

**Mountain Vista Fire District**

**INDEPENDENT AUDITORS' COMMUNICATION TO  
THOSE CHARGED WITH GOVERNANCE**

**June 30, 2012**

**Mountain Vista Fire District**  
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**ACCOUNTING PROFESSIONALS, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' COMMUNICATION TO  
THOSE CHARGED WITH GOVERNANCE**

To the Board of Directors of  
Mountain Vista Fire District  
Tucson, Arizona

We have audited the basic financial statements of Mountain Vista Fire District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. Professional standards require that we advise you of the following matters relating to our audit.

**OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

As communicated in our engagement letter dated May 22, 2012, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (and when applicable, Government Auditing Standards). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, as we are not aware of any other documents containing the District's audited financial statements, we have not performed any additional procedures in accordance with such standards.

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Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

#### **QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES**

##### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in the significant accounting policies or their application during the year ended June 30, 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

##### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the aforementioned estimates and determined that they are reasonable in relation to the basic financial statements as a whole.

##### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Capital Assets – The District's investment in capital assets is not just material to the financial statements, but is key to demonstrating the District's commitment to provide quality services to the community;
- Capital Leases (Long Term Debt) – Such long-term commitments have a ongoing impact to the District's budget, planned cash flows and ability to incur additional debt.

### *Significant Difficulties Encountered during the Audit*

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. However, we did not identify any uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule (AJE 2012) of journal entries summarize misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management; schedule AJE 2012 is for adjusting journal entries, schedule RJE 2012 is for reclassifying journal entries and schedule GW 2012 is for government-wide journal entries (prepared by us, and approved by management, as part of converting the financial statements from the modified accrual basis to the full accrual government-wide presentation).

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which were included in the letter from management dated December 14, 2012.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing, accounting and financial reporting matters. Based on management's representations, and consistent with our understanding of the District's activities, the District did not consult with any third parties with respect to our preparation of the financial statements or managements responsibility for such statements.

### **Other Significant Findings or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

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

*Accounting Professionals, LLC*

December 14, 2012

**Mountain Vista Fire District****AJE 2012**

Year End: June 30, 2012

Adjusting Journal Entries

Date: 7/1/2011 To 6/30/2012

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
AJE 001	6/30/2012	Opening Bal Equity:30020	30020 GF			10,328.00		
AJE 001	6/30/2012	Property Taxes	41100 GF				10,328.00	
		To correct beginning fund balance						
						10,328.00	10,328.00	
Net income (Loss)			36,559.00					

**Mountain Vista Fire District****RJE 2012**

Year End: June 30, 2012

Reclassifying Journal Entries

Date: 7/1/2011 To 6/30/2012

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence
RJE 001	6/30/2012	Internal Apparatus R/M	54020 GF			18,494.00		
RJE 001	6/30/2012	Capital Expenditures: Fire Equipment	60110 GF				17,619.00	
RJE 001	6/30/2012	Capital Expenditures: Fire Engine Detailing	60130 GF				875.00	
		To reclassify non-capitalized (long-term significant) assets.						
						18,494.00	18,494.00	
Net Income (Loss)			36,559.00					



