

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

**Arizona Department of Health Services**  
**Annual Ambulance Financial Report**

*Arivaca Fire District*

---

**Reporting Ambulance Service**

**Report Fiscal Year**

From: 07 / 01 / 2013 / To: 06 / 30 / 2014 /

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: *Patti Jent* Date: *12-28-2015*

Print Name and Title: *Patti Jent, Admin, Deputy Clerk*

Mail to:

Arizona Department of Health Services  
Bureau of Emergency Medical Services  
Ambulance and Regional Services  
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# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: ARWACA FIRE DISTRICT  
 FOR THE PERIOD FROM: Fiscal Year July 1 2013 TO: June 30 2014

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:			40	40
02	Number of BLS Billable Transports :			24	24
03	Number of Loaded Billable Miles :			3722	3722
04	Waiting Time (Hr. & Min.):			0	0
05	Canceled (Non-Billable) Runs:			46	46

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

06	ALS Base Rate Revenue.....		1100		\$ 44000
07	BLS Base Rate Revenue .....		1100		26400
08	Mileage Charge Revenue .....		10.74		39974
09	Waiting Charge Revenue .....				
10	Medical Supplies Charge Revenue.....				
11	Nurses Charge Revenue .....				
12	Standby Charge Revenue (Attach Schedule)				
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE .....				\$ 110,374

**SALARY AND WAGE EXPENSE DETAIL**

**GROSS WAGES:**

		**No. of F.T.E.s
14	Management .....	\$ 24,803.41 11.9
15	Paramedics and IEMTs .....	\$ 46,933.97 2.79
16	Emergency Medical Technician (EMT).....	\$ 67,221.13 2.50
17	Other Personnel .....	\$ 1028.88 0.08
18	Payroll Taxes and Fringe Benefits - All Personnel .....	\$ 139,987.39 17.27

\*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: ARWACA Fire District  
 FOR THE PERIOD FROM: Fiscal Year July 1 2013 TO: June 30 2014

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION	FROM	
<b>Operating Revenues:</b>			
01	Total Ambulance Service Operating Revenue .....	Page 2, Line 13	\$ <u>110374</u>
Settlement Amounts:			
02	AHCCCS .....		( )
03	Medicare .....		( )
04	Subscription Service .....		( )
05	Contractual .....		( )
06	Other .....		( )
07	Total (Sum of Lines 02 through 06) .....		( )
08	Total Operating Revenue (Line 01 minus Line 07) .....		\$ <u>110374</u>
<b>Operating Expenses:</b>			
09	Bad Debt .....		\$ _____
10	Total Salaries, Wages, and Employee-Related Expenses .....		<u>242687</u>
11	Professional Services .....		<u>9415</u>
12	Travel and Entertainment .....		<u>563</u>
13	Other General Administrative .....		_____
14	Depreciation .....		_____
15	Rent/Leasing .....		_____
16	Building/Station .....		_____
17	Vehicle Expense .....		<u>5880</u>
18	Other Operating Expense .....		<u>21447</u>
19	Cost of Medical Supplies Charged to Patients .....		_____
20	Interest .....		_____
21	Subscription Service Sales Expense .....		_____
22	Total Operating Expense (Sum of Lines 09 through 21) .....		<u>262992</u>
23	Total Operating Income or Loss (Line 08 minus Line 22) .....		\$ <u>(152618)</u>
24	Subscription Contract Sales .....		_____
25	Other Operating Revenue .....		_____
26	Local Supportive Funding .....		_____
27	Other Non-Operating Income (Attach Schedule) .....		_____
28	Other Non-Operating Expense (Attach Schedule) .....		_____
29	NET INCOME/(LOSS) (Line 23 plus Sum of Lines 24 through 28) .....		\$ <u>(152618)</u>

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# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Arwaca Fire District  
 FOR THE PERIOD FROM: Fiscal Year July 1 2013 TO: June 30 2014

BALANCE SHEET *Current audited financial statements may be submitted in lieu of this page.*

**ASSETS**

See Financial Statements

**CURRENT ASSETS**

01	Cash	\$	
02	Accounts Receivable		
03	Less: Allowance for Doubtful Accounts		
04	Inventory		
05	Prepaid Expenses		
06	Other Current Assets		

07 TOTAL CURRENT ASSETS \$ \_\_\_\_\_

**PROPERTY & EQUIPMENT**

08 Less: Accumulated Depreciation \$ \_\_\_\_\_

09 OTHER NONCURRENT ASSETS \$ \_\_\_\_\_

10 TOTAL ASSETS \$ \_\_\_\_\_

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

11	Accounts Payable	\$	
12	Current Portion of Notes Payable		
13	Current Portion of Long-Term Debt		
14	Deferred Subscription Income		
15	Accrued Expenses and Other		
16	_____		
17	_____		

18 TOTAL CURRENT LIABILITIES \$ \_\_\_\_\_

19 NOTES PAYABLE \_\_\_\_\_

20 LONG-TERM DEBT OTHER \_\_\_\_\_

21 TOTAL LONG-TERM DEBT \$ \_\_\_\_\_

**EQUITY AND OTHER CREDITS**

**Paid-in Capital:**

22	Common Stock	\$	
23	Paid-In Capital in Excess of Par Value		
24	Contributed Capital		
25	Retained Earnings		
26	Fund Balances		

27 TOTAL EQUITY \$ \_\_\_\_\_

28 TOTAL LIABILITIES & EQUITY \$ \_\_\_\_\_

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# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Arwaga Fire District  
 FOR THE PERIOD FROM: Fiscal Year July 1 2013 TO: June 30 2014

STATEMENT OF CASH FLOWS *Current audited financial statements may be submitted in lieu of this page.*

