

**MOUNTAIN VISTA FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2010**

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**MOUNTAIN VISTA FIRE DISTRICT  
TUCSON, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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CERTIFIED FINANCIAL AUDIT EXAMINER  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Mountain Vista Fire District  
Tucson, Arizona

I have audited the accompanying financial statements of the governmental activities of the Mountain Vista Fire District, Tucson, Arizona, as of and for the year ended June 30, 2010, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the District as of June 30, 2010 for the year then ended, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. As a result of such limited procedures, I believe that the management discussion and analysis is not in conformity with accounting principles generally accepted in the United States of America because some areas of discussion, which are required by GASB Statement #34, have been omitted.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Arizona Annual Report information is not a required part of the basic financial statements, but is supplemental information required by Arizona Revised Statutes. This additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on this information.

This report is intended solely for the information and use of the governing body and management of the District and for filing with the County Board of Supervisors and County Treasurer. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

**James H. Saunders, CPA**

James H. Saunders  
Certified Public Accountant  
Glendale, Arizona

November 30, 2010

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# Mountain Vista Fire District

## Management's Discussion and Analysis of Basic Financial Statements June 30, 2010

The following discussion and analysis of the Mountain Vista Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2010. 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 Mountain Vista Fire District provides fire and emergency medical services to homes, property and persons residing within the District boundaries, as well as services to locations and persons outside the District through mutual aid agreements and fee for service responses. The Fire District contracts for manpower and resources with Rural/Metro Fire Department Inc.

### Results of Operations

- λ The Mountain Vista Fire District responded to the following calls during the period July 1, 2009 – June 30, 2010:

Fire-related	105
Emergency Medical	1,471
Other	<u>1,231</u>
TOTAL	2,807

- λ The District began construction of a new 11,500 sq. ft. fire station at 9310 N. Shannon Road.
- λ The District successfully completed the annexation of the Suffolk Hills area located in the Town of Oro Valley south of Hardy Road.
- λ In November 2009, the District paid off the loan on the Hardy property (1 acre lot located at the northeast corner of La Canada Road and Hardy Road, Tucson, AZ)
- λ In January 2010, the District purchased 3.3 acres of land at 1175 W Magee Road for a new fire station and administrative offices.
- λ In May 2010, the District added a part-time Executive Assistant/Bookkeepers position to the office staff.

### **Financial Highlights**

- λ District investment in capital assets increased by \$1,603,079 or 67.72% .
- λ The District's net assets increased \$1,597,766 or 209.71 % from the previous fiscal year .
- λ Operating revenues decreased \$1,121,347 or 20.44% over the previous fiscal year.
- λ At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,282,430.

### **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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Net Assets June 30, 2010**

**Net Assets:**

Committed	\$ 1,267,293
Invested in Capital Assets, net of related debt	(1,573,441)
Restricted for Capital Acquisitions	1,907,741
Unrestricted Net Assets	<u>3,282,430</u>

**Total Net Assets** \$ 4,884,023

**Governmental Activities**

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

**General Fund Budgetary Highlights**

During the fiscal year ended June 30, 2010, the District successfully achieved their budgetary goals with no significant differentials.

**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 2010 the District purchased, had contributed, or constructed the following assets:

- λ Construction in progress on a new station at 9310 N Shannon Road
- λ Purchased 3.3 acres of land at 1175 W Magee Road

**Capital Assets, Net of Depreciation June 30, 2010**

Depreciable Assets

Fire Equipment	\$ 21,004
Admin Equipment	<u>23,191</u>
Total Capital Assets	<u>44,195</u>

Less Accumulated Depreciation

Fire Equipm ent	2,000
Admin Equipment	<u>5,246</u>

Less: Total Accumulated Depreciation	<u>7,246</u>
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Depreciable Capital Assets, Net	36,949
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Non-Depreciable Assets

Construction in Progress	1,132,704
Land	<u>1,190,000</u>

Capital Assets, Net	<u>\$2,359,653</u>
---------------------	--------------------

**Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$3,933,095 . All of the debt is backed by the full faith and credit of the District.

**Outstanding Debt**

Land Shannon Lease Purchase	\$ 479,959
Land McGee Lease Purchase	526,157
Building Shannon Lease Purchase	<u>2,926,979</u>
Totals	<u>\$ 3,933,095</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.