**Mountain Vista Fire District**

Year End: June 30, 2012

GW Adjusting Journal Entry

Date: 7/1/2011 To 6/30/2012

**GW 2012**

Number	Date	Name	Account No	Reference Annotation	Debit	Credit	Recurrence
GWE 001	6/30/2012	Construction in progress	GW-1711 GW		3,019,327.00		
GWE 001	6/30/2012	Construction in progress	GW-1711 GW			4,335,104.00	
GWE 001	6/30/2012	Buildings	GW-1720 GW		4,335,104.00		
GWE 001	6/30/2012	Accum dep - bldg, furn, equip, vehicles	GW-1729 GW			239,241.00	
GWE 001	6/30/2012	Purchase agreements - more than 1 year	GW-2721 GW		255,074.00		
GWE 001	6/30/2012	Principal	GW-7011 GW			255,074.00	
GWE 001	6/30/2012	Capital outlay	GW-8000 GW			3,019,327.00	
GWE 001	6/30/2012	Depreciation	GW-8050 GW		239,241.00		
<hr/>							
GWE 002	6/30/2012	Land	GW-1710 GW			160,000.00	
GWE 002	6/30/2012	Gain or loss on disposal	GW-8090 GW		160,000.00		
		To record sale of asset					
<hr/>							
GWE 003	6/30/2012	Deferred revenue	GW-2310 GW		51,862.00		
GWE 003	6/30/2012	GW Property taxes	GW-4110 GW			51,862.00	
		To eliminate deferred revenue					
<hr/>							
GWE 004	6/30/2012	Purchase agreements - Due within 1 year	GW-2711 GW			270,381.00	
GWE 004	6/30/2012	Purchase agreements - more than 1 year	GW-2721 GW		270,381.00		
		To reclassify current portion of long-term debt.					
<hr/>							
					8,330,989.00	8,330,989.00	
<hr/>							
Net Income (Loss)			36,559.00				



**Mountain Vista Fire District  
Financial Statements  
June 30, 2012**

**Mountain Vista Fire District  
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ACCOUNTING PROFESSIONALS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the  
Mountain Vista Fire District  
Tucson, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain Vista Fire District (the District), as of and for the year ended June 30, 2012, which collectively 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit 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 presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and of each major fund of the Mountain Vista Fire District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will also issue our report on consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedules on page 30, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Accounting Professionals, LLC*

December 14, 2012

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Required Supplementary Information)

**Mountain Vista Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

As management of the Mountain Vista Fire District (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. This discussion and analysis is designed to focus on the significant financial issues and activities of the District as well as to identify any significant changes in the District's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative. The discussion and analysis that follows will reflect the most recent fiscal year with both current year events and comparisons to the preceding fiscal year.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$6,104,898 (net assets). Of this amount, \$4,002,320 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens, creditors and further the purpose of the District. The remaining balance of \$2,102,578 is invested in capital assets, net of related debt.
- The District's total net assets increased by \$36,559.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,289,102, a decrease of \$2,890,463 from the prior year. Of this amount, \$1,695,362 or 40%, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,695,362, or 40% percent of total general fund expenditures for the fiscal year.
- The District –
  - i) Has two fire stations staffed with full-time employees under a contract with Rural Metro;
  - ii) Generated \$31,380 in charges for services.
  - iii) Maintains, and follows, a consistent program to upgrade buildings, equipment and facilities.
- During the year, \$3,019,327 was spent to acquire new capital assets.
- The District strives to provide the best possible service while minimizing the tax burden to the public. Property tax revenues reported in the General Fund decreased \$270,543 or 7% from the prior year due to a combination of decreases in the District's assessed valuation and a consistently low tax rate.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the financial statements themselves.

**Mountain Vista Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar in format to a financial statement of a 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 and 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 government's net assets changed the most 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.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual government funds, the *General Fund*, and the *Capital Projects Fund*, both of which are considered to be the major funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each fund. There were no non-major governmental funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with budgetary monitoring.

**Fiduciary Funds** – The District is the trustee or fiduciary for certain funds held on behalf of the Mountain Vista Fire District Volunteer Firefighter's Pension Trust. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.



**Mountain Vista Fire District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012**

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information comparing the District's budget to actual revenues and expenditures for the general fund.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$6,104,898 as of June 30, 2012. The District's net assets increased by \$36,559 for the fiscal year ended June 30, 2012.