See financial Statements

**OPERATING ACTIVITIES:**

01	Net (loss) Income	\$	
	Adjustments to reconcile net income to net cash provided by operating activities:		
02	Depreciation Expense		
03	Deferred Income Tax		
04	Loss (gain) on Disposal of Property Equipment		
	(Increase) Decrease in:		
05	Accounts Receivable		
06	Inventories		
07	Prepaid Expenses		
	(Increase) Decrease in:		
08	Accounts Payable		
09	Accrued Expenses		
10	Deferred Subscription Income		
11	Net Cash Provided (Used) by Operating Activities	\$	

**INVESTING ACTIVITIES:**

12	Purchases of Property and Equipment		
13	Proceeds from Disposal of Property and Equipment		
14	Purchases of Investments		
15	Proceeds from Disposal of Investments		
16	Loans Made		
17	Collections on Loans		
18	Other _____		
19	Net Cash Provided (Used) by Investing Activities	\$	

**FINANCING ACTIVITIES:**

	New Borrowings:		
20	Long-Term		
21	Short-Term		
	Debt Reduction:		
22	Long-Term		
23	Short-Term		
24	Capital Contributions		
25	Dividends paid		
26	Net Cash Provided (Used) by Financing Activities	\$	
27	Net Increase (Decrease) in Cash	\$	
28	Cash at Beginning of Year	\$	
29	Cash at End of Year	\$	

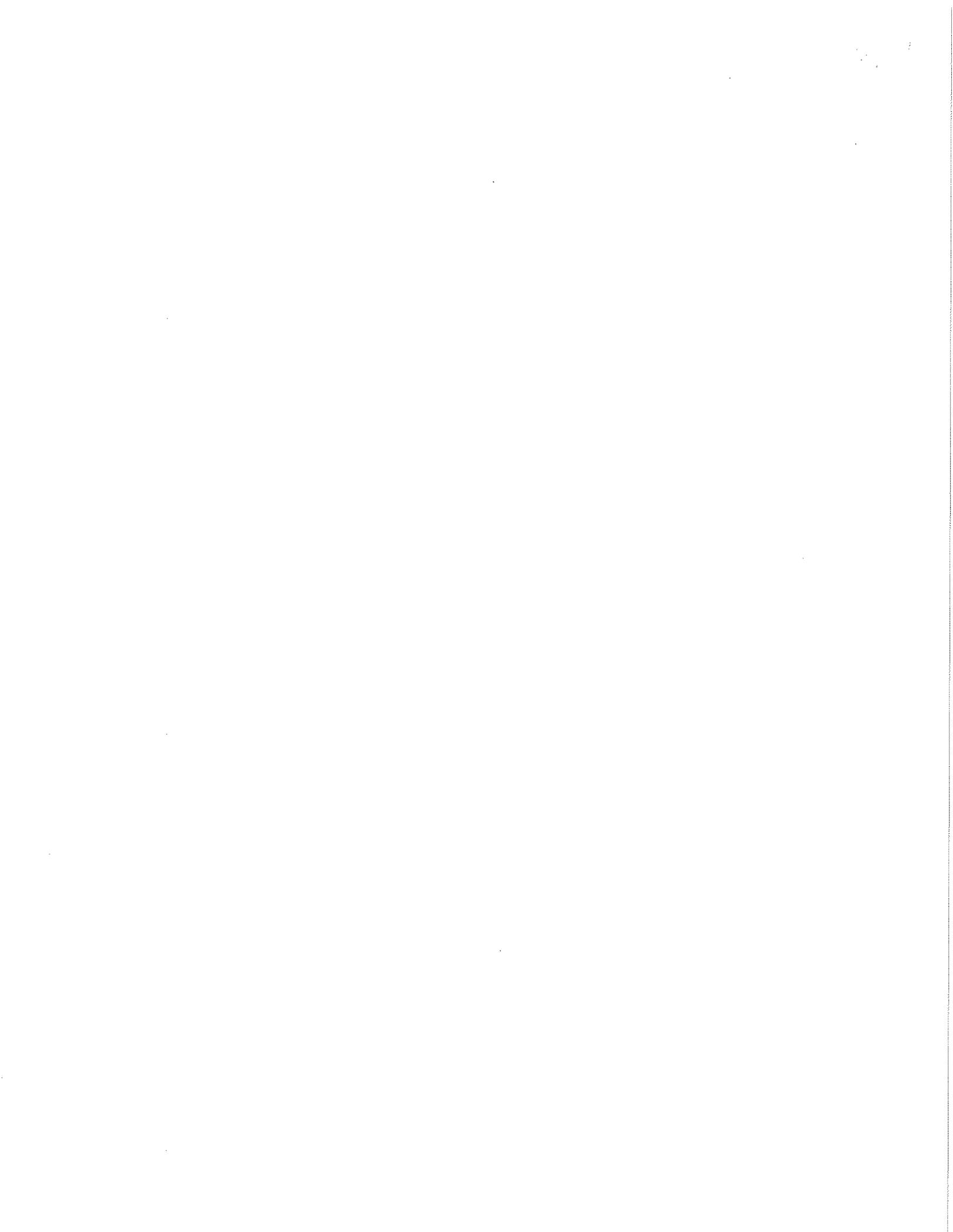
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**SUPPLEMENTAL DISCLOSURES:**

30	Non-cash Investing and Financing Transactions:		
31	_____	\$	
32	_____		
33	Interest Paid (Net of Amounts Capitalized)		
34	Income Taxes Paid		



**ARIVACA FIRE DISTRICT  
FINANCIAL STATEMENTS**

**June 30, 2014**

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

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**ARIVACA FIRE DISTRICT  
ARIVACA, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**ARIVACA FIRE DISTRICT  
ARIVACA, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

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# SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706  
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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  
Arivaca Fire District  
Arivaca, Arizona

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Basis for Disclaimer of Opinion on Results of Operations, Cash Flows, and Consistency

The District did not conduct an audit of the prior year. This resulted in inadequate accounting records for the year ended June 30, 2013, and we were unable to obtain sufficient appropriate audit evidence to determine whether the opening balances in the financial statements as of June 30, 2014, were fairly presented in accordance with accounting principles generally accepted in the United States of America or whether accounting principles have been consistently applied between 2013 and 2014.

