

**VERNON FIRE DISTRICT
FINANCIAL STATEMENTS**

June 30, 2019

SAUNDERS COMPANY, Ltd.
James H. Saunders, CPA
6008 West Cortez Street
Glendale, Arizona 85304
Fax 602-926-2431
Phone 623-476-8660

THIS PAGE

IS

DELIBERATELY LEFT BLANK

VERNON FIRE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2019

TABLE OF CONTENTS

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

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

VERNON FIRE DISTRICT

FINANCIAL STATEMENTS JUNE 30, 2019

	<u>PAGE</u>	
REQUIRED SUPPLEMENTARY INFORMATION	43	
Budgetary Comparison Schedule – General Fund	45	G
Notes to Budgetary Comparison Schedule	46	
OTHER SUPPLEMENTARY INFORMATION	47	
Arizona Annual Report Information	48	
GOVERNMENT AUDIT STANDARDS SECTION	49	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	51	
Report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53	
Independent Auditor’s Report on Compliance with State of Arizona Regulatory Requirements	57	

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciaesaunders@Yahoo.com

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

Arizona Association of Licensed Private Investigators

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

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Vernon Fire District
Vernon, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Fire District, Vernon, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vernon Fire District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

INDEPENDENT AUDITOR'S REPORT

6/30/2019

Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Required Supplementary Information 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Legal and Regulatory Requirements

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Saunders Company, Ltd.

Glendale, Arizona
January 9, 2020

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

Vernon Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2019

The following discussion and analysis of the Vernon Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2019. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

Fire District

The VFD is a combination department that provides fire, rescue and emergency medical services to nearly 3000 residents living in rural Apache County in Eastern Arizona. It has primary response responsibility to nearly 56 square miles. Mutual aid agreements increase the response area to 120 square miles. Infrastructure is limited and water is tendered or drafted as available. Staffing is provided by a 3 platoon structure with a captain and firefighter staffing on each shift. Volunteers are used to balance the response team on a paid-on-call status.

The VFD is administered by a fire district board of 5 elected officials. They meet in a public meeting monthly and give direction to the fire chief relative to the administrative functions of the district. All operational decisions are made by the fire chief. The district was initiated 2005 as a volunteer fire district and in 2007 received funding to staff the current configuration .

Results of Operations

During the 2018-2019, we were able to obtain a Vehicle with low mileage for use in District incurring debt of \$125,000.00. This will replace the older engine in the District. The Board has given the full-time employees a 5% raise for the 2019/20 FY and the per diem wage stayed at \$15.00 per hour. This change was initiated for inflation and general yearly increase .

Financial Highlights

VFD received \$357,035.69 in Wild Land Billing over the fiscal year. These monies have helped us to obtain needed vehicles for the District and keep operations in the black during the lean property tax months.

- § District investment in capital assets increased by \$34,989 or 3.73%.
- § The District's net position increased by \$79,639 or 7.44% from the previous fiscal year.
- § Total revenues increased by \$18,147 or 1.88% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$403,635.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

Vernon Fire District started the year out with \$84,621.80, which held us over for operations until tax funds came in, and we closed out the fiscal year with \$15,685.00.

Government - Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance related requirements.

Vernon Fire District has a general account fund, a payroll account, and a special revenues fund account.

Net Position June 30, 2019

Net Position:	Balance <u>June 30, 2018</u>	Balance <u>June 30, 2019</u>
Net Investment in Capital Assets	\$ 668,848	\$ 746,798
Unrestricted	<u>401,946</u>	<u>403,635</u>
Total Net Position	<u>\$ 1,070,794</u>	<u>\$ 1,150,433</u>

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Vernon Fire District assets exceeded liabilities by \$1,070,794 at the close of the most recent fiscal year.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to Citizens, consequently, these assets are not available for future spending. Although the District's investment in its 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.

The following page contains a comparative analysis between the current and the prior fiscal year for the government -wide statements.