However, the largest portion (\$2,102,578 or 34%) reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of the related debt for the capital lease. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Mountain Vista Fire District's Net Assets**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 4,286,163	\$ 7,175,222
Other assets	58,196	180,149
Capital assets, net	<u>9,106,924</u>	<u>6,486,838</u>
 Total assets	 <u>13,451,283</u>	 <u>13,842,209</u>
 Liabilities	 <u>7,346,385</u>	 <u>7,773,870</u>
 Net Assets		
Invested in capital assets	2,102,578	1,821,557
Unrestricted	<u>4,002,320</u>	<u>4,246,782</u>
 Total Net Assets	 <u>\$ 6,104,898</u>	 <u>\$ 6,068,339</u>

**Mountain Vista Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

**Governmental Activities** – Governmental activities increased the District's net assets by \$36,559. Factors which led to this relatively minor increase of net assets, and a summary of the changes in net assets, are as follows:

- Fees for services, specifically ambulance and fire calls in which the District is entitled to charge fees, were relatively consistent;
- Property tax revenues declined due to significant decreases in assessed valuation and increases in residential foreclosures based on Arizona's current economic downturn.

**Mountain Vista Fire District's Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 31,380	\$ 14,272
Operating grants and contributions	-	-
Capital grants and contributions	-	-
General revenues:		
Property Taxes	3,583,557	3,854,100
County aid	513,546	889,530
Gain/(loss) on sale of assets	(63,679)	-
Investment earnings	<u>12,406</u>	<u>29,013</u>
Total revenues	<u>4,077,210</u>	<u>4,786,915</u>
Expenses:		
Public safety - Emergency Services	<u>4,040,651</u>	<u>3,602,599</u>
Total expenses	<u>4,040,651</u>	<u>3,602,599</u>
Increase (decrease) in net assets	36,559	1,184,316
Net assets - beginning	<u>6,068,339</u>	<u>4,884,023</u>
Net assets - ending	<u>\$ 6,104,898</u>	<u>\$ 6,068,339</u>

The cost of all governmental activities for the year ended June 30, 2012, was \$4,040,651. Fire District Assistance Taxes (County Aid) provided funding of \$513,546. Additional revenue was realized from interest in the amount of \$12,406. And, other program service revenues, and related charges, provided funding of \$31,380.

**Mountain Vista Fire District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012**

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the District's financing requirements. Specifically, the unreserved fund balance can be a useful measure of a District's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,695,362. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total General Fund expenditures.

At June 30, 2012, the governmental funds of the District reported a combined fund balance of \$4,289,102, a decrease over last year of \$2,890,463. This was primarily due to the District's purchase of \$3,019,327 in capital assets, which is recorded as capital outlay in governmental funds and thus, is a reduction of the fund balance.

**Budgetary Highlights**

During the current year, the District did not have any amendments to the originally adopted budget.

**Budgetary Comparison - General Fund**

Revenues were less than the budgeted amounts primarily because Fire District Assistance Taxes were \$386,454 less and other revenues were \$419,000 less than the District originally had expected to receive. However, this was offset by expenditures being held in check to compensate for the lack of funding. As actual operation expenditures were \$665,361 less than budgeted expenditure, the District was able to comply with its budgetary objectives.

**Capital Asset and Debt Administration**

**Capital Assets** - The District's investment in capital assets for its governmental type activities as of June 30, 2012, totaled \$9,106,924 (net of accumulated depreciation). These assets include buildings, improvements, apparatus and general equipment.

Major capital asset transactions during the year include the following:

- Completion of the Magee Fire Station.

**Long-term Debt** - The District acquired land and construction facilities through capital lease purchases with Zions Bank. The terms of the purchase lease agreements are more fully described in Note 7.

**Mountain Vista Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2012**

**Economic Factors and Next Year's Budgets and Rates**

Arizona Revised Statutes limit the amount the District can assess to \$3.25 per \$100 of secondary assessed valuation of properties within the District. The District works hard to keep the tax rate as low as feasibly possible. Despite the decrease in net assessed property valuations as set by the Pima County Assessor's office, the District determined that it was appropriate to decrease its assessment rate for fiscal year 2012 2013 by \$.04 and still provide quality public safety services for the community.

