact tax revenues for the next several years. SB 2641 limits the increase in tax levy starting with tax year 2008 at 8%. New legislation limits the increase in assessed valuation to 5% per year and the tax levy ceiling of 3.25% remains in effect. As property values decline so will the ability of the fire district to levy tax. When property values begin to rebound and the economy improves the fire district will be limited in its ability to increase tax and it will take many years to get back to where we were prior to the failure of the housing market and the weak economy.

Contacting The District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Tonto Basin Fire District at P.O. Box 48 373 S. Old Hwy 188 Tonto Basin, AZ 85553

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BASIC FINANCIAL STATEMENTS

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**TONTO BASIN FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

Exhibit A

**Governmental
Activities**

ASSETS

Cash & Cash Equivalents (Note 3)	\$	461,458
Receivables:		
Ambulance Service Fes, Net Allowance for Doubtful Accounts (Note 5)		39,202
Property Taxes (Note 6)		113,944
Wildland (Note 5)		51,939
Total Capital Assets, Net (Note 7)		<u>562,816</u>
 Total Assets		 <u>1,229,359</u>

LIABILITIES

Accounts Payable		6,498
Payroll Taxes Payable		9,578
Wages Payable		11,718
Due to Volunteer Pension Fund		3,551
Compensated Absences (Note 11)		
Portion due within one year		2,252
Portion due after one year		9,007
Lease/Purchases Payable (Note 12)		
Portion due within one year		49,909
Portion due after one year		<u>146,993</u>
 Total Liabilities		 <u>239,506</u>

DEFERRED INFLOW OF RESOURCES

Deferred Property Taxes		<u>107,003</u>
 Total Deferred Inflow of Resources		 <u>107,003</u>

NET POSITION

Invested in Capital Assets, Net of related Debt Unrestricted (Note 14)		365,914 <u>516,936</u>
 Total Net Position	 \$	 <u>882,850</u>

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

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**TONTO BASIN FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B

	Governmental Activities
EXPENSES	
Public Safety - Fire/EMS Protection	
Personnel Services	\$ 508,670
Materials & Services	193,667
Depreciation	100,299
Total Program Expenses	802,636
PROGRAM REVENUES	
Charges for Service	212,846
Total Program Revenues	212,846
Net Program Expense	589,790
GENERAL REVENUES	
Property Taxes	554,220
Fire District Assistance	42,212
Investment Earnings	2,896
Miscellaneous	74,767
Total General Revenues	674,095
Increase (Decrease) in Net Position	84,305
NET POSITION-BEGINNING OF THE YEAR	798,545
NET POSITION-END OF THE YEAR	\$ 882,850

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

**TONTO BASIN FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

Exhibit C

General

ASSETS

Cash and Cash Equivalents (Note 3)	\$	461,458
Receivables:		
Ambulance Service Fees, Net Allowance for Doubtful Accounts (Note 5)		39,202
Property Taxes (Note 6)		113,944
Wildland (Note 5)		<u>51,939</u>
 Total Assets	 \$	 <u><u>666,543</u></u>

LIABILITIES

Accounts Payable	\$	6,498
Payroll Taxes Payable		9,578
Wages Payable		11,718
Due to Volunteer Pension Fund		3,551
Compensated Absences (Note 11)		
Portion due within one year		<u>2,252</u>
 Total Liabilities		 <u><u>33,597</u></u>

DEFERRED INFLOW OF RESOURCES

Unavailable Property Tax Revenue		<u>107,003</u>
 Total Deferred Inflow of Resources		 <u><u>107,003</u></u>

FUND BALANCES

Assigned Capital (Note 14)		248,061
Unassigned (Note 14)		<u>277,882</u>
 Total Fund Balances		 <u><u>525,943</u></u>
 Total Liabilities & Fund Balances	 \$	 <u><u>666,543</u></u>

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

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**TONTO BASIN FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2015**

Exhibit D

	General
REVENUE	
Property Taxes	\$ 554,220
Fire District Assistance Tax	42,212
Fees for Service	212,846
Interest	2,896
Miscellaneous	299,107
Total Revenues	1,111,281
EXPENDITURES	
Current:	
Public Safety	690,030
Administration	7,707
Debt Service	
Principal	110,960
Interest	5,926
Capital Outlay	60,937
Total Expenditures	875,560
Excess (Deficiency) of Revenues over Expenditures	235,721
Net Change in Fund Balances	235,721
Fund Balances-Beginning of Year	290,222
Fund Balances-End of Year	\$ 525,943

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

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**TONTO BASIN 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) \$ 525,943

