

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

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

**Reporting Ambulance Service**

*TOWTO BASIN FIRE DISTRICT*

**Report Fiscal Year**

From: 7 1 1 2012 To: 6 30 2013

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: *Steve C. Holt* Date: 1/24/2014

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 18<sup>th</sup> Avenue, Suite 540  
Phoenix, AZ 85007  
Telephone: (602) 364-3150  
Fax: (602) 364-3567

## AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: TOWTO BASIN FIRE DISTRICT

FOR THE PERIOD FROM: 7/1/2012 TO: 6/30/2013

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1)	* (2)	(3)	(4)
		SUBSCRIPTION SERVICE TRANSPORTS	TRANSPORTS UNDER CONTRACT	TRANSPORTS NOT UNDER CONTRACT	TOTALS
01	Number of ALS Billable Transports:	<u>0</u>	<u>0</u>	<u>204</u>	<u>204</u>
02	Number of BLS Billable Transports :	<u>0</u>	<u>0</u>	<u>16</u>	<u>16</u>
03	Number of Loaded Billable Miles :	<u>0</u>	<u>0</u>	<u>6607.3</u>	<u>6607.3</u>
04	Waiting Time (Hr. & Min.):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
05	Canceled (Non-Billable) Runs:	<u>0</u>	<u>0</u>	<u>315</u>	<u>315</u>

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

06	ALS Base Rate Revenue .....				<u>\$190,119.84</u>
07	BLS Base Rate Revenue .....				<u>14,911.36</u>
08	Mileage Charge Revenue .....				<u>61,579.97</u>
09	Waiting Charge Revenue .....				<u>0</u>
10	Medical Supplies Charge Revenue .....				<u>4876.77</u>
11	Nurses Charge Revenue .....				<u>0</u>
12	Standby Charge Revenue (Attach Schedule)				
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE .....				<u>\$271,487.94</u>

**SALARY AND WAGE EXPENSE DETAIL**

**GROSS WAGES:**

**\*\*No. of F.T.E.s**

14	Management .....	<u>\$ 127,244.32</u>	<u>3</u>
15	Paramedics and IEMTs .....	<u>\$ 70,902.89</u>	<u>2.55</u>
16	Emergency Medical Technician (EMT).....	<u>\$ 162,428.17</u>	<u>6.38</u>
17	Other Personnel .....	<u>\$ 10,624.32</u>	
18	Payroll Taxes and Fringe Benefits - All Personnel .....	<u>\$ 137,129.36</u>	

\*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.

# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: TOWTO BASIN FIRE DISTRICT

FOR THE PERIOD FROM: 7/1/2012 TO: 6/30/2014

## SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION	FROM	
<b>Operating Revenues:</b>			
01	Total Ambulance Service Operating Revenue . . . . .	Page 2, Line 13	\$ <u>271,487.94</u>
Settlement Amounts:			
02	AHCCCS . . . . .		<u>(12,589.45)</u>
03	Medicare . . . . .		<u>(45,545.25)</u>
04	Subscription Service . . . . .		<u>( 0 )</u>
05	Contractual . . . . .		<u>( 0 )</u>
06	Other . . . . .		<u>(20477.10)</u>
07	Total (Sum of Lines 02 through 06) . . . . .		<u>(78611.80)</u>
08	Total Operating Revenue (Line 01 minus Line 07) . . . . .		\$ <u>192,876.14</u>
<b>Operating Expenses:</b>			
09	Bad Debt . . . . .		\$ <u>31,685.68</u>
10	Total Salaries, Wages, and Employee-Related Expenses . . . . .		<u>381,246.80</u>
11	Professional Services . . . . .		<u>18,679.81</u>
12	Travel and Entertainment . . . . .		<u>1,018.13</u>
13	Other General Administrative . . . . .		<u>22,717.65</u>
14	Depreciation . . . . .		<u>0</u>
15	Rent/Leasing . . . . .		<u>12,863.35</u>
16	Building/Station . . . . .		<u>9,274.75</u>
17	Vehicle Expense . . . . .		<u>43,891.16</u>
18	Other Operating Expense . . . . .		<u>12,980.39</u>
19	Cost of Medical Supplies Charged to Patients . . . . .		<u>14,174.72</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>548,522.44</u>
23	Total Operating Income or Loss (Line 08 minus Line 22) . . . . .		\$ <u>&lt;355,646.30&gt;</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>&lt;355,646.30&gt;</u>

