

MOUNTAIN VISTA FIRE DISTRICT

YEAR ENDED JUNE 30, 2015

MOUNTAIN VISTA FIRE DISTRICT

YEAR ENDED JUNE 30, 2015

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Independent Auditors' Report

Governing Board and Management
Mountain Vista Fire District
Tucson, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Mountain Vista Fire District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 each major fund of Mountain Vista Fire District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Mountain Vista Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain Vista Fire District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
October 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

INTRODUCTION

The Management of the Mountain Vista Fire District (District) presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. The total assets of the Mountain Vista Fire District were \$12,642,439 at the close of the fiscal year. The total assets exceeded liabilities by \$5,161,809. Of this amount \$2,906,961 (unrestricted net position) may be used to meet ongoing obligations of the District to citizens and creditors.
2. The District realized a \$148,198 increase in Fund balances during the fiscal year. The District had its first full year of operations and began rebuilding fund balances.
3. At the end of the current fiscal year, unassigned fund balances for the General Fund was \$2,067,329.
4. The District realized an increase in its net position of \$342,243 or 7.1 %.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. These 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.

Government-Wide Financial Statements.

The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). They are intended to provide a broad overview in a manner similar to a private sector business. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

Statement of Net Position - The *Statement of Net Position* (page 10) presents information of all the assets and liabilities of the District, with the difference between the two being reported as *Net Position*. Over time, increases or decreases in net position

may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities - The *Statement of Activities* (page 11) presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements.

The Fund Financial Statements provide detailed information about the most significant funds not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District. 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 near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Mountain Vista Fire District, assets exceeded liabilities by \$5,161,809 at the close of the 2015 fiscal year.

The largest portion of net position of the District \$2,906,961 reflects its unrestricted net position which may be used to meet ongoing obligations of the District to citizens and creditors.

The remaining balance \$2,254,848 of investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of Fiscal Year 2015, the District is able to report positive balances in both categories of net position.

The following table reflects the condensed Statement of Net Position:

Mountain Vista Fire District
Condensed Statement of Net Position
 As of June 30, 2015

	Governmental Activities 2015	2014	Increase/ (Decrease)
Cash and Investments	\$3,281,464	\$2,958,798	\$ 322,666
Other Assets	205,062	163,358	41,704
Capital Assets	9,155,913	9,270,244	(114,331)
Total Assets	12,642,439	12,392,400	250,039
Other Liabilities	505,328	283,738	221,590
Long Term Liabilities	6,975,302	7,289,096	(313,794)
Total Liabilities	7,480,630	7,572,834	(92,204)
Net Investment in Capital Assets	2,254,848	1,938,755	316,093
Unrestricted	2,906,961	2,880,811	26,150
Total Net Position	\$5,161,809	\$ 4,819,566	\$ 342,243

ECONOMIC FACTORS AND FY2016 BUDGET/TAX RATE

Although property values have begun to stabilize, operating costs have continued to rise. The District has continued to pursue every feasible method of reducing operational costs while providing the highest level of service to the community. The District went into its first fully operational year and realized significant budget savings and was able to replenish fund balances.

For fiscal year 2016 the District was able to maintain a tax rate of \$1.95.

FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 1175 West Magee Road, Tucson, Arizona 85704 or (520) 575-4087.

Basic Financial Statements

MOUNTAIN VISTA FIRE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 3,281,464
Property tax receivables	194,015
Prepaid expenses	11,047
Land	972,000
Other capital assets, net of accumulated depreciation	<u>8,183,913</u>
Total assets	<u>12,642,439</u>
Liabilities:	
Accounts payable	225,495
Accrued payroll and related benefits	212,953
Accrued interest	66,880
Noncurrent liabilities:	
Due within one year	543,494
Due in more than one year	<u>6,431,808</u>
Total liabilities	<u>7,480,630</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	2,254,848
Unrestricted	<u>2,906,961</u>
Total net position	<u>\$ 5,161,809</u>

See notes to financial statements.