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	1,697,532	
Less: Accumulated Depreciation	<u>(1,134,716)</u>	562,816

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(205,909)</u>
--	--	------------------

Net Position of Governmental Activities (Exhibit A)		<u>\$ 882,850</u>
---	--	-------------------

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**TONTO BASIN 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)	\$	235,721
---	----	---------

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 depreciation expense exceeded capital outlay in the current period.		(204,838)
--	--	-----------

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>53,422</u>
---	--	---------------

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>84,305</u>
---	----	---------------

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**TONTO BASIN FIRE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

Exhibit G

**Volunteer
Pension
Fund**

ASSETS

Cash & Cash Equivalents	\$ 40,254
Receivables	
Due from General Fund	3,551
Investments, at fair value	
Mutual Funds	<u>140,137</u>
Total Assets	<u><u>183,942</u></u>

LIABILITIES

Accounts Payable	<u>-0-</u>
Total Liabilities	<u>-0-</u>

NET POSITION

Held in trust for pension and other purposes	<u><u>\$ 183,942</u></u>
---	--------------------------

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**TONTO BASIN FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit H

	<u>Volunteer Pension Fund</u>
ADDITIONS	
Other	
Contributions	\$ 17,172
Other	15
State Fire Marshal	4,734
Total Other Contributions	<u>21,921</u>
Investment Earnings:	
Interest & Dividends	2,735
Net Increase in the fair value of investments	<u>4,648</u>
Total Investment Earnings	7,383
Less Investment Expense	<u>2,641</u>
Net Investment Earnings	<u>4,742</u>
Total Additions	<u>26,663</u>
DEDUCTIONS	
Distributions	<u>12,988</u>
Total Deductions	<u>12,988</u>
Change in Net Position	13,675
Net Position - Beginning	<u>170,267</u>
Net Position - Ending	<u><u>\$ 183,942</u></u>

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TONTO BASIN FIRE DISTRICT
TONTO BASIN, 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.

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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.

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The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. This fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

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 \$5,000 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

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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:

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

Fund Balances on Government Fund Financial Statements – Exhibit C

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

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

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

Accounting Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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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.

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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>Trust Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 4,523	\$ 0	\$ 4,523
Uninsured & Uncollateralized	<u>475,441</u>	<u>180,390</u>	<u>655,831</u>
Total Deposits	479,964	180,390	660,354
In Transit Items	<u>(18,656)</u>	<u>0</u>	<u>(18,656)</u>
Total Depository Accounts	461,308	180,390	641,698

NON-DEPOSITORY
ACCOUNTS

Cash On Hand	<u>150</u>	<u>0</u>	<u>150</u>
Total Non-Depository Accounts	<u>150</u>	<u>0</u>	<u>150</u>
Total Cash & Cash Equivalents	<u>\$ 461,458</u>	<u>\$ 180,390</u>	<u>\$ 641,848</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	\$ 480,226
Ameritrade	Unrated	Not Applicable	<u>175,605</u>
Total District Investment Accounts			<u>\$ 655,831</u>

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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

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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.

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 \$99,924 with an allowance for bad debt of \$60,722 at June 30, 2015. This gave a net of \$39,202 which was expected to be collectable, before contractual writeoffs.

Wildland receivables were \$51,939 with an allowance for bad debt of \$0 at June 30, 2015. This gave a net of \$51,939 which was expected to be collectable, before contractual writeoffs.

NOTE 6 - PROPERTY TAX REVENUE RECEIVABLE

Property Tax Receivables arise when property taxes are levied by 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.

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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	\$ 925,055	\$ 45,585	\$ 10,500	\$ 960,140
Buildings	200,102	0	0	200,102
Equipment, Fire	<u>432,082</u>	<u>14,216</u>	<u>0</u>	<u>446,298</u>
Total Historical Costs	<u>1,557,239</u>	<u>59,801</u>	<u>10,500</u>	<u>1,606,540</u>
Less Accum Depreciation				
Vehicles	642,383	68,712	10,500	700,595
Buildings	61,045	5,003	0	66,048
Equipment, Fire	<u>341,489</u>	<u>26,584</u>	<u>0</u>	<u>368,073</u>
Less: Total Accumulated Depreciation	<u>1,044,917</u>	<u>100,299</u>	<u>10,500</u>	<u>1,134,716</u>
Depreciable Capital Assets, Net	512,322	(40,498)	0	471,824
<u>Non-Depreciable Assets</u>				
Land	<u>255,332</u>	<u>0</u>	<u>164,340</u>	<u>90,992</u>
Capital Assets, Net	<u>\$ 767,654</u>	<u>\$ (40,498)</u>	<u>\$ 164,340</u>	<u>\$ 562,816</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 Inflows of Resource balances for the year ended June 30, 2015 were as follows:

Governmentwide Deferred Inflows	Government Activities
Property Taxes	<u>\$ 107,003</u>
Total Governmental Activities	<u>\$ 107,003</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 – SHORT-TERM INDEBTEDNESS

The District utilizes a credit line with a limit of 90% of their budget. As of June 30, 2015, the balance outstanding was approximately \$ 0 and it all was available. The interest rate, at year end, was a % of prime interest rate. The District routinely pays the balance in full when funds are available.