**TONTO BASIN FIRE DISTRICT**  
**FINANCIAL STATEMENTS**

**June 30, 2013**

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

**TONTO BASIN FIRE DISTRICT  
TONTO BASIN, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2013**

**TABLE OF CONTENTS**

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1	
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	5	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9	
BASIC FINANCIAL STATEMENTS:	15	
Government -Wide Financial Statements		
Statement of Net Position	16	A
Statement of Activities	17	B
Fund Financial Statements		
Balance Sheet - Governmental Funds	18	C
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19	D
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	20	E
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds To the Statement of Activities	21	F
Statement of Net Position - Fiduciary Funds	22	G
Statement of Changes in Fiduciary Net Position	23	H
Notes to the Financial Statements	25	

**TONTO BASIN FIRE DISTRICT  
TONTO BASIN, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2013**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	41	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) General Fund	42	I
Notes to the Required Supplementary Information	43	
OTHER SUPPLEMENTARY INFORMATION	45	
Arizona Annual Report Information	46	

# SAUNDERS COMPANY LTD.

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

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

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

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

### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tonto Basin Fire District, Tonto Basin, Arizona, as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Tonto Basin Fire District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

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. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

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. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

James H. Saunders, CPA  
**Saunders Company, Ltd.**

Glendale, Arizona  
January 11, 2014

# **Tonto Basin Fire District**

## **Management's Discussion and Analysis of Basic Financial Statements June 30, 2013**

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, 2013. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

### **Nature of Operations**

The 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**

**87 Fire related calls**

**432 EMS related calls**

**Participated in Fire Safety Week at School**

**Participated in Open House for K – 1<sup>st</sup> grade**

**Secured Grants from VFA & Freeport Mine**

### **Financial Highlights**

- λ District investment in capital assets decreased by \$73,548 or 10.00%.
- λ The District's net position decreased \$10,346 or 1.28% from the previous fiscal year.
- λ Program and General revenue decreased \$307,718 or 28.55% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was \$241,464.

## 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, 2013

	<u>BALANCE</u> <u>JUNE 30, 2012</u>	<u>BALANCE</u> <u>JUNE 30, 2013</u>
Invested in Capital Assets, Net of related Debt	\$ 551,834	\$ 553,198
Unrestricted	<u>253,174</u>	<u>241,464</u>
<b>Total Net Position</b>	<u>\$ 805,008</u>	<u>\$ 794,662</u>

### **Governmental Activities**

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

Additional revenue of:

Ambulance revenue of \$150,043.42

Grant revenue of \$11,042.71

Out of district Wildland fire revenue of \$24,884.43

Lease income of \$11428.16

### **General Fund Budgetary Highlights**

Tonto Basin Fire District stayed within the budget in fiscal year 2012/2013 .

### **Capital Asset and Debt Administration**

#### **Capital Assets**

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

For fiscal year ended June 30, 2013 the District purchased, had contributed, or constructed the following assets:

Rebuild pump & pump transmission & test Engine 111

Water tender 121 replace tank & add storage

**Capital Assets, Net of Depreciation June 30, 2013**

	<u>BALANCE</u> <u>06/30/2012</u>	<u>BALANCE</u> <u>06/30/2013</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 822,082	\$ 849,410
Buildings	200,102	200,102
Equipment, Fire	<u>369,913</u>	<u>369,913</u>
Total Historical Costs	<u>1,392,097</u>	<u>1,419,425</u>
Less Accum Depreciation		
Vehicles	560,425	640,220
Buildings	51,039	56,042
Equipment, Fire	<u>301,155</u>	<u>317,233</u>
Less: Total Accumulated Depreciation	<u>912,619</u>	<u>317,233</u>
Depreciable Capital Assets, Net	479,478	405,930
<u>Non-Depreciable Assets</u>		
Land	<u>255,332</u>	<u>255,332</u>
Capital Assets, Net	<u>\$ 734,810</u>	<u>\$ 661,262</u>

**Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$108,064. All of the debt is backed by the full faith and credit of the District.

**Outstanding Debt**

	<u>Balance</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2013</u>
Ambulance Lease	\$ 30,300	\$ 0
Land, E-Ones, Trailer	137,089	102,792
Ambulance Lease (2)	<u>15,586</u>	<u>5,272</u>
Totals	<u>\$ 182,975</u>	<u>\$ 108,064</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



**THIS PAGE**  
**IS**  
**DELIBERATELY LEFT BLANK**

## **BASIC FINANCIAL STATEMENTS**

**TONTO BASIN FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

Exhibit A

**Governmental  
Activities**

**ASSETS**

Cash & Cash Equivalents (Note 3)	\$	244,095
Total Capital Assets, Net (Note 6)		<u>661,262</u>
 Total Assets		 <u>905,357</u>