MOUNTAIN VISTA FIRE DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 210,834
Depreciation	461,869
Insurance	33,420
Loss on disposal of asset	6,230
Managerial	68,969
Other	16,740
Payroll taxes and employee benefits	810,137
Professional services	74,172
Repairs and maintenance	29,339
Salaries and wages	2,722,182
Training and related	71,928
Utilities and station expenses	74,717
Vehicles and equipment	268,718
Interest	<u>194,344</u>
Total expenses	<u>5,043,599</u>
Program revenues:	
Charges for services	<u>4,302</u>
Total program revenues	<u>4,302</u>
Net program expenses	<u>5,039,297</u>
General revenues:	
Property taxes	4,972,062
Fire district assistance tax	397,278
Investment earnings	11,594
Other	<u>606</u>
Total general revenues	<u>5,381,540</u>
Change in net position	342,243
Net position, beginning of year	<u>4,819,566</u>
Net position, end of year	<u>\$ 5,161,809</u>

MOUNTAIN VISTA FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Assets:			
Cash and investments	\$ 2,300,103	\$ 981,361	\$ 3,281,464
Property tax receivables	194,015	-	194,015
Prepaid expenses	<u>11,047</u>	<u>-</u>	<u>11,047</u>
Total assets	<u>\$ 2,505,165</u>	<u>\$ 981,361</u>	<u>\$ 3,486,526</u>
 Liabilities:			
Accounts payable	\$ 37,221	\$ 188,274	\$ 225,495
Accrued payroll and related benefits	212,953	-	212,953
Accrued interest	<u>66,880</u>	<u>-</u>	<u>66,880</u>
Total liabilities	<u>317,054</u>	<u>188,274</u>	<u>505,328</u>
 Deferred inflows of resources:			
Unavailable revenue	<u>120,782</u>	<u>-</u>	<u>120,782</u>
 Commitments and contingencies			
 Fund balances:			
Nonspendable:			
Prepaid expenses	11,047	-	11,047
Committed to:			
Capital projects	-	793,087	793,087
Unassigned	<u>2,056,282</u>	<u>-</u>	<u>2,056,282</u>
Total fund balances	<u>2,067,329</u>	<u>793,087</u>	<u>2,860,416</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,505,165</u>	<u>\$ 981,361</u>	<u>\$ 3,486,526</u>

MOUNTAIN VISTA FIRE DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2015

Total fund balances - governmental funds	\$ 2,860,416
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,155,913
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	120,782
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(141,118)
Capital lease payable	(6,467,852)
Long-term debt	<u>(366,332)</u>
Net position of governmental activities	<u>\$ 5,161,809</u>

MOUNTAIN VISTA FIRE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Revenues:			
Property taxes	\$ 4,977,479	\$ -	\$ 4,977,479
Fire district assistance tax	397,278	-	397,278
Charges for services	4,302	-	4,302
Investment earnings	5,961	5,633	11,594
Other	<u>606</u>	<u>-</u>	<u>606</u>
Total revenues	<u>5,385,626</u>	<u>5,633</u>	<u>5,391,259</u>
Expenditures:			
Public safety:			
Emergency operations	3,547,186	-	3,547,186
Administration	578,633	-	578,633
Capital outlay:			
Fire equipment	55,891	380,956	436,847
Vehicles	-	74,387	74,387
Debt service:			
Principal	425,164	-	425,164
Interest	<u>194,344</u>	<u>-</u>	<u>194,344</u>
Total expenditures	<u>4,801,218</u>	<u>455,343</u>	<u>5,256,561</u>
Revenues over (under) expenditures	584,408	(449,710)	134,698
Other financing sources (uses):			
Transfers in (out)	100,319	(100,319)	-
Proceeds from sale of capital assets	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Total other financing sources (uses)	<u>113,819</u>	<u>(100,319)</u>	<u>13,500</u>
Net change in fund balances	698,227	(550,029)	148,198
Fund balances, beginning of year	<u>1,369,102</u>	<u>1,343,116</u>	<u>2,712,218</u>
Fund balances, end of year	<u>\$ 2,067,329</u>	<u>\$ 793,087</u>	<u>\$ 2,860,416</u>