Condensed Statement of Net Position

	Governmental Activities	
	2018	2019
Assets		
Current and other assets	\$ 456,347	\$ 466,021
Capital assets	<u>938,848</u>	<u>973,837</u>
Total assets	1,395,195	1,439,858
Current and other liabilities		
Current and other liabilities	46,340	98,947
Long-term liabilities	<u>278,061</u>	<u>190,478</u>
Total liabilities	324,401	289,425
Net position:		
Net investment in capital assets	668,848	746,798
Unrestricted	<u>401,946</u>	<u>403,635</u>
Total net position	<u>\$1,070,794</u>	<u>\$1,150,433</u>

The unrestricted net position of \$403,635 is available to meet the District's ongoing obligations to citizens and creditors.

Governmental Activities

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

Governmental Activities net position increased by \$79,639. Key elements of this increase are reported below:

Condensed Statement of Activities

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2019</u>
Expenditures :		
Public Safety – Fire/EMS Protection:		
Fire protection and emergency services	\$ 908,470	\$ 930,481
Total expenditures	908,470	930,481
Program Revenue:		
Fees for services	353,563	415,250
Operating and Capital Grants	<u>19,996</u>	<u>0</u>
Total Program Revenue	<u>373,559</u>	<u>415,250</u>
Net Program Expenditures	534,911	515,231
General Revenues:		
Property taxes	490,417	457,834
Fire district assistance tax	97,256	90,636
Interest	829	3,100
Other income	<u>14,476</u>	<u>43,300</u>
Total general revenues	<u>602,978</u>	<u>594,870</u>
Change in net position	68,067	79,639
Net position, beginning	<u>1,002,727</u>	<u>1,070,794</u>
Net position, ending	<u>\$1,070,794</u>	<u>\$1,150,433</u>

General Fund Budgetary Highlights

Vernon Fire District has stayed within the Budget for this fiscal year. We for the fifth fiscal year in a row have funds to carry us into the year and pay for operation expenses without leaning on the county for help. The Fire Chief has been instrumental in planning that allowed this District to maintain staff at compatible wages, obtain funds for equipment, and hire employees that can help gain funds by billing for the state wild land seasons.

The Vernon Fire District budgeted Grant Revenue in anticipation of receiving those amounts. They did not receive any grants during the year which resulted in a negative variance of \$25,000 within the Revenue budget. The District budgeted \$694,986 for Public Safety expense. This category includes personnel costs, Fire/EMS costs, and other costs in support of Public Safety. The actual amount spent from this category was \$816,146 which caused a negative variance of \$121,160 in the expense budget. The District did not overspend its' budget at the fund level.

Capital Asset and Debt Administration

We have only the Station One currently in our debt Service. Station one Debt Service is \$227,039.

Capital Assets

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

Capital Assets, Net of Depreciation June 30, 2019

	BALANCE <u>06/30/2018</u>	BALANCE <u>06/30/2019</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 651,973	\$ 684,487
Buildings	770,000	770,000
Equipment, Fire	<u>160,526</u>	<u>160,526</u>
Total Historical Costs	<u>1,582,499</u>	<u>1,615,013</u>
Less Accum Depreciation		
Vehicles	434,947	410,861
Buildings	178,917	198,167
Equipment, Fire	<u>144,787</u>	<u>147,148</u>
Less: Total Accumulated Depreciation	<u>758,651</u>	<u>756,176</u>
Depreciable Capital Assets, Net	823,848	858,837
<u>Non-Depreciable Assets</u>		
Land	<u>115,000</u>	<u>115,000</u>
Capital Assets, Net	<u>\$ 938,848</u>	<u>\$ 973,837</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$234,235. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	<u>BALANCE</u> <u>07/01/2018</u>	<u>BALANCE</u> <u>06/30/2019</u>
Fire Station	<u>\$ 270,000</u>	<u>\$ 227,039</u>
Total Lease Obligations	270,000	227,039
Compensated Absences – Due in More Than One Year	<u>6,450</u>	<u>7,196</u>
Total Lease Obligations and Compensated Absences	276,450	234,235
Less: Current Capital Liabilities	<u>42,961</u>	<u>43,757</u>
Totals	<u>\$ 233,489</u>	<u>\$ 190,478</u>

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions. Land values in this District saw an increase of over 8% in tax revenue for 2018/19 FY. Through maneuvers by our present Chief, we will be able to maintain a tight budget for the FY.