**LIABILITIES**

Payroll Taxes		2,631
Lease/Purchases Payable (Note 10 )		
Portion due within one year		41,249
Portion due after one year		<u>66,815</u>
 Total Liabilities		 <u>110,695</u>

**NET POSITION**

Invested in Capital Assets, Net of related Debt		553,198
Unrestricted Net Position (Note 11)		<u>241,464</u>
 <b>Total Net Position</b>	<b>\$</b>	 <b><u><u>794,662</u></u></b>

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

**TONTO BASIN FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B

**Governmental  
Activities**

**EXPENSES**

Public Safety - Fire/EMS Protection		
Personnel Services	\$	476,439
Materials & Services		202,805
Depreciation		<u>100,876</u>
Total Program Expenses		<u>780,120</u>

**PROGRAM REVENUES**

Operating and Capital Grants		500
Charges for Service		<u>186,356</u>
Total Program Revenues		<u>186,856</u>
Net Program Expense		<u>593,264</u>

**GENERAL REVENUES**

Property Taxes		531,289
Fire District Assistance		26,720
Investment Earnings		1,242
Miscellaneous		<u>23,667</u>
Total General Revenues		<u>582,918</u>

Decrease in Net Position		(10,346)
--------------------------	--	----------

<b>NET POSITION-BEGINNING OF THE YEAR</b>		<u>805,008</u>
---	--	----------------

<b>NET POSITION-END OF THE YEAR</b>		<u><u>\$ 794,662</u></u>
-------------------------------------	--	--------------------------

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

**TONTO BASIN FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

Exhibit C

**General**

**ASSETS**

Cash and Cash Equivalents (Note 3)	<u>\$ 244,095</u>
Total Assets	<u><u>\$ 244,095</u></u>

**LIABILITIES**

Payroll Taxes	<u>\$ 2,631</u>
Total Liabilities	<u>2,631</u>

**FUND BALANCES**

Assigned Capital	106,045
Unassigned	<u>135,419</u>
Total Fund Balances	<u>241,464</u>
Total Liabilities & Fund Balances	<u><u>\$ 244,095</u></u>

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

**TONTO BASIN FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED  
JUNE 30, 2013**

Exhibit D

	<b>General</b>
<b>REVENUE</b>	
Property Taxes	\$ 531,289
Fire District Assistance Tax	26,720
Fees for Service	186,356
Interest	1,242
Grants	500
Miscellaneous	23,667
Total Revenues	769,774
<b>EXPENDITURES</b>	
Current:	
Public Safety	637,251
Administration	28,253
Grants	
Debt Service	
Principal	74,911
Interest	8,128
Capital Outlay	32,940
Total Expenditures	781,483
Excess (Deficiency) of Revenues over Expenditures	(11,709)
Net Change in Fund Balances	(11,709)
<b>Fund Balances-Beginning of Year</b>	253,173
<b>Fund Balances-End of Year</b>	\$ 241,464

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

**TONTO BASIN FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C)	\$	241,464
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.</p>		
Governmental Capital Assets		1,674,757
Less: Accumulated Depreciation		<u>(1,013,495)</u>
		661,262
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
		<u>(108,064)</u>
Net Position of Governmental Activities (Exhibit A)	\$	<u><u>794,662</u></u>

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

**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, 2013**

Exhibit F

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$ (11,709)
---	-------------

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.	(73,548)
--	----------

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>74,911</u>
---	---------------

Change in Net Position of Governmental Activities (Exhibit B)	<u><u>\$ (10,346)</u></u>
---	---------------------------

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

**TONTO BASIN FIRE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

Exhibit G

**Volunteer  
Pension  
Fund**  

---

**ASSETS**

Cash & Cash Equivalents	\$ 4,654
Investments, at fair value	
Mutual Funds	<u>133,665</u>
Total Assets	<u><u>138,319</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>\$ 138,319</u></u>
---	--------------------------

**TONTO BASIN FIRE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit H

	<b><u>Volunteer Pension Fund</u></b>
<b>ADDITIONS</b>	
Other	
Contributions	\$ 13,215
State Fire Marshal	<u>4,597</u>
Total Other Contributions	<u>17,812</u>
Investment Earnings:	
Interest & Dividends	2,818
Net Increase in the fair value of investments	<u>11,951</u>
Total Investment Earnings	<u>14,769</u>
Less Investment Expense	<u>-</u>
Net Investment Earnings	<u>14,769</u>
Total Additions	<u>32,581</u>
<b>DEDUCTIONS</b>	
Distributions	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	32,581
<b>Net Position - Beginning</b>	<u>105,738</u>
<b>Net Position - Ending</b>	<u><u>\$ 138,319</u></u>

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

**TONTO BASIN FIRE DISTRICT**  
**TONTO BASIN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Reporting Entity**

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

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

**Introduction**

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

**Basic Financial Statements**

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

## **Government -wide Statements**

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

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

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

## **Governmental funds**

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

The *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.