MOUNTAIN VISTA FIRE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2015

Net change in fund balances - governmental funds	\$ 148,198
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	367,268
Depreciation expense	(461,869)
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources.	
Loss on disposal of capital assets	(6,230)
Proceeds from sale of capital assets	(13,500)
Certain revenues relating to property taxes in the statement of activities that does not provide current financial resources are not reported as revenues in the funds.	
	(5,418)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
	(111,370)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amount consists of:	
Principal paid	<u>425,164</u>
Change in net position of governmental activities	<u>\$ 342,243</u>

MOUNTAIN VISTA FIRE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>Firefighters' Relief and Pension Fund</u>
Assets:	
Cash and investments	<u>\$ 516,065</u>
Total assets	<u>516,065</u>
Net position:	
Held in trust for pension benefits	<u><u>\$ 516,065</u></u>

MOUNTAIN VISTA FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	Firefighters' Relief and Pension Fund
Additions:	
Premium tax	\$ 77,137
Investment income	<u>834</u>
Total additions	<u>77,971</u>
Change in net position	77,971
Net position, beginning of year	<u>438,094</u>
Net position, end of year	<u><u>\$ 516,065</u></u>

See notes to financial statements.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies:

The accounting policies of Mountain Vista Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

Reporting entity:

The District, established in 2008 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries in northwestern Pima County.

In accordance with the GASB Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

The government-wide financial statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include:

- charges to customers for services provided
- grants and contributions

Revenues that are not classified as program revenues, including all taxes and internally dedicated resources, are reported as general revenues.

Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

MOUNTAIN VISTA FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Real and personal property taxes are levied 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. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Pima County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Leases and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and 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 government.

The District reports the following major governmental funds:

The general fund accounts for all financial resources except those required to be accounted for in another fund.

The capital projects fund is used to account for financial resources that are restricted, committed or assigned for the acquisition or construction of major capital assets.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. The Mountain Vista Fire District Volunteer Firefighter's Relief and Pension Fund is reported as a fiduciary fund. Fiduciary funds are presented on the accrual basis of accounting and have been excluded from the government-wide financial statements because the resources of this fund are not available to support the District's own programs.

Estimates:

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and investments:

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. Investments maintained in the Pima County Investment Pool are carried at cost, which approximates fair value, and can be liquidated as needed.

The District places its cash and investments with various credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and investments.

Investment earnings are comprised primarily of interest earnings only.

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to year-end, are considered measurable and available and recognized as revenues. All other property taxes are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property on the first day of January preceding assessment and levy.

Prepaid expenses:

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

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at 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 assets lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	40 years
Fire equipment	3 - 10 years
Vehicles	5 - 10 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

Long-term obligations:

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

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board
- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budgetary information:

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; under statute only the General Fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

2. Cash and investments:

Cash and investments consist of the following:

Deposits:	
Cash on hand	\$ 200
Cash and money market accounts	988,320
Certificates of deposit	<u>383,135</u>
	1,371,655
Investments:	
Pima County Treasurer investment pool	<u>1,909,809</u>
	<u>\$ 3,281,464</u>

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance. At June 30, 2015, none of the District's deposits were uninsured and uncollateralized.

At year-end, deposits with financial institutions have a carrying value of \$1,371,655 and a bank balance of \$1,396,699. The difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2015.

Investments:

Monies levied by the District are invested with the Pima County Treasurer's Office and included in the Local Government Investment Pool (LGIP). The District's investment in the County's LGIP represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Pima County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued):

Investments (continued):

The District's investments at June 30, 2015 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Pima County Treasurer's investment pool	Unrated	Not applicable	\$ 1,909,809

The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk for investments.

Credit risk - The Arizona Revised Statutes have the following requirements for credit risk:

- Commercial Paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
- Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
- Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - the District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments.

3. Interfund transfers:

Interfund transfers are used to fund payments on capital lease obligations.