The District is finishing construction on the Shannon Road facility. In addition, the District is planning to construct another station on the Magee property. As of August 2010, the District purchased 2 new fire engines to be housed at the Shannon facility. The District plans to purchase a ladder truck in the near future.

### **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 Mountain Vista Fire District at 2292 W Magee Road, Ste 190, Tucson, Az 85742.



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## **BASIC FINANCIAL STATEMENTS**

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

Exhibit A

**Assets:**

Cash & Cash Equivalents (Note 3)	\$ 6,458,436
Taxes Receivable (Property) (Note 6)	124,125
Prepaid Rental	3,186
Rental Security Deposit	3,000
Capital Assets (Net of Accumulated Depreciation) (Note 7)	<u>2,359,653</u>
 Total Assets	 <u>8,948,400</u>

**Liabilities:**

Accounts Payable	4,544
Wages Payable	561
Payroll Taxes Payable	2,053
Deferred Revenue	124,125
Lease/Purchases Payable	
Portion Due within one year	130,972
Portion due after one year	<u>3,802,122</u>
Total Liabilities	<u>4,064,377</u>

**Net Assets:**

Invested in Capital Assets, net of related debt	(1,573,441)
Restricted for Capital Acquisitions	1,907,741
Unrestricted Net Assets	<u>4,549,723</u>

**Total Net Assets**

\$ 4,884,023

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

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B

**Expenses:**

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 94,510
Materials & Services	2,969,050
Depreciation	<u>5,313</u>
Total Program Expenses	<u>3,068,873</u>

**Program Revenues:**

Charges for Service	<u>-</u>
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Net Program Expense	<u>3,068,873</u>
---------------------	------------------

General Revenues	
Property Taxes	3,343,887
Fire District Assistance	895,289
Investment Earnings	54,705
Miscellaneous	<u>69,666</u>

Total General Revenues	<u>4,363,547</u>
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Increase in Net Assets	<u>1,294,674</u>
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<b>Net Assets - Beginning of Year</b>	<u>3,589,349</u>
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<b>Net Assets - End of Year</b>	<u><u>\$ 4,884,023</u></u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**MOUNTAIN VISTA FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

Exhibit C

	General	Capital Projects	Totals
Assets:			
Cash & Cash Equivalents	\$ 3,283,402	\$ 3,175,034	\$ 6,458,436
Taxes Receivable	124,125		124,125
Prepaid Rental	3,186		3,186
Rental Security Deposit	3,000	-	3,000
 Total Assets	 \$ 3,413,713	 \$ 3,175,034	 \$ 6,588,747
LIABILITIES & FUND BALANCES:			
Liabilities			
Payroll Liabilities	\$ 7,157	\$ -	\$ 7,157
Deferred Revenue	124,125		124,125
Total Liabilities	131,282	-	131,282
Fund Balances			
Committed		1,267,294	1,267,294
Restricted		1,907,740	1,907,740
Unassigned	3,282,431		3,282,431
Total Fund Balance	3,282,431	3,175,034	6,457,465
Total Liabilities & Fund Balances	\$ 3,413,713	\$ 3,175,034	\$ 6,588,747

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

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit D

	General	Capital Projects	Totals
Revenues:			
Property Taxes	\$ 3,343,887	\$	\$ 3,343,887
Fire District Assistance Tax	895,289		895,289
Interest	40,433	14,471	54,904
Miscellaneous	69,467		69,467
Loan Proceeds		3,530,000	3,530,000
Total Revenues	4,349,076	3,544,471	7,893,547
Expenditures:			
Current:			
Public Safety	2,914,993		2,914,993
Administration	6,094		6,094
Capital Outlay	900,444	1,064,304	1,964,748
Total Expenditures	3,821,531	1,064,304	4,885,835
Excess (Deficiency) of Revenues over Expenditures	527,545	2,480,167	3,007,712
Net Change in Fund Balances	527,545	2,480,167	3,007,712
Fund Balances at Beginning of Year	2,390,676	1,059,077	3,449,753
Fund Balances at End of Year	\$ 2,918,221	\$ 3,539,244	\$ 6,457,465

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

**MOUNTAIN VISTA FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

Exhibit E

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because of the following:

Fund Balances - Total Governmental Funds (Exhibit C)	\$ 6,457,465
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Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the funds

Governmental Capital Assets	2,366,899	
Less: Accumulated Depreciation	<u>(7,246)</u>	2,359,653