**Request for Information**

This report is designed to provide an overview of District finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Ed Wilkerson at (520) 575-4087 or the following address: Mountain Vista Fire District, 1175 West Magee Road, Tucson, Arizona 85704.

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# **BASIC FINANCIAL STATEMENTS**

**Mountain Vista Fire District**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,217,900
Cash and cash equivalents, restricted	68,263
Prepaid expenses	6,340
Taxes Receivable	51,856
Capital assets:	
Non-depreciable	1,030,000
Depreciable, net	<u>8,076,924</u>
Total assets	<u>13,451,283</u>
<b>LIABILITIES</b>	
Accounts payable	824
Accrued payroll and related liabilities	2,571
Long-term liabilities:	
Due within one year	270,381
Due in more than one year	<u>7,072,609</u>
Total liabilities	<u>7,346,385</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,102,578
Unrestricted	<u>4,002,320</u>
Total net assets	<u>\$ 6,104,898</u>

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency Services	\$ 3,275,152
Administrative and support services	200,547
Depreciation	239,241
Interest	<u>325,711</u>
Total program expenses	<u>4,040,651</u>
<b>PROGRAM REVENUES</b>	
Charges for services, net	31,380
Capital grants and contributions	-
Operating grants and contributions	<u>-</u>
Total program revenues	<u>31,380</u>
Net program expenses	<u>4,009,271</u>
<b>GENERAL REVENUES</b>	
Property taxes	3,583,557
County aid	513,546
Investment earnings	12,406
Gain/(loss) on sales of assets	<u>(63,679)</u>
Total general revenues	<u>4,045,830</u>
Increase in net assets	36,559
Net assets - beginning	<u>6,068,339</u>
Net assets - ending	<u>\$ 6,104,898</u>

The notes to the financial statements are an integral part of this statement.



**Mountain Vista Fire District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,692,423	\$ 2,525,477	\$ 4,217,900
Cash and cash equivalents, restricted	-	68,263	68,263
Prepaid expenses	6,340	-	6,340
Taxes Receivable	<u>51,856</u>	<u>-</u>	<u>51,856</u>
Total assets	<u>\$ 1,750,619</u>	<u>\$ 2,593,740</u>	<u>\$ 4,344,359</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 824	\$ -	\$ 824
Accrued payroll and related liabilities	2,571	-	2,571
Deferred revenue	<u>51,862</u>	<u>-</u>	<u>51,862</u>
Total liabilities	<u>55,257</u>	<u>-</u>	<u>55,257</u>
Fund balances:			
Restricted	-	68,263	68,263
Nonspendable	6,340	-	6,340
Committed	-	2,525,477	2,525,477
Unassigned	<u>1,689,022</u>	<u>-</u>	<u>1,689,022</u>
Total fund balances	<u>1,695,362</u>	<u>2,593,740</u>	<u>4,289,102</u>
Total liabilities and fund balances	<u>\$ 1,750,619</u>	<u>\$ 2,593,740</u>	<u>\$ 4,344,359</u>

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

Fund balances - total governmental funds \$ 4,289,102

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not current financial  
resources and therefore are not reported in the governmental funds  
balance sheet. 9,106,924

Receivables which are not available to pay for current period  
expenditures and, therefore, are deferred in the governmental funds  
balance sheet. 51,862

Long-term liabilities are not due and payable in the current period and,  
therefore, they are not reported in the governmental funds balance  
sheet. (7,342,990)