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

4. Capital assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 972,000	\$ -	\$ -	\$ 972,000
Total capital assets, not depreciated	<u>972,000</u>	<u>-</u>	<u>-</u>	<u>972,000</u>
Capital assets, depreciated:				
Buildings and improvements	7,043,418	-	-	7,043,418
Fire equipment	397,839	299,601	(26,904)	670,536
Vehicles	2,012,485	67,667	-	2,080,152
Total capital assets, depreciated	<u>9,453,742</u>	<u>367,268</u>	<u>(26,904)</u>	<u>9,794,106</u>
Less accumulated depreciation for:				
Buildings and improvements	(489,858)	(176,085)	-	(665,943)
Fire equipment	(114,594)	(64,974)	7,174	(172,394)
Vehicles	(551,046)	(220,810)	-	(771,856)
Total accumulated depreciation	<u>(1,155,498)</u>	<u>(461,869)</u>	<u>7,174</u>	<u>(1,610,193)</u>
Total capital assets, depreciated, net	<u>8,298,244</u>	<u>(94,601)</u>	<u>(19,730)</u>	<u>8,183,913</u>
Total capital assets, net	<u>\$ 9,270,244</u>	<u>\$ (94,601)</u>	<u>\$ (19,730)</u>	<u>\$ 9,155,913</u>

5. Long-term debt:

During 2014, the District entered into a long-term debt agreement with Compass Bank for the purchase of vehicles. This loan is payable in monthly installments of \$8,360 including interest at 3.5% through May 2019 and is collateralized by the vehicles.

Future principal and interest payments are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 88,755	\$ 11,565	\$ 100,320
2017	91,956	8,364	100,320
2018	95,273	5,047	100,320
2019	90,348	1,611	91,959
	<u>\$ 366,332</u>	<u>\$ 26,587</u>	<u>\$ 392,919</u>

MOUNTAIN VISTA FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

6. Capital leases:

The assets acquired through capital leases are as follows:

Land	\$ 972,000
Buildings	<u>7,043,418</u>
	8,015,418
Less accumulated depreciation	<u>665,944</u>
	<u>\$ 7,349,474</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year ending June 30,	
2016	\$ 524,367
2017	524,367
2018	524,367
2019	524,367
2020	524,367
2021 - 2025	2,602,757
2026 - 2030	2,428,342
2031	<u>312,671</u>
Total minimum lease payments	7,965,605
Less amount representing interest	<u>1,497,753</u>
Net present value of minimum lease payments	6,467,852
Less current portion	<u>348,900</u>
	<u>\$ 6,118,952</u>

7. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2015 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 29,748	\$ 185,296	\$ (73,926)	\$ 141,118	\$ 105,839
Capital leases	6,807,351	-	(339,499)	6,467,852	348,900
Long-term debt	451,997	-	(85,665)	366,332	88,755
	<u>\$ 7,289,096</u>	<u>\$ 185,296</u>	<u>\$ (499,090)</u>	<u>\$ 6,975,302</u>	<u>\$ 543,494</u>

MOUNTAIN VISTA FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. 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 natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Commitments and contingencies:

Intergovernmental agreements:

The District is party to a variety of intergovernmental 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.

Legal proceedings:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

10. Deferred compensation plan:

The District sponsors the Mountain Vista Fire District 457(b) deferred compensation plan for eligible employees. The Plan requires employees to make pretax deferral contributions of 4% of their wages. The District is required to contribute 8% of each participant's wages to participating employees' accounts. During the year ended June 30, 2015, contributions to the plan by the District totaled \$190,625.

11. Volunteer Firefighter's Relief and Pension Fund:

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. The District has no active volunteer firefighters and only received contributions from the State Fire Marshal to fund retirement systems for both volunteer and full-time fire fighters.