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Independent Auditor's Report

June 30, 2014

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**Disclaimer of Opinion on Results of Operations, Cash Flows, and Consistency**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations for the year ended June 30, 2014, or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the results of operations or changes in net position for the year ended June 30, 2014 or on the consistency of application of accounting principles with the preceding year.

**Unmodified Opinions**

In our opinion, except for the possible effects of the matters discussed in the "Basis for Disclaimer of Opinion" paragraph, 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 Arivaca Fire District, as of June 30, 2014, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 17 to the financial statements, the District's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Legal and Regulatory Requirements**

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

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Independent Auditor's Report

June 30, 2014

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District's internal control over financial reporting and compliance.

***Saunders Company, Ltd.***

Glendale, Arizona

December 31, 2014

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# Arivaca Fire District

## Management's Discussion and Analysis of Basic Financial Statements June 30, 2014

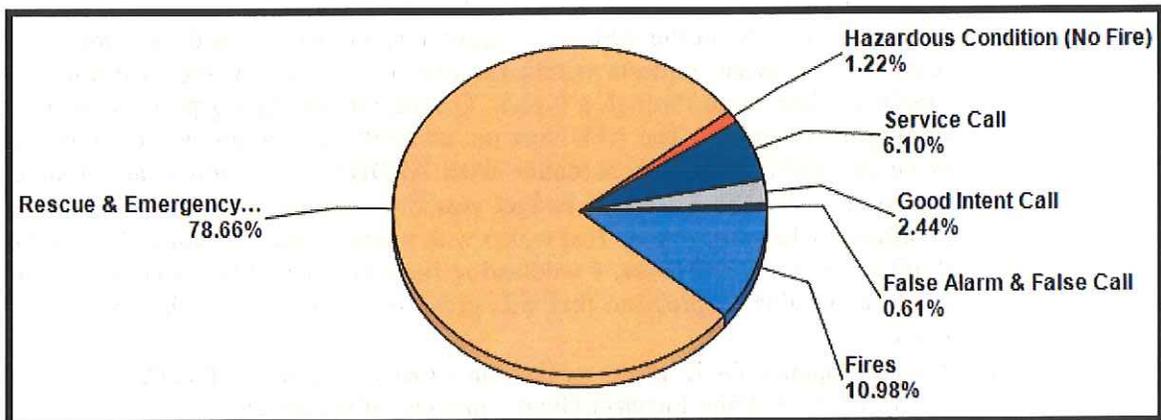
The following discussion and analysis of the Arivaca Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements which begin immediately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

### Nature of Operations

The Arivaca 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

- λ The AFD responded to 164 service requests in the 2013-2014 fiscal year.
  - 129 EMS Responses (78.66 %)
  - 10 Service Responses (6.10 %)
  - 18 Fire Responses (10.98 %)
  - 4 Good Intent Calls (2.44 %)
  - 2 Hazardous Condition (1.22%)
  - 1 False (0.61%)



- λ The AFD continued to provide 24 hour a day, 7 days per week Advanced Life

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Support level response with an average of 2.5 personnel on duty per day.

- λ On November 8, 2013 the AFD received the Certificate of Need (CON) from the Arizona Department of Health Services to provide ground ambulance transport for the majority of our service area. This was in accordance with the 5 Year Strategic Plan and approximately one year after submitting the application. The approved rate was \$1,123.10/transport and \$10.97/mile.
- λ The AFD updated the 5 Year Strategic Plan to guide the organization.
- λ In accordance with the adopted Capital Improvement Plan the following items were purchased;
  - A 2009 Chevrolet Ambulance was purchased and placed into service
  - The 2000 Ford ambulance was removed from service and traded-in toward new ambulance
  - Received 5 SCOTT SCBA as a donation from South Tucson Fire Department
  - Purchased and placed into service 4 SCOTT SCBA
  - Purchased 7 sets of used PPE for Fire Academy use
  - Procured cellular phone for use during service requests
  - Received PCWIN mobile and portable radios to upgrade communications system
  - Procured a new 2014 Ford brush truck through a lease/purchase agreement
  - Procured 10 new sets of Wildland PPE and line gear
  - Procured new portable pump and 4,000 gallon water pumpkin tank
  - Purchased and placed into service a new chainsaw
  - Purchased and placed into service 2 new sets of structural PPE
- λ In accordance with our 5 Year Strategic Plan the AFD held a Firefighter 1 & 2 academy at the South Tucson fire station. The class started with 11 students, of which 4 were members of the AFD. The remaining 7 students paid a total of \$8,200 to attend the class. The total costs to put the class on were \$3,820.51 for a generated positive revenue of \$4,379.49. There were 8 students that completed the class who were eligible for state testing.
- λ In keeping with our 5 Year Strategic Plan the AFD worked with the Pima County JTED to create an intern program. The program allowed JTED program graduates to work on the AFD fuels crew, respond to wildland incidents, and respond on service requests within the District. To join the program the candidates had to go through a typical fire department hiring process prior to starting the program. The AFD then ran an EMR class to allow the interns to drive the ambulance in accordance with AZDHS CON ground ambulance guidelines. For the FY 13-14 budget year the program costs were \$3,329.44 (Uniforms, Class Instructors, Textbooks) with a budget year benefit of \$8,538.84 (Shift coverage of 384 hours, 4 wildland responses) The AFD has committed to create a sustainable program that will provide new volunteers through future years.
- λ The AFD applied for 12 grants resulting in a total award of \$53,490.69.
  - FY2013 White Elephant Grant – through AFD auxiliary
    - \$25,000 toward the purchase of an ambulance
  - FY2014 VFA Grant