Changes in Short-Term Indebtedness:

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Line of Credit	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Totals	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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NOTE 11 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred.

Vacation time is for full time employees and they may carry up to 220 vacation hours. Full time employees may cash out vacation hours in the event of termination or retirement. Vacation accruals are reported on the financial statement.

Sick leave time is lost on termination or resignation. No cash out is available. The amount of sick leave on June 30, 2015 is \$7,417.

NOTE 12 – 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

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

Land, E-Ones, Travel Trailer: On May 20, 2009, the District entered into a lease-purchase agreement with Zion Bank to purchase 2 E-One Fire Engines, a Jay-Lite Travel Trailer and land to place the trailer on. In addition, the land lease-purchase dated July 3, 2007 was rolled into this lease. The original amount of the lease was 230,659 with semi-annual payments of \$20,263.01 ending on November 20th, 2017, at an interest rate of 4.843%. Paid off during Fiscal year 14-15.

Ambulance Lease-Purchase: On October 1st, 2013, the District entered into a lease-purchase agreement with Zion Bank for the financing of an ambulance and equipment. The original amount of the lease was \$200,000 with semi-annual payments of \$21,332.22 ending on October 1st, 2018, at an interest rate of 2.38%.

Tahoe Lease-Purchase: On March 15th, 2015, the District entered into a lease-purchase agreement with National Bank for the financing of a Tahoe and equipment. The original amount of the lease was \$60,000 with semi-annual payments of \$5,789 ending on May 15th, 2020, at an interest rate of 2.270%.

Changes in Long-Term Indebtedness :

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Ambulance Lease	\$ 181,048	\$ 0	\$ 38,584	\$ 142,464
Land, E-Ones, Trailer	66,815	0	66,815	0
Tahoe Lease	<u>0</u>	<u>60,000</u>	<u>5,562</u>	<u>54,438</u>
Total Lease Obligations	247,863	60,000	110,961	196,902
Compensated Absences	<u>11,468</u>	<u>0</u>	<u>2,461</u>	<u>9,007</u>
Totals	<u>\$ 259,331</u>	<u>\$ 60,000</u>	<u>\$ 113,422</u>	<u>\$ 205,909</u>

NOTE 13 - FUTURE MINIMUM LEASE/PURCHASE 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	\$ 49,909	\$ 4,334	\$ 54,243
2017	51,092	3,151	54,243
2018	52,304	1,939	54,243
2019	32,212	699	32,911
2020	<u>11,385</u>	<u>194</u>	<u>11,579</u>
Total Obligation	196,902	\$ <u>10,317</u>	\$ <u>207,219</u>
Less amount due within 1 year	<u>49,909</u>		
Amount due after 1 year	\$ <u>146,933</u>		

NOTE 14 – NET POSITION/FUND BALANCE

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

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

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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.

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	\$ 365,914
Unrestricted	<u>516,936</u>
Total Net Position	<u>\$ 882,850</u>

Governmental Fund Balances :

Assigned Capital	\$ 248,061
Unassigned Fund Balances	<u>277,882</u>
Total Fund Balance	<u>\$ 525,943</u>

NOTE 15 - 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 16 - EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The District maintains a Volunteer Fire Pension Fund as allowed by ARS 9-951. This plan is administered by an outside consulting firm who prepares a separate annual report. This report is available through Innes & Associates, 4302 East Ray Road Suite 117, Phoenix, Arizona 85044. The plan is reviewed by the Arizona State Fire Marshal's office.

Standard benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Maximum age does not apply. Retirement age is earlier of age 50 or 20 years of service. Entry dates are Jan 01 and July 01 of each year.

The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan. The District has elected under ARS Title 9, Section 4 to establish an alternative plan which differs significantly from the standards referred to above.

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NOTE 17 - 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 Reporting for Pensions – 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.
Statement No. 69	<i>“Government Combinations And Disposals of Government Operations”</i>	The provisions of this 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 18 - 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 19 - 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.