Net assets of governmental activities \$ 6,104,898

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2012**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 3,531,695	\$ -	\$ 3,531,695
Fire District Assistance Tax	513,546	-	513,546
Charges for services	31,380	-	31,380
Other revenue	-	96,321	96,321
Interest income	10,812	1,594	12,406
	<u>4,087,433</u>	<u>97,915</u>	<u>4,185,348</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Public safety, fire protection:			
Emergency Services	3,275,152	-	3,275,152
Administrative and support services	200,547	-	200,547
Debt service:			
Principal	255,074	-	255,074
Interest on long-term debt	325,711	-	325,711
Capital outlay	154,685	2,864,642	3,019,327
	<u>4,211,169</u>	<u>2,864,642</u>	<u>7,075,811</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(123,736)</u>	<u>(2,766,727)</u>	<u>(2,890,463)</u>
<b>OTHER FINANCING SOURCES / (USES)</b>			
Transfers In	-	900,000	900,000
Transfers Out	(900,000)	-	(900,000)
Proceeds from capital lease	-	-	-
	<u>(900,000)</u>	<u>900,000</u>	<u>-</u>
Total other financing sources / (uses)			
Net changes in fund balances	(1,023,736)	(1,866,727)	(2,890,463)
Fund balances - beginning	2,719,098	4,460,467	7,179,565
Fund balances - ending	<u>\$ 1,695,362</u>	<u>\$ 2,593,740</u>	<u>\$ 4,289,102</u>

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2012**

Net change in fund balances - total governmental funds	\$ (2,890,463)
--	----------------

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures. This is the amount by which capital outlays recorded exceeded losses on disposals in the current period.	3,019,327
--	-----------

Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.	(239,241)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the amount by which revenues reported in the statement of activities exceeded those amounts received and reported as current financial resources in the governmental funds.	51,862
---	--------

Repayment of the principal of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	255,074
---	---------

Revenue from the sale of assets are reported in the governmental funds; however, the cost of the asset sold is recorded against the revenue on the government-wide statements.	<div style="border-top: 1px solid black; display: inline-block;">(160,000)</div>
--	--

Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 36,559</div>
---	---

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

	<u>Firefighters' Relief and Pension Fund</u>
<b>ASSETS</b>	
Cash	\$ 278,648
Investment, fair value	<u>-</u>
Total assets	<u><u>\$ 278,648</u></u>
 <b>NET ASSETS</b>	
Held in trust for pension benefits	<u><u>\$ 278,648</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 FUNDS**  
**Year Ended June 30, 2012**

	<u>Firefighters' Relief and Pension Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$     -
Employee	-
Premium tax	132,216
Investment earning	<u>557</u>
Total additions	<u>132,773</u>
<b>DEDUCTIONS</b>	
Benefits paid	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	132,773
Net assets - beginning	<u>145,875</u>
Net Assets - ending	<u><u>\$ 278,648</u></u>

The notes to the financial statements are an integral part of this statement.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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

The accounting policies of the Mountain Vista Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

**A. Reporting Entity**

The District, established in 2008 through the merger of three smaller fire districts (La Canada, North Ranch/Linda Vista and Heritage Hills), is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The Firefighters' Relief and Pension Fund is considered a blended component unit.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the 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 customers or applicants who purchase, use, or directly benefit from goods, services or privileges 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 (e.g. special assessments). Taxes and other revenues not included among program revenues are reported instead as general revenues.

**Government Accounting Standards Board Statement No. 54**

For the fiscal year ended June 30, 2011, the District implemented Government Accounting Standards Board Statement No. 54 (GASB 54), *"Fund Balance Reporting and Governmental Fund Type Definitions."* The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity Section of this footnote.

**C. 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. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded 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.

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is the District's fund which hold proceeds from the issuance of debt for capital acquisitions and commitments of tax payer monies for future capital expenditures.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### **D. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

It is the District's policy to invest all temporary cash surpluses. As of June 30, 2012, the District was holding \$845,947 on deposit with the Pima County Treasurer's investment pool. The investment pool is considered a cash equivalent. For additional information regarding cash and cash equivalents see Financial Note 2 - Cash and Cash Equivalents.

#### **E. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

The District levies real property taxes on or before the third Monday in August. Such levies become due and payable in two equal installments, the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectibles on taxes receivable as the District has a subordinated lien on all properties subject to the tax.

#### **F. Prepaid items**

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.



**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**G. Capital assets**

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, construction in progress and infrastructure assets (e.g., radio equipment), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life in excess of one year.

Interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Type of asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	20 - 40
Furniture, vehicles and equipment	\$5,000	3 - 20

**H. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused personal leave and vacation. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

**I. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets and the balance sheet.

**J. Fund equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

***Nonspendable fund balance*** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

***Restricted fund balance*** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed fund balance*** - amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

***Assigned fund balance*** - amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

***Unassigned fund balance*** - the residual classification for the District's General Fund that includes amounts not contained in other classifications.

**K. Intergovernmental grants and aid**

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

**L. Use of estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

**M. Budgetary accounting**

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to spend more than the budgeted revenues plus the prior year's carry-over of unrestricted cash. The limitation is applied to the total of the combined funds.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

As of June 30, 2012 the District had \$845,947 on deposit with the Pima County Treasurer's investment pool (PCTIP) and \$3,440,216 (book balance) in demand deposits with local financial institutions. The Pima County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the PCTIP is included in the Comprehensive Annual Financial Report of Pima County. The fair value of each participant's position in the PCTIP approximates the value of the participant's shares in the pool.

The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the District's name. As of June 30, 2012, \$2,886,385 of the District's bank balance of \$3,454,648 was exposed to custodial credit risk as it was uninsured with collateral held by the pledging financial institution trustee department not in the District's name.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. 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.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Pima County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The PCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2012, the PCTIP had not received a credit quality rating from a national rating agency.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2012, for the District's *General Fund*, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Taxes	\$ 51,856
Intergovernmental	-
Program services	-
Gross receivables	51,856
Less: allowance for uncollectibles	-
Net total receivables	<u>\$ 51,856</u>

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report *deferred revenues* in connection with receivables that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental unavailable deferred revenues are reported as revenues for government-wide presentation as they are considered earned and measurable. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned deferred revenues remain deferred for purposes of government-wide reporting. As of June 30, 2012, deferred revenue consisted of the following:

	Unavailable
General Fund	
Deferred tax revenues	\$ 51,862
Total deferred revenue	<u>\$ 51,862</u>

**NOTE 5 - TRANSFERS AND DESIGNATIONS OF FUND BALANCE**

The District has adopted a policy whereby it will transfer budgeted and/or unused appropriations to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. The District transferred \$900,000 from the General Fund to the Capital Projects Fund and committed such monies for capital outlay.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land, not depreciated	\$ 1,190,000	\$ -	\$ (160,000)	\$ 1,030,000
Construction in progress, not depreciated	1,315,777	3,019,327	(4,335,104)	-
Buildings and improvements	2,708,314	4,335,104	-	7,043,418
Apparatus	1,270,224	-	-	1,270,224
Equipment	122,572	-	-	122,572
Total capital assets	6,606,887	7,354,431	(4,495,104)	9,466,214
Less accumulated depreciation	(120,049)	(239,241)	-	(359,290)
Total capital assets, net	<u>\$ 6,486,838</u>	<u>\$ 7,115,190</u>	<u>\$ (4,495,104)</u>	<u>\$ 9,106,924</u>

Depreciation expense for the period was \$239,241, all depreciation was expensed to public safety function.

**NOTE 7 - LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases - Magee (Zions)	\$ 4,770,144	\$ -	\$ (151,350)	\$ 4,618,794	\$ 162,265
Capital leases - Shannon (Zions)	2,827,920	-	(103,724)	2,724,196	108,116
Compensated absences	-	-	-	-	-
Total governmental liabilities	<u>\$ 7,598,064</u>	<u>\$ -</u>	<u>\$ (255,074)</u>	<u>\$ 7,342,990</u>	<u>\$ 270,381</u>

**A. Capital leases**

Purchase Leases: The District acquired buildings, vehicles and equipment by granting leasehold interests in the underlying assets to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under these agreements, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligation to the Bank is satisfied. Once the obligations to the Bank are satisfied, all rights, title, and interest in the buildings, vehicles and equipment are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreements.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