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- \$13,817.60 toward purchase of wildland equipment
  - FY2014 TRICO Grant
    - \$200 for Family Nights at the Sopori pool
  - FY2014 Arivaca Clinic Grant
    - \$3,000 for AEMT training and equipment
  - FY2014 Civil Protection Organization Grant
    - \$11,473.09 for operational expenses
- λ The AFD responded to 17 wildland fires through our state of Arizona cooperative agreement resulting in \$125,746.73 in unanticipated revenues. This was a 64% increase over last budget year and 83% over the 8 year average for our wildland revenues.
  - This included the new hand crew that was started by the AFD to meet local wildland response needs. The crew consisted of fuels crew members, interns, and regular members. The crew was utilized on three fires in close proximity to the District.

### **Financial Highlights**

- λ District investment in capital assets increased by \$26,101 or 4.23%.
- λ The District's net position decreased \$196,291 or 111.93% from the previous fiscal year.
- λ Total revenues increased \$158,589 or 34.29% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was \$(126,715).

### **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, 2014**

	BALANCE 06/30/13	BALANCE 06/30/14
Invested in Capital Assets, Net of related Debt	\$ 156,721	\$ 105,787
Unrestricted	18,642	(126,715)
<b>Total Net Position</b>	<b>\$ 175,363</b>	<b>\$ (20,928)</b>

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### Governmental Activities

In contrast to the majority of fire districts in Arizona whose primary revenue (80 – 96%) is derived from taxes, only 19% (\$136,043.15) of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the County.

The other revenue sources that supported the operations of the District were as follows;

- λ Wildland revenues generated in FY2012-13 provided 19.0% (\$138,686.14) of the total revenue
  - Wildland responses are billed within 60 days of the response, but due to the time required for the state to recoup the monies from the federal government the income is often not realized until the following fiscal year. The average time from billing the response to receiving payment are 124 days.
- λ Grants provided 20.0% (\$142,630.07) of the total revenue
  - In creating the annual budget the District does not include anticipated grants unless they have already been awarded. This allows the District to have a more realistic picture of the anticipated income by only including known revenues.
  - Due to the process involved in applying for, receiving, and managing grants the revenue from an awarded grant is frequently not realized until the following fiscal year although expenses are often in the current fiscal year. As such, the District was awarded \$258,081 but only received \$38,708.04 in reimbursement within the current fiscal year. The balance will be received in the coming fiscal year.
- λ Fees for service provided 4.0% (\$31,918.13) of the total revenue
  - Fees for service were implemented the prior fiscal year in accordance with our Strategic Plan. These fees are recouping money from non-district residents and from resident's insurance for Fire and EMS responses. Due to receipt of the CON from the AZDHS for ground ambulance transport this budget year the District was able to start providing transport service and billing for the same.
  - This also includes revenues generated from the fire academy tuition fees received from non-District students.
  - In addition, this item includes the fee for providing the lifeguards at the Soporì swimming pool for the summer swim program.
  - At the end of the fiscal year the District had already billed \$51,942.15 (\$24,791.14 for equipment rental) under our cooperative agreement to the state of Arizona.
- λ Donations provided 2.0% (\$14,129.05) of the total revenue
  - The majority of these donations came from the AFD Auxiliary and private citizens
- λ Carryover Funds provided 1.0% (\$8,000) of the total revenue
  - These funds were a result of management of expenses and conservative budget practices in the previous year.

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- λ Sale of surplus equipment provided 1.0% (\$10,000.00) of the total revenue
  - These funds were a result of the sale of the 1985 Engine removed from service during the prior budget year
- λ Advances on tax revenues provided 9.0% (\$64,870.89) of the total revenue
  - These funds will be re-paid prior to the completion of the next budget year upon receiving grant reimbursements.
- λ Financing of cash flow loan provided 24.7% (\$180,000) of the total revenue
  - Financing was provided to the District, by the Board Chairman after advertising for bids, for a cash flow loan to facilitate the requirements of the fuels grant work, primarily payroll costs.
  - By the end of the budget year \$60,000.00 had been repaid after receiving reimbursement of grant expenses. The balance of these funds will be repaid prior to the completion of the next budget year after receiving the balance of the grant reimbursements.

#### **General Fund Budgetary Highlights**

The District ended the year under budget with total expenses at 76% of the budgeted amount due to management of expenses, conservative budget practices, and delay of several purchases until the next budget year. All budgeted CIP expenses took place, but not all budgeted grant related capital expenses occurred. Several were delayed until the next budget year to maintain cash flow to cover monthly operating costs. This resulted in capital related expenses being under budget by 60% (\$88,098.79). Maintenance expenses were over budget by 61% (\$1,504.23) due to several projects that needed to be done in order to comply with OSHA and fire code related requirements for personnel to stay overnight at the station, this included installing egress windows in the bunk rooms. Payroll costs which accounted for the largest portion of the budget (52.0%) came in under budget at 92.0% of the budgeted amount (Saving \$31,863.02). Vehicle related expenses were over budget by 56% (\$13,345.52) due to several unplanned repair expenses and the rising cost of fuel.