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

(3,933,095)

Net Assets of Governmental Activities (Exhibit A)

\$ 4,884,023

**MOUNTAIN VISTA 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, 2010**

Exhibit F

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$ 3,007,712
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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 outlays exceeded depreciation expense in the current period.	\$ 1,597,766
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The issuance of long-term debt (e.g., bonds, leases) 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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,310,804)
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Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 1,294,674</u>
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-The Notes to the Financial Statement are an Integral Part of This Statement-

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010**

Exhibit G

	<u>Volunteer Pension Fund</u>
Assets:	
Cash & Cash Equivalents	<u>\$ 145,254</u>
Total Assets	<u>145,254</u>
Liabilities:	
Accounts Payable	<u>                    </u>
Total Liabilities	<u>                    -0-</u>
Net Assets:	
Held in trust for pension and other purposes	<u><u>\$ 145,254</u></u>

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

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit H

	<u>Volunteer Pension Fund</u>
Additions:	
Other	
State Fire Insurance Premium	\$ 51,192
Total Contributions	<u>51,192</u>
Investment Earnings:	
Interest & Dividends	<u>625</u>
Total Additions	<u>51,817</u>
Deductions:	
Disbursements	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	51,817
Net Assets - Beginning	<u>93,437</u>
Net Assets - Ending	<u><u>\$ 145,254</u></u>

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

**MOUNTAIN VISTA FIRE DISTRICT**  
**TUCSON, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

A. 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 day to day operations are supervised by an administrative fire chief.

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.

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.

B. Basis of Presentation

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 and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period.

Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

The *Capital Projects Fund* is used to account for the proceeds from bond issues and the expenditure of those funds for the capital improvements allowed by the voter approved bond issue.

*Fiduciary funds.* 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 assets and a statement of changes in fiduciary net assets. 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.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989 are generally followed in both the government-wide and proprietary fund financial standards to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

C. Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

D. 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	7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

E. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

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.

F. 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.

G. Fund Equity

Beginning with fiscal year 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 balance more transparent. The following classifications describe the relative strength of the spending constraints:

- λ Nonspendable fund balance —amounts that are not in 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.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. District Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or 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).

H. 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**

A. 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 in a newspaper of general circulation in the District. The budget is then submitted to the District Board for approval. 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**

A. Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes. Deposits may be placed with any FDIC insured institution or invested in other investments as determined by the District Board. Deposits with public institutions in excess of FDIC insurance limits are required to be collateralized to the extent of one hundred and one percent of the excess deposit amount (ARS 35-323).

The District maintains accounts (as required by state law) in a public investment pool operated by the County Treasurer which is in turn invested in the Arizona State Investment Pool. 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. This pool is under the control of the Treasurer of the State of Arizona.

The District is also authorized to open its own depository or investment accounts. State law requires FDIC insured institutions to collateralize with specifically identifiable securities held by a third party all governmental accounts exceeding the FDIC level of insurance.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2010 :

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Trust Fund</u>	<u>Totals</u>
Insured Deposits (FDIC)	\$218,164	\$1,031,835	\$ 0	\$1,250,000
Insured Deposits (Collateralized)		2,127,588	145,254	2,272,842
Investments	3,066,810			3,066,810
Uninsured, Uncollateralized	<u>0</u>	<u>15,611</u>	<u>0</u>	<u>15,611</u>
Total Deposits	3,284,974	3,175,034	145,254	6,605,262
In Transit Items	<u>(1,572)</u>	<u>0</u>	<u>0</u>	<u>(1,572)</u>
Total Cash and Cash Equivalents	<u>\$ 3,283,402</u>	<u>\$3,175,034</u>	<u>\$145,254</u>	<u>\$6,603,690</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.

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.

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$ 3,082,420

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 following chart contains information about the Weighted Average Maturity (WAM) of the Arizona State Treasurer's Local Government Investment Pools. Additional information is available on the Arizona State Treasurer website.