The District has two active purchase lease agreements with the Bank; payments are due quarterly totaling \$145,070, the effective annual interest rates are approximately 4.3%; the original term for both agreements is 20 years. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year ended June 30,	Magee	Shannon
2013	\$ 354,091	\$ 226,193
2014	354,091	226,193
2015	354,091	226,193
2016	354,091	226,193
2017	354,091	226,193
Thereafter	<u>4,957,274</u>	<u>2,770,864</u>
Total minimum lease payments	6,727,729	3,901,829
Less amount representing interest	<u>(2,108,935)</u>	<u>(1,177,633)</u>
Present value of future minimum payments	<u>\$ 4,618,794</u>	<u>\$ 2,724,196</u>

The assets capitalized and acquired through the capital lease are as follows:

Assets acquired under capital lease - Magee	\$ 4,865,104
Assets acquired under capital lease - Shannon	3,208,314
Less accumulated depreciation	<u>(137,678)</u>
Net book value	<u>\$ 7,935,740</u>

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**A. Inter-governmental agreements and indemnifications**

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

**B. Risk management**

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Settled claims, if any, resulting from these risks have not exceeded commercial insurance in any of the last three years. No provision has been made in the financial statements for possible losses of this nature.

**Mountain Vista Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District contributes to multiple plans as described below. Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

**A. Volunteer Firefighter's Relief and Pension Fund**

Plan Description: Pursuant to Arizona Revised Statutes, the District contributes to a pension fund for volunteer firefighters. The relief and pension fund is a single employer fund that administers the District's and employees' defined contributions.

Funding Policy: For the year ended June 30, 2012, active volunteers and the District were each required by statute to contribute at the rate of 5% percent of the volunteers' gross compensation. However, the District has no active volunteer fire fighters and only received contribution from the State Fire Marshall to fund retirement systems for both volunteer and full-time fire fighters.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**(Other than Management's Discussion and Analysis)**



**Mountain Vista Fire District**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended June 30, 2012**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 3,520,430	\$ 3,531,695	\$ 11,265
Fire District Assistance Tax	900,000	513,546	(386,454)
Charges for services	23,300	31,380	8,080
Other revenue	419,000	-	(419,000)
Interest income	<u>13,800</u>	<u>10,812</u>	<u>(2,988)</u>
Total revenues	<u>4,876,530</u>	<u>4,087,433</u>	<u>(789,097)</u>
<b>EXPENDITURES</b>			
Current:			
Wages and benefits	97,380	122,920	(25,540)
Operations	3,779,365	3,352,779	426,586
Debt service:			
Principal	255,074	255,074	-
Interest expense	325,711	325,711	-
Capital Outlay	<u>419,000</u>	<u>154,685</u>	<u>264,315</u>
Total expenditures	<u>4,876,530</u>	<u>4,211,169</u>	<u>665,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(123,736)</u>	<u>(123,736)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>(900,000)</u>	<u>(900,000)</u>
Total other financing sources/(uses)	<u>-</u>	<u>(900,000)</u>	<u>(900,000)</u>
Net change in fund balances	-	(1,023,736)	(1,023,736)
Fund balance - beginning	<u>2,719,098</u>	<u>2,719,098</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,719,098</u>	<u>\$ 1,695,362</u>	<u>\$ (1,023,736)</u>

**Note 1 - Budgetary Basis of Accounting**

The District prepares its annual budget on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. A budgetary comparison schedule for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

**Mountain Vista Fire District**

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

**June 30, 2012**

**Mountain Vista Fire District**  
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**ACCOUNTING PROFESSIONALS, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Directors of the  
Mountain Vista Fire District  
Tucson, Arizona

We have audited the financial statements of the Mountain Vista Fire District (the District) as of, and for the year ended, June 30, 2012, and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of the Mountain Vista Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of the Mountain Vista Fire District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Mountain Vista Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mountain Vista Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Accounting Professionals, LLC*

December 14, 2012