Revenues collected were only 81% (\$729,616.09) of the budgeted amount with the majority of categories over 100% of the budgeted amount with the exception of training services, contract services, grants, and billing for services. Training services was under, at 55%, due to only one academy class being held instead of two classes. Contract services was under, at 7%, mainly due to the prescribed burns for the Altar Valley Conservation Alliance not taking place due to weather issues and high fire danger. Billing for services came in under, at 18%, due to the learning curve of EMS billing that was kept in house versus contracting it out after starting to transport under our CON. In addition, the lag time between the date of the transport and receiving payment from the insurance providers was greater than originally anticipated. The AFD is still assessing the anticipated delay to plan better for future budget years. Grants came in under, at 40%, due to the lag time involved with the performance of the grant and the repayment of the funds by the state.

At the end of the budget year the District had borrowed \$64,870.89 against future anticipated tax revenues in addition to a balance of \$120,000.00 on a cash flow loan to facilitate grant related expenses. The total of short-term debt was \$184,870.89 with a plan to pay this off prior to the end of the FY2014-15 budget year once grant reimbursements were received.

In addition the District had two vehicle leases secured with a 2014 Brush truck and 1995 International fire pumper. Monthly payments are scheduled for the brush truck at \$854.73 including interest and annually for the pumper at \$10,000.00 plus interest.

**Capital Asset and Debt Administration**

**Capital Assets**

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

For fiscal year ended June 30, 2014 the District purchased, had contributed, or constructed the following assets:

- λ 2014 Ford Type 6 Engine (\$55,000.00)
- λ 2009 Chevrolet Ambulance (\$35,673.00)
- λ Nine SCOTT SCBA (\$13,500.00)
- λ STIHL Chainsaw (\$1,000.00)

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**Capital Assets, Net of Depreciation June 30, 2014**

	<u>BALANCE</u> <u>06/30/2013</u>	<u>BALANCE</u> <u>06/30/2014</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 452,434	\$ 478,535
Buildings	92,000	92,000
Equipment, Fire	<u>72,292</u>	<u>72,292</u>
Total Historical Costs	<u>616,726</u>	<u>642,827</u>
Less Accum Depreciation		
Vehicles	358,849	343,707
Buildings	52,517	54,817
Equipment, Fire	<u>48,639</u>	<u>54,097</u>
Less: Total Accumulated Depreciation	<u>460,005</u>	<u>452,621</u>
Depreciable Capital Assets, Net	156,721	190,206
<u>Non-Depreciable Assets</u>		
Land	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$ 156,721</u>	<u>\$ 190,206</u>

**Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$206,132. All of the debt is backed by the full faith and credit of the District.

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**Outstanding Debt**

	Balance <u>June 30, 2013</u>	Balance <u>June 30, 2014</u>
F-350 4X4	\$ 0	\$ 34,419
Note Payable #1	50,000	120,000
Note Payable #2	<u>60,000</u>	<u>50,000</u>
 Total Obligations	 110,000	 204,419
 Compensated Absences	 <u>0</u>	 <u>1,713</u>
 Totals	 <u>\$ 110,000</u>	 <u>\$ 206,132</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.

It is the intent of the District to retire the cash flow loan in the FY2014-15 budget year and to operate without future tax advances against anticipated future revenues.

It is the intent of the District to continue to maintain less than 25% of our revenues from taxes to a system where the highest percentage of revenues is derived from alternative revenue streams. One of the primary methods to accomplish this will be through the maintenance and refinement of the Certificate of Necessity (CON) to provide EMS transport service. The CON was received on November 7, 2013.

In addition, the District is implementing new programs to create previous non-existent revenue streams as well as improving current programs to make them more profitable.

- λ Plan to pursue annexations of the Moyza Ranch and Sasabe areas to increase the percentage of the service area that is in the taxing District. Currently only 14 square miles (2.3%) of the 602 square mile service area is in the District.
- λ Plan to continue to improve billing practices to increase the collection rate of service billing revenues.
- λ Plan to provide training to personnel outside the District to create a revenue stream of approximately \$15,000 annually.
- λ Plan to continue wildland response and maintain the current capabilities, including the hand crew.
- λ Plan to continue and expand the intern program and secure grant funding to help support it in the future.
- λ Plan to initiate a Community Paramedic/Mobile Integrated Health program in conjunction with area hospitals. Revenue will be generated from payments by the hospitals and insurance companies for post discharge follow up visits by District personnel.

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**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 Arivaca Fire District at PO Box 416, Arivaca, AZ 85601-0416.

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**BASIC FINANCIAL STATEMENTS**

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**ARIVACA FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Exhibit A

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents (Note 3)	\$ 13,050
Accounts Receivable	
Grants (Note 5)	21,628
Wildland (Note 5)	13,079
Ambulance Service Fees, Net Allowance for Doubtful Accounts (Note 5)	16,549
Property Taxes (Note 6)	14,017
Total Capital Assets, Net (Note 7)	<u>190,206</u>
 Total Assets	 <u>268,529</u>
<b>LIABILITIES</b>	
Accounts Payable	5,561
Line of Credit Payable (Note 9)	62,148
Payroll Taxes Payable	394
Wages Payable	1,205
Compensated Absences (Note 10)	
Portion Due After One Year	1,713
Note Payable - Board Member (Note 11,18)	
Portion Due Within One Year	130,000
Portion Due After One Year	40,000
Lease/Purchase Payable (Note 11)	
Portion Due Within One year	8,795
Portion Due After One Year	<u>25,624</u>
 Total Liabilities	 <u>275,440</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable Property Tax Revenue	<u>14,017</u>
 Total Deferred Inflow of Resources	 <u>14,017</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of related Debt	105,787
Unrestricted (Note 13)	<u>(126,715)</u>
 <b>Total Net Position</b>	 <u>\$ (20,928)</u>

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

Exhibit B

**Governmental  
Activities**

**EXPENSES**

Public Safety - Fire/EMS Protection			
Personnel Services	\$	381,354	
Materials & Services		302,128	
Depreciation		36,563	
		720,045	
Total Program Expenses			720,045