We instituted a subscription plan that increased revenue by \$28,000.00 this FY. We are actively obtaining letters from Residents to join our District, which will increase the tax base for us.

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information can be obtained through Vernon Fire District at PO Box 400 Vernon, Arizona 85940 Phone - 928-537-4895.

BASIC FINANCIAL STATEMENTS

**VERNON FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

Exhibit A

**Governmental
Activities**

ASSETS

Cash & Cash Equivalents	\$	370,745
Receivables:		
Wildland		19,021
Property Taxes		59,620
Other		16,635
Total Capital Assets, Net		973,837
 Total Assets		 1,439,858

LIABILITIES

Current Liabilities		
Accounts Payable		5,971
Payroll Taxes Payable		21,603
Wages Payable		25,817
Due in Less Than One Year		
Compensated Absenses		1,799
Capital Leases		43,757
Non Current Liabilities		
Due in More Than One Year		
Compensated Absenses		7,196
Capital Leases		183,282
 Total Liabilities		 289,425

NET POSITION

Net Investment in Capital Assets		746,798
Unrestricted Net Position		403,635
 Total Net Position	\$	 1,150,433

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

**VERNON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit B

**Governmental
Activities**

EXPENDITURES

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 604,380
Materials & Services	248,076
Depreciation	<u>78,025</u>
Total Program Expenditures	<u>930,481</u>

PROGRAM REVENUES

Operating and Capital Grants	-
Fees for Service	<u>415,250</u>
Total Program Revenues	<u>415,250</u>
Net Program Expenditures	<u>515,231</u>

GENERAL REVENUES

Property Taxes	457,834
Fire District Assistance	90,636
Investment Earnings	3,100
Miscellaneous	<u>43,300</u>
Total General Revenues	<u>594,870</u>

Increase (Decrease) in Net Position	79,639
-------------------------------------	--------

NET POSITION-BEGINNING OF THE YEAR	<u>1,070,794</u>
---	------------------

NET POSITION-END OF THE YEAR	<u><u>\$ 1,150,433</u></u>
-------------------------------------	----------------------------

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

**VERNON FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2019**

Exhibit C

General

ASSETS

Cash and Cash Equivalents		\$ 370,745
Receivables:		
Wildland		19,021
Property Taxes		59,620
Other		<u>16,635</u>
Total Assets		<u><u>\$ 466,021</u></u>

LIABILITIES

Current Liabilities		
Accounts Payable		\$ 5,971
Payroll Taxes Payable		21,603
Wages Payable		25,817
Compensated Absences		<u>1,799</u>
Total Liabilities		55,190

DEFERRED INFLOW OF RESOURCES

Unavailable Revenues		
Deferred Taxes		<u>53,429</u>
Total Liabilities and Inflow of Resources		<u>108,619</u>

FUND BALANCE

Assigned		230,554
Unassigned		<u>126,848</u>
Total Fund Balance		<u><u>357,402</u></u>
Total Liabilities, Deferred Inflow of Resources & Fund Balance		<u><u>\$ 466,021</u></u>

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

**VERNON FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED
JUNE 30, 2019**

Exhibit D

	General
REVENUE	
Property Taxes	\$ 454,948
Fire District Assistance Tax	90,636
Fees for Service	415,250
Interest	3,100
Miscellaneous	21,910
Total Revenues	985,844
EXPENDITURES	
Current:	
Public Safety	816,146
Administration	33,264
Debt Service	
Principal	42,961
Interest	4,779
Capital Outlay	89,144
Total Expenditures	986,294
Excess (Deficiency) of Revenues over Expenditures	(450)
Net Change in Fund Balance	(450)