Required Supplementary Information

MOUNTAIN VISTA FIRE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2015

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 5,034,358	\$ 5,034,358	\$ 4,977,479	\$ (56,879)
Fire district assistance tax	400,000	400,000	397,278	(2,722)
Charges for services	2,448	2,448	4,302	1,854
Investment earnings	6,120	6,120	5,961	(159)
Other	<u>3,570</u>	<u>3,570</u>	<u>606</u>	<u>(2,964)</u>
Total revenues	<u>5,446,496</u>	<u>5,446,496</u>	<u>5,385,626</u>	<u>(60,870)</u>
Expenditures:				
Public safety:				
Emergency operations	3,651,106	3,651,106	3,547,186	(103,920)
Administration	1,271,023	1,271,023	578,633	(692,390)
Capital outlay	-	-	55,891	55,891
Debt service:				
Principal	339,499	339,499	425,164	85,665
Interest	<u>184,868</u>	<u>184,868</u>	<u>194,344</u>	<u>9,476</u>
Total expenditures	<u>5,446,496</u>	<u>5,446,496</u>	<u>4,801,218</u>	<u>(645,278)</u>
Revenues over (under) expenditures	-	-	584,408	584,408
Other financing sources:				
Transfers in (out)	-	-	100,319	100,319
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>113,819</u>	<u>113,819</u>
Net change in fund balance	-	-	698,227	698,227
Fund balance, beginning of year	<u>1,369,102</u>	<u>1,369,102</u>	<u>1,369,102</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,369,102</u>	<u>\$ 1,369,102</u>	<u>\$ 2,067,329</u>	<u>\$ 698,227</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. 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.

Report on Internal Control and on Compliance



BEACHFLEISCHMAN

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

Governing Board and Management
Mountain Vista Fire District
Tucson, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mountain Vista Fire District, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-001, 2015-002).

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

Beach Fleishman PC

Tucson, Arizona
October 19, 2015

MOUNTAIN VISTA FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

2015-001

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the payroll process.

Condition / Context:

During our review of the payroll transaction cycle we noted several instances of incomplete time sheets due to employees not properly clocking in/out. During payroll processing, these discrepancies were corrected by the Executive Assistant; however, employees should complete, review and approve time sheets prior to submission for processing to ensure the accuracy of their pay. We further noted there is no review and approval of employee time sheets by a direct supervisor for accuracy prior to submission.

We also noted inconsistent review and approval of the payroll detail throughout the year by the Fire Chief prior to processing, as well as no review of the final processed payroll.

The District purchased new accounting software during the year and transferred all of the transactions from the previous software to the new software. During this process the original approved payroll registers from the previous software were not retained.

Effect:

Insufficient internal controls over the payroll process could result in inaccurate recognition and reporting of payroll expenditures.

Cause:

Growing organization with developing processes, limited staff size, and limited available resources.

Recommendation:

We recommend employees review and approve their time sheets for completeness and accuracy each pay period. In addition, all time sheets should be reviewed and approved by direct supervisors to verify the hours reported by employees. The Fire Chief should review and approve the payroll registers before processing each pay period as well as review the processed payroll for accuracy. The District should develop policies related to record retention.

View of responsible officials and planned corrective actions:

Effective July 1, 2014, the District began providing fire and emergency related services with personnel employed by the District, previously contracted with Rural Metro to provide personnel. Therefore, the District is still developing best practices surrounding payroll, and will begin implementing employee and supervisor review of timesheets, as well as consistent review of payroll registers by an appropriate employee.

MOUNTAIN VISTA FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2015

2015-002

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the cash disbursement process.

Condition / Context:

In our review of 25 cash disbursement transactions, we noted there were 7 without management approval. However, checks are reviewed and signed by Board members.

Effect:

Insufficient internal controls over the cash disbursement procedures could result in errors or omissions in accounting and reporting of the District's expenses.

Cause:

Growing organization with developing processes, limited staff size and limited available resources.

Recommendation:

We recommend the District require a detailed review of vendor invoices by the Fire Chief or an employee with equivalent authority prior to payment. Further, this review should be documented.

View of responsible officials and planned corrective actions:

During 2015, there was a period of absence of the fire chief. In September 2015, an interim fire chief was hired, and the District plans to reestablish procedures for review of vendor invoices, including designating employees to review the invoices in the Chief's absence. The District plans to engage more with its contracted Finance Director to ensure compliance with internal controls and proper accounting procedures.

Other Report

Independent Auditors' Report

Governing Board and Management
Mountain Vista Fire District
Tucson, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Mountain Vista Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2015.

In connection with our audit, nothing contrary came to our attention that caused us to believe that Mountain Vista Fire District failed to comply with the provisions of section 48-805, subsection B, section 48-806, section 48-807, and section 48-805.02, subsection F as required pursuant to section 48-805.02, subsection G of the Arizona Revised Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the Statute, insofar as they relate to accounting matters.

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

BeachFleischman PC

Tucson, Arizona
October 19, 2015