**PROGRAM REVENUES**

Operating and Capital Grants			278,721
Charges for Service		67,944	
		346,665	
Total Program Revenues			346,665
Net Program Expense			373,380

**GENERAL REVENUES**

Property Taxes			113,471
Fire District Assistance		22,574	
Investment Earnings		87	
Miscellaneous		40,956	
		177,088	
Total General Revenues			177,088

			(196,292)
Decrease in Net Position			(196,292)

<b>NET POSITION-BEGINNING OF THE YEAR</b>			175,364
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<b>NET POSITION-END OF THE YEAR</b>			\$ (20,928)
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**ARIVACA FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

Exhibit C

General

**ASSETS**

Cash and Cash Equivalents (Note 3)	\$	13,050
Accounts Receivable		
Grants (Note 5)		21,628
Wildland (Note 5)		13,079
Property Taxes (Note 6)		14,017
Ambulance Service Fees, Net Allowance for Doubtful Accounts (Note 5)		<u>16,549</u>
 Total Assets	 \$	 <u><u>78,323</u></u>

**LIABILITIES**

Accounts Payable	\$	5,561
Line of Credit Payable (Note 9)		62,148
Payroll Taxes Payable		394
Wages Payable		<u>1,205</u>
 Total Liabilities		 <u>69,308</u>

**DEFERRED INFLOW OF RESOURCES**

Unavailable Property Tax Revenue		<u>14,017</u>
 Total Deferred Inflow of Resources		 <u>14,017</u>

**FUND BALANCES**

Unassigned (Note 13)		<u>(5,002)</u>
 Total Fund Balances		 <u>(5,002)</u>
 Total Liabilities & Fund Balances	 \$	 <u><u>78,323</u></u>

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

Exhibit D

	<b>General</b>
<b>REVENUE</b>	
Property Taxes	\$ 113,471
Fire District Assistance Tax	22,574
Fees for Service	67,944
Interest	97,393
Grants	278,721
Miscellaneous	40,956
Total Revenues	621,059
<b>EXPENDITURES</b>	
Current:	
Public Safety	651,229
Administration	24,085
Capital Outlay	79,389
Total Expenditures	754,703
Excess (Deficiency) of Revenues over Expenditures	(133,644)
Net Change in Fund Balances	(133,644)
<b>Fund Balances-Beginning of Year</b>	128,642
<b>Fund Balances-End of Year</b>	<b>\$ (5,002)</b>

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

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C) \$ (5,002)

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	642,827	
Less: Accumulated Depreciation	<u>(452,621)</u>	190,206

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		<u>(206,132)</u>
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Net Position of Governmental Activities (Exhibit A)		<u><u>\$ (20,928)</u></u>
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**ARIVACA FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
JUNE 30, 2014**

Exhibit F

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

Net Change in Fund Balances -	
Total Governmental Funds (Exhibit D)	\$ (133,644)

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.	33,485
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The issuance of long-term debt (e.g. bonds, leases, leave) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(96,133)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	<u><u>\$ (196,292)</u></u>
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**ARIVACA FIRE DISTRICT**  
**ARIVACA, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

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

**Introduction**

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

**Basic Financial Statements**

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

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## **Government-wide Statements**

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

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

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

## **Governmental funds**

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

The District reports the following major governmental funds:

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

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**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.

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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.

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- 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 nonspendable 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.

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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.

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

DEPOSITORY ACCOUNTS:

	General <u>Fund</u>
Insured Deposits (FDIC)	\$ 13,576
Uninsured & Uncollateralized	<u>0</u>
Total Deposits	13,576
In Transit Items	<u>(544)</u>
Total Depository Accounts	13,032

NON DEPOSITORY ACCOUNTS

Cash on Hand	<u>18</u>
Total Non Depository Accounts	<u>18</u>
Total Cash & Cash Equivalents	<u>\$ 13,050</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	\$0

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.

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

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

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

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

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

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

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

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

### **Risk Management**

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

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

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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.

Wildland receivables were \$13,079 with an allowance for bad debt of \$0 at June 30, 2014. This gave a net of \$13,079 which was expected to be collectable.

Grants receivables were \$21,628 with an allowance for bad debt of \$0 at June 30, 2014. This gave a net of \$21,628 which was expected to be collectable.

Ambulance Service receivables were \$60,043 with an allowance for bad debt of \$43,494 at June 30, 2014. This gave a net of \$16,549 which was expected to be collectable before contractual writeoffs.

**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.

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2014</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 452,434	\$ 75,970	\$ 49,869	\$ 478,535
Buildings	92,000	0	0	92,000
Equipment, Fire	<u>72,292</u>	<u>0</u>	<u>0</u>	<u>72,292</u>
Total Historical Costs	<u>616,726</u>	<u>75,970</u>	<u>49,869</u>	<u>642,827</u>
Less Accum Depreciation				
Vehicles	358,849	28,805	43,947	343,707
Buildings	52,517	2,300	0	54,817
Equipment, Fire	<u>48,639</u>	<u>5,458</u>	<u>0</u>	<u>54,097</u>
Less: Total Accumulated Depreciation	<u>460,005</u>	<u>36,563</u>	<u>43,947</u>	<u>452,621</u>
Depreciable Capital Assets, Net	156,721	39,407	5,922	190,206
<u>Non-Depreciable Assets</u>				
Land	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$ 156,721</u>	<u>\$ 39,407</u>	<u>\$ 5,922</u>	<u>\$ 190,206</u>

**NOTE 8 - CONTINGENT LIABILITIES**

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

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**NOTE 9 – SHORT-TERM INDEBTEDNESS**

The District utilizes a credit line with a limit of \$65,000. As of June 30, 2014, the balance outstanding was approximately \$62,148 and \$2,852 was available. The interest rate, at year end, was approximately .58% of the Wells Fargo Base Rate.