**LGIP WAM**

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>2009</b>	77.32											
<b>2008</b>	38.42	38.81	41.25	42.07	49.31	44.70	43.31	41.77	42.97	46.22	54.65	79.71
<b>2007</b>	98.42	79.02	74.26	77.21	93.80	78.03	78.13	72.49	60.63	51.90	53.30	51.83
<b>2006</b>	57.22	61.85	66.62	55.05	62.67	50.95	63.07	103.33	103.24	110.44	95.51	93.34
<b>2005</b>	100.32	100.36	93.32	99.06	96.21	84	91.55	79.22	75.27	65.60	64.11	69.4
<b>2004</b>	86.52	80.3	79	82.66	79.3	71.59	180.85	167.22	162.99	151.52	151.65	145.53
<b>2003</b>	45	45	45	43.57	37.89	74.65	103.6	89.29	87.73	93.35	95.17	87.07

**LGIP-US GOV INVESTMENTS WAM**

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>2009</b>	27.58											
<b>2008</b>	25.04	24.56	30.25	15.46	19.99	23.13	20.35	20.54	52.49	34.27	24.92	25.62
<b>2007</b>	14.96	14.50	39.11	30.73	52.85	49.55	48.94	47.72	39.80	36.49	38.92	28.69
<b>2006</b>	90.95	89.71	74.41	60.34	44.17	36.87	30.21	25.18	20.96	14.09	13.68	7.37
<b>2005</b>	141.59	125.37	140.04	103.62	121.18	152	119.02	129.80	127.52	121.45	113.07	96.83
<b>2004</b>	120.57	118.86	116.59	151.44	129.30	122.64	137.49	116.82	113.70	101.86	88.66	79.27
<b>2003</b>	22.53	32.35	43.37	118.77	108.44	142.34	144.70	138.08	129.80	120.61	92.99	106.10

B. Risk Management

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

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

Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

**NOTE 4 - INVENTORIES**

The costs of governmental fund -type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

**NOTE 5 - RECEIVABLES**

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

**NOTE 6 – DEFERRED REVENUES**

Deferred Taxes Receivable arise when property taxes are levied by not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended.

	BALANCE 06/30/2009	ADDITIONS	DELETIONS	BALANCE 06/30/2010
<u>Depreciable Assets</u>				
Fire Equipment	\$ 0	\$ 21,004	\$ 0	\$ 21,004
Admin Equipment	<u>23,191</u>	<u>0</u>	<u>0</u>	<u>23,191</u>
Total Capital Assets	<u>23,191</u>	<u>21,004</u>	<u>0</u>	<u>44,195</u>
Less Accumulated Depreciation				
Fire Equipment	0	2,000		2,000
Admin Equipment	<u>1,933</u>	<u>3,313</u>	<u>0</u>	<u>5,246</u>
Less: Total Accumulated Depreciation	<u>1,933</u>	<u>5,313</u>	<u>0</u>	<u>7,246</u>
Depreciable Capital Assets, Net	21,258	15,691	0	36,949
<u>Non-Depreciable Assets</u>				
Construction in Progress	80,629	1,052,075	0	1,132,704
Land	<u>660,000</u>	<u>530,000</u>	<u>0</u>	<u>1,190,000</u>
Capital Assets, Net	<u>\$ 761,887</u>	<u>\$ 1,597,766</u>	<u>\$ 0</u>	<u>\$2,359,653</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.

**NOTE 9 - POST EMPLOYMENT BENEFITS**

The government provides certain health care and life insurance benefits for recently separated employees as required by the Federal law under COBRA. Any cost of health care and life insurance benefits would be short term and recognized as an expenditure as claims are paid.

**NOTE 10 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid vacation and leave time is accrued when incurred. Such amounts have been accrued in the governmental fund (using the modified accrual basis of accounting).

The District has a contract for Fire Service with Rural Metro Fire Department. District employs an administrative chief who acts as administrator, and therefore does not accrue vacation or sick leave.

**NOTE 11 – 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. The District has entered into various Lease/Purchases contract for the acquisition of assets. Pursuant to Arizona Statues, these Agreements may be cancelled by the District at any time. Arizona Governments are prohibited from obligating f uture revenues without voter approval. The District has entered into the following agreements:

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 Hardy Lease-Purchase: On November 16<sup>th</sup> 2007 the District entered into a lease -purchase agreement with Zions First National Bank for the purchase of land for a new fire station. The original amount of the lease was \$160,000 with Quarterly payments of \$5,104 ending on November 15<sup>th</sup> 2016 at an interest rate of 4.988%.

Land Shannon Lease-Purchase: On October 10<sup>th</sup> 2008 the District entered into a lease -purchase agreement with Zions First National Bank for th e purchase of land for a new fire station. The original amount of the lease was \$500,000 with Quarterly payments of \$10,072.71 ending on November 15<sup>th</sup> 2028 at an interest rate of 4.988%.