NOTE 20 – NO ATTORNEY OPINION

Arizona Revised Statutes (ARS) 48-805.G allows the County Attorney of each county to represent a fire district. The District uses the County Attorney for legal matters. The County Attorney has not responded to requests to provide a representation letter in relation to June 30, 2015 audit. The District has represented that no legal matters are pending or anticipated.

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**REQUIRED SUPPLEMENTARY
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TONTO BASIN 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 I

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 539,652	\$ 539,652	\$ 554,220	\$ 14,568
Fire District Assistance	43,620	43,620	42,212	(1,408)
Fees for Service	336,000	336,000	212,846	(123,154)
Grant Revenue	379,000	379,000	-	(379,000)
Interest	-	-	2,896	2,896
Miscellaneous	-	-	299,107	299,107
Total Revenues	<u>1,298,272</u>	<u>1,298,272</u>	<u>1,111,281</u>	<u>(186,991)</u>
Expenditures:				
Current:				
Public Safety	791,572	791,572	690,030	101,542
Administration	45,450	45,450	7,707	37,743
Capital Outlay	636,250	636,250	177,823	458,427
Total Expenditures	<u>1,473,272</u>	<u>1,473,272</u>	<u>875,560</u>	<u>597,712</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(175,000)</u>	<u>(175,000)</u>	<u>235,721</u>	<u>410,721</u>
Net Change in Fund Balances	(175,000)	(175,000)	235,721	410,721
Fund Balances at Beginning of Year	<u>175,000</u>	<u>175,000</u>	<u>290,222</u>	<u>115,222</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 525,943</u>	<u>\$ 525,943</u>

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TONTO BASIN 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.).

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OTHER SUPPLEMENTARY INFORMATION

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**TONTO BASIN FIRE DISTRICT
ANNUAL REPORT INFORMATION
VOLUNTEER PENSION DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

Arizona Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 9-956 as required to meet the requirements of the Arizona Annual "Report of Volunteer Fire Fighters Relief and Pension Fund". This information is included as other supplementary information.

TYPE OF DISTRIBUTION	NAME	AMOUNT
ARTICLE 4	LAVERY, JIM	<u>\$ 12,988</u>
TOTAL		<u>\$ 12,988</u>

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**TONTO BASIN FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS
June 30, 2015**

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**TONTO BASIN FIRE DISTRICT
TONTO BASIN, ARIZONA
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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
Tonto Basin Fire District
Tonto Basin, 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 Tonto Basin Fire District, Tonto Basin, 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 8, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-01.

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Independent Auditor's Report on Internal Control

June 30, 2015

Page 2

Tonto Basin Fire District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona

January 8, 2016

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TONTO BASIN FIRE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding 2015-01

Compliance Finding – Over Personnel Records

Condition: Numerous documents required by statute for employees were missing. During the 2013-2014 Audit it was noted that of the 5 employee files checked, none contained an oath of office, 3 of 5 employees did not have a correctly completed I-9, none of the files checked contained evidence of E-Verify or the Arizona New Hire form being completed or filed with the correct agency and none of the files chosen had fingerprints submitted to the Department of Public Safety for a background check as required by state statute. On a recheck of those files during the 2014-2015 fieldwork, as well as a new employee file, none of these things had been corrected.

Criteria: ARS 23-214(a) (Arizona Revised Statutes) requires the use of the Federal E-Verify system for all employees hired after December 2008. ARS 32-231 requires an oath of office for all employees be completed and maintained by the District. Federal law requires the reporting of all new hires to the state for the purposes of child support obligations. Federal law requires the completion of the Federal I-9 for all employees before employment. ARS 48-805.3 require probationary employees in a paid sworn firefighter position, a reserve firefighter position or a volunteer firefighter position to submit a full set of fingerprints to the fire district. The fire district shall submit the fingerprints to the department of public safety for the purpose of obtaining a state and federal criminal records check pursuant to section 41-1750 and Public Law 92-544. The department of public safety may exchange this fingerprint data with the federal bureau of investigation.

Cause: Significant turnover in administrative office staff and inadequate knowledge and care in recordkeeping for personnel of the District.

Effect: Non-compliance with laws and regulations which could result in significant fines and penalties for the District.

Questioned Costs: None

Recommendations: The District should review all employee personnel files and correct any deficiencies in the records.

District Response: The District will implement a review of all files.

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SAUNDERS COMPANY, LTD

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

To the Governing Board
Tonto Basin Fire District
Tonto Basin, Arizona

We have examined management's assertion that the Tonto Basin 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 District's compliance with the statutes referred to above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

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

Saunders Company, Ltd.

Glendale, Arizona
January 8, 2016

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