Changes in Short-Term Indebtedness:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Line of Credit	\$ <u>0</u>	\$ 62,148	\$ <u>0</u>	\$ <u>62,148</u>
Totals	\$ <u>0</u>	\$ <u>62,148</u>	\$ <u>0</u>	\$ <u>62,148</u>

**NOTE 10 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid paid time off is accrued when incurred. The long term portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

**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

The District does not currently have any general obligation bonds.

Operating Leases

The District has a lease to use the Fire Station. The amount of the lease is \$1.00 per year for a term of 99 years. The lease is with the Community Center of Arivaca.

Capital Leases

**F-350 4X4:** The District entered into a lease/purchase agreement for a F350 pickup. The lease/purchase is with FOMOCO and was dated March 10<sup>th</sup> 2014 in the amount of \$37,305 with an interest rate of 4.803% with monthly payments of \$854.73 starting on March 31<sup>st</sup>, 2014 with the final payment due February 28<sup>th</sup> 2018.

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Notes Payable

**NOTE PAYABLE #1:** The District entered into an unsecured agreement with a board member for temporary funding. The District has received various payments from the board member with no set repayment plan.

**NOTE PAYABLE #2:** The District entered into an unsecured agreement with a board member for the funds to purchase an 1995 International Fire Truck. The amount received from the board member is \$60,000 with no interest accruing on the debt. Repayment has been agreed to as \$10,000 per year with no interest.

Changes in Long-Term Indebtedness:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
F-350 4X4	\$ 0	\$ 37,305	\$ 2,886	\$ 34,419
Note Payable #1	50,000	150,000	80,000	120,000
Note Payable #2	<u>60,000</u>	<u>0</u>	<u>10,000</u>	<u>50,000</u>
Total Obligations	110,000	187,305	92,886	204,419
Compensated Absences	<u>0</u>	<u>1,713</u>	<u>0</u>	<u>1,713</u>
Totals	<u>\$ 110,000</u>	<u>\$189,018</u>	<u>\$ 92,886</u>	<u>\$ 206,132</u>

**NOTE 12 - 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, 2014, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 138,796	\$ 1,461	\$ 140,257
2016	19,227	1,029	20,256
2017	19,680	576	20,256
2018	16,716	122	16,838
2020	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Obligation	204,419	<u>\$ 3,188</u>	<u>\$ 207,607</u>
Less amount due within 1 year	<u>138,796</u>		
Amount due after 1 year	<u>\$ 65,623</u>		

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**NOTE 13 – 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.

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	\$ 105,787
Unrestricted	<u>(126,715)</u>
Total Net Position	<u>\$ (20,928)</u>

Governmental Fund Balances :

Unassigned Fund Balance	<u>\$ (5,002)</u>
Total Fund Balance	<u>\$ (5,002)</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.

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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- 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 16- 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 17 – GOING CONCERN ISSUE**

During the fiscal year ended on June 30, 2014 the District expended \$754,703 which consisted entirely of operating expenses and only required debt service payments. The District received revenues of \$621,059 which consisted of \$136,045 of taxes and \$485,014 of other revenue. This created expenditures in excess of available revenues of \$133,644. The District started the fiscal year with available cash balances of \$42,828 and ended the fiscal year with available cash of \$(49,098).

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The cash available decreased by \$91,926 and debt from cash flow borrowing increased by \$60,000. This resulted in a negative cash flow of \$151,926. In addition accounts receivable decreased from \$94,762 at June 30, 2013 to \$65,273 at June 30, 2014, which resulted in an additional asset loss of \$29,489.

The projection for the following year indicates a possible reduction in property tax revenues. This coupled with a significant rate of spending exceeding the available revenues gives rise to a concern of the long term viability of the District. The District will need to either raise significant additional revenues or make large reductions in expenditures. The current rate of over expenditure by the District is not sustainable.

District management is aware of these issues and has initiated some wage reductions by not replacing personnel who have left the District. Other measures are being considered by District management.

#### **NOTE 18- RELATED PARTY TRANSACTIONS**

During the prior fiscal year, the District entered into a lease/purchase agreement with the Board Chairman for the purchase of a Fire Engine and an emergency loan to solve a cash flow issue. During the 2013- 2014 Fiscal year, the Board Chairman loaned the District additional sums of money. The Board Chairman declared a conflict of interest on all occasions and recused himself from voting on this issue. At the end of the 2013-2014 Fiscal Year, the District owed the Board Chairman \$ 170,000. A portion of this money is set up on payments and the rest of it is to be paid back as District funds become available.

During the 2013-2014 Fiscal Year, the District leased several assets from a company owned and controlled by the Fire Chief. The cumulative amount of these transactions cannot be determined as no documents were located indicating the terms of the leases.

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**REQUIRED SUPPLEMENTARY**  
**INFORMATION**

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

Exhibit G

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Property Taxes	\$ 111,520	\$ 111,520	\$ 113,471	\$ 1,951
Fire District Assistance	22,304	22,304	22,574	270
Fees for Service	245,125	245,125	67,944	(177,181)
Grants	25,000	25,000	278,721	253,721
Miscellaneous	75,000	75,000	40,956	(34,044)
Interest	300	300	97,393	97,093
<b>Total Revenues</b>	<b>479,249</b>	<b>479,249</b>	<b>621,059</b>	<b>141,810</b>
Expenditures:				
Current:				
Public Safety	437,409	437,409	651,229	(213,820)
Administration	6,640	6,640	24,085	(17,445)
Capital Outlay	110,200	110,200	79,389	30,811
<b>Total Expenditures</b>	<b>554,249</b>	<b>554,249</b>	<b>754,703</b>	<b>(200,454)</b>
Excess (Deficiency) of Revenues over Expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(133,644)</u>	<u>(58,644)</u>
Net Change in Fund Balances	(75,000)	(75,000)	(133,644)	(58,644)
Fund Balances at Beginning of Year	<u>75,000</u>	<u>75,000</u>	<u>128,642</u>	<u>53,642</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,002)</u>	<u>\$ (5,002)</u>