Land McGee Lease-Purchase: On January 15<sup>th</sup> 2010 the District ente red into a lease -purchase agreement with Zions First National Bank for the purchase of land for a new fire station. The original amount of the lease was \$530 ,000 with Quarterly payments of \$10,811.47, starting on April 15<sup>th</sup> 2010 ending on January 15<sup>th</sup> 2030 at an interest rate of 5.259 %.

Building Shannon Lease-Purchase: On August 20<sup>th</sup> 2009 the District entered into a lease-purchase agreement with Zions First National B ank for a new fire station. The original amount of the lease was \$3,0 00,000 with Quarterly payments of \$56,548.28, starting on November 15<sup>th</sup> 2009 and ending on August 15<sup>th</sup> 2029 at an interest rate of 4.399 %.

Changes in Long -Term Debt:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Land Hardy Lease Purchase	\$ 127,098	\$	\$ 127,098	\$ 0
Land Shannon Lease Purchase	495,193		15,234	479,959
Land McGee Lease Purchase	0	530,000	3,843	526,157
Building Shannon Lease Purchase	<u>0</u>	<u>3,000,000</u>	<u>73,021</u>	<u>2,926,979</u>
Totals	<u>\$ 622,291</u>	<u>\$3,530,000</u>	<u>\$ 219,196</u>	<u>\$ 3,933,095</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, 2010, were as follows:

<u>Year Ending June</u>	<u>Lease Purchase Payable</u>
2011	\$ 309,730
2012	309,730
2013	309,730
2014	309,730
2015	309,730
2016	309,730
2017 thru 2030	<u>3,869,133</u>
Total Minimum Payments	5,727,513
Less: Amount Representing Interest	<u>1,794,418</u>
Present Value of Minimum Debt Payments	<u>\$ 3,933,095</u>

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)**

A. Plan Descriptions

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

The District maintains a *Volunteer Fire Pension Fund* as allowed by ARS 9-951. This plan is administered by the District in the form of a Certificate of Deposit. The plan is reviewed by the Arizona State Fire Marshal's office. The plan currently has no eligible participants.

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.

**NOTE 14- PROPERTY TAX CALENDAR**

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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MOUNTAIN VISTA FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit I

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 3,363,833	\$ 3,363,833	\$ 3,343,887	\$ (19,946)
Fire District Assistance	672,767	900,000	895,289	(4,711)
Interest	60,000	60,000	40,433	(19,567)
Miscellaneous	3,000,000	3,000,000	69,467	(2,930,533)
Total Revenues	<u>7,096,600</u>	<u>7,323,833</u>	<u>4,349,076</u>	<u>(2,974,757)</u>
Expenditures:				
Current:				
Public Safety	3,653,595	3,880,828	2,914,993	965,835
Administration	136,825	136,825	6,094	130,731
Capital Outlay	3,306,180	3,306,180	900,444	2,405,736
Total Expenditures	<u>7,096,600</u>	<u>7,323,833</u>	<u>3,821,531</u>	<u>3,502,302</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>527,545</u>	<u>527,545</u>
Net Change in Fund Balances	-	-	527,545	527,545
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>2,390,676</u>	<u>2,390,676</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,918,221</u>	<u>\$ 2,918,221</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**MOUNTAIN VISTA FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2010**

**REGULAR FIRE BOARD MEETINGS:**

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 20, 2009	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
August 17, 2009	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
Sept 21, 2009	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
November 16, 2009	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
December 14, 2009	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
January 18, 2010	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
February 15, 2010	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
March 15, 2010	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
April 19, 2010	6:00 p.m.	2292 W Magee Road, Tucson, Arizona
May 17, 2010	6:30 p.m.	2292 W Magee Road, Tucson, Arizona
June 21, 2010	6:30 p.m.	2292 W Magee Road, Tucson, Arizona

**BOARD MEMBERS:**

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>
Michael Treece	520-575-4087	
Donna Heidinger	520-575-4087	
Peter Archuleta	520-575-4087	
Jerry Phillips	520-575-4087	
Earle Ruhnke, Sr.	520-575-4087	

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

MVFD District Office	2292 W Magee Road	Tucson, AZ
MVFD Property	9310 N Shannon Road	Tucson, AZ
Rural Metro Station	3761 W Cromwell	Tucson, AZ



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