#### **Deferred Revenue**

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

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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

### **Compensated Absences**

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

### **Long-Term Obligations**

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Net Position/Fund Equity**

#### **Net Position on Government Wide Financial Statements – Schedule A**

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net assets and is classified in the following categories:

- λ Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- λ Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital Assets balances.
- λ Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

### **Fund Balances on Government Fund Financial Statements – Schedule C**

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

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

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

### **Accounting Estimates**

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

## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

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

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

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

## **NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT**

### **Deposits and Investments**

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer which is in turn invested in the Local Government Investment Pool (LGIP) operated by the Arizona State Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000.00 for interest bearing accounts and \$250,000 for demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency.

The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2013:

DEPOSITORY ACCOUNTS:

	<u>General</u> <u>Fund</u>	<u>Trust</u> <u>Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 4,593	\$ 0	\$ 4,593
Uninsured & Uncollateralized	<u>251,095</u>	<u>138,319</u>	<u>389,414</u>
Total Deposits	255,688	138,319	394,007
In Transit Items	<u>(11,593)</u>	<u>0</u>	<u>(11,593)</u>
Total Cash & Cash Equivalents	<u>\$ 244,095</u>	<u>\$ 138,319</u>	<u>\$ 382,414</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	\$ 255,688
American Funds(Mutual Funds)	Unrated	Not Applicable	<u>138,319</u>
Total District Investment Accounts			<u>\$ 394,007</u>

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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

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

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

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

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

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

The weighted average maturity of the LGIP-GOV pool at June 30, 2013:

For Pool 5	24 Days
For Pool 7	40 Days
For Pool 500	1.32 Years
For Pool 700	1.49 Years

### **Risk Management**

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

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

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 7 - 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 8 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid vacation and leave time is accrued when incurred. The District has no current policy regarding compensated absences therefore, the District has not accrued any vacation or sick time in the financial statements.

## **NOTE 9 – 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 Zions First Nat'l 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 20<sup>th</sup>, 2017, at an interest rate of 4.843%.

**Ambulance Lease-Purchase:** On January 15<sup>th</sup>, 2008, the District entered into a lease-purchase agreement with Zion Bank for the financing of an ambulance. The original amount of the lease was \$140,000 with semi-annual payments of \$15,614.27 ending on January 15<sup>th</sup>, 2013, at an interest rate of 4.070%.

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	\$ 553,198
Unrestricted	<u>241,464</u>
Total Net Position	<u>\$ 794,662</u>

Governmental Fund Balances :

Assigned Capital	\$ 106,045
Unassigned Fund Balances	<u>135,419</u>
Total Fund Balance	<u>\$ 241,464</u>

**NOTE 12 - 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 13 - 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.

### **NOTE 14- 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, other than the property tax initiative listed below.

**Voter Approved Property Tax Restriction:**

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

**Statutory Internal Control Changes:**

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**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, 2013**

Exhibit I

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 543,146	\$ 543,146	\$ 531,289	\$ (11,857)
Fire District Assistance	44,014	44,014	26,720	(17,294)
Fees for Service	211,000	211,000	186,356	(24,644)
Grant Revenue	-	-	500	500
Interest	-	-	1,242	1,242
Miscellaneous	-	-	23,667	23,667
Total Revenues	<u>798,160</u>	<u>798,160</u>	<u>769,774</u>	<u>(28,386)</u>
Expenditures:				
Current:				
Public Safety	661,390	661,390	637,251	24,139
Administration	46,880	46,880	28,253	18,627
Capital Outlay	125,390	125,390	115,979	9,411
Total Expenditures	<u>833,660</u>	<u>833,660</u>	<u>781,483</u>	<u>52,177</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(35,500)</u>	<u>(35,500)</u>	<u>(11,709)</u>	<u>23,791</u>
Net Change in Fund Balances	(35,500)	(35,500)	(11,709)	23,791
Fund Balances at Beginning of Year	<u>35,500</u>	<u>35,500</u>	<u>253,173</u>	<u>217,673</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 241,464</u>	<u>\$ 241,464</u>

**TONTO BASIN FIRE DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2012**

**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.).