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

**1. BUDGETARY BASIS OF PRESENTATION**

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

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

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

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**OTHER SUPPLEMENTARY INFORMATION**

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

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

**REGULAR FIRE BOARD MEETINGS:**

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 18, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
August 15, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
Sept 19, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
October 17, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
Nov 12, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
December 19, 2013	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
January 16, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
February 20, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
March 20, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
April 12, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
May 15, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ
June 16, 2014	7:00 pm	Fire Station, 16091 Universal Ranch Rd, Arivaca, AZ

**BOARD MEMBERS:**

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>
Omar Rood	520-398-2003	
Terry Tompkins	520-398-2003	
Kathleen Wishnick	520-398-2003	
Mark Dresang	520-398-2003	
Gene Gibson	520-398-2003	

**LOCATION OF POSTING OF MEETING NOTICES (all meetings):**

Arivaca Post Office	Arivaca, AZ
Arivaca Fire District	Arivaca, AZ
Website	

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

NONE

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**ARIVACA FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS SECTION**  
**June 30, 2014**

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**ARIVACA FIRE DISTRICT  
ARIVACA, ARIZONA**

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JUNE 30, 2014**

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# SAUNDERS COMPANY, LTD

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

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

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

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

## 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  
Arivaca Fire District  
Arivaca, 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 Arivaca Fire District, Arivaca, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated December 31, 2014.

### Internal Control over Financial Reporting

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

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

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## Internal Control and Compliance

June 30, 2014

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as finding 2014-04.

### **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 finding numbers 2014-01, 2014-02, and 2014-03.

### **Arivaca Fire District's Response to Findings**

Arivaca 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.

### **State of Arizona Required Statutory Compliance Matter**

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

### **Purpose of this Report**

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

***Saunders Company, Ltd.***

Glendale, Arizona  
December 31, 2014

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**ARIVACA FIRE DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

**Finding 2014-01**

**Compliance Finding – Over Compensated Absences**

*Condition:* On July 24, 2014 the governing board voted to not pay accrued compensated absences to employees terminated with cause.

*Criteria:* Federal and state labor laws require the payment of all earned but unpaid wages, salaries and compensated absences to be fully paid to employees who are terminated for any reason.

*Cause:* Incorrect interpretation of labor laws

*Effect:* Failure to follow proper payment of wages and earnings to employees could result in significant fines to the District.

*Questioned Costs:* None

*Recommendations:* Revise board instructions to correctly reflect current wage and salary legal requirements.

*District Response:* The District does not currently have employee policies. The implementation of formal policies will be considered.

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**ARIVACA FIRE DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

**Finding 2014-02**

**Compliance Finding – Over Federal Unemployment**

*Condition:* During the 2013 calendar year the District payroll records indicated that Federal Unemployment was being calculated on each employee.

*Criteria:* The District is exempt from Federal Unemployment by IRS regulations.

*Cause:* The payroll system contains incorrect data and is incorrectly set up.

*Effect:* Incorrect information being recorded in the payroll system. Possible overpayment of taxes which are not owed by the District.

*Questioned Costs:* Undetermined

*Recommendations:* Correct the payroll system to reflect correct information.

*District Response:* The District has contacted the payroll processing company and requested this issue to be corrected.

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**ARIVACA FIRE DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

**Finding 2014-03**

**Compliance Finding – Over Employment Laws**

*Condition:* The District is not following relevant laws & regulations in the hiring of new employees.

*Criteria:* ARS 38-231 requires all government employees to sign an oath of office.

ARS 48-805 requires all fire districts to fingerprint and submit those fingerprints to Arizona DPS for all firefighters.

Federal law 8-USC-1234(a) requires a Federal form I-9 to be correctly filled out for each employee.

Federal law PL 104-193 requires the submission of a new hire form to the Arizona Department of Economic security for each new employee.

*Cause:* District administration was unaware of the requirements.

*Effect:* Failure to follow employment regulations may subject the District to significant fines.

*Questioned Costs:* Undetermined

*Recommendations:* Examine all employee files and assure that all documentation has been completed and properly submitted (where applicable).

*District Response:* The District will complete all required documentation.

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**ARIVACA FIRE DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

**Finding 2014-04**

**Internal Control Finding – Over Documentation of Loans & Leases**

*Condition:* We were unable to locate sufficient documentation relating to loans obtained by the District, Lease/Purchase arrangements and leases of equipment.

*Criteria:* All loans, leases or lease/purchase agreements should have information relating to the date of the contract, length of the agreement, property or equipment being leased, payments to be made, interest to be charged, purchase options, return of property, information as to a capital lease or operating lease, default remedies, responsibility for insurance covering the property, responsibility for damages, responsibility for wear & tear, licensing of vehicles, approval by governing board, and any other stipulations relating to the contract.

Sufficient internal controls over financial matters are required of governments and entities operating in the United States. These controls are discussed by the Treadway Commission Committee of Sponsoring Organizations (COSO) report.

*Cause:* District management was unaware of these requirements.

*Effect:* Lack of adequate documentation of terms relating to contracts could result in litigation and costs to the District.

*Questioned Costs:* Undetermined

*Recommendations:* All loans, leases, lease/purchases and other contracts should have sufficient documentation relating to all relevant stipulations. All such agreements should be reviewed by the attorney for the District to assure legal compliance.

*District Response:* The District administration believes that an invoice to match payments made is sufficient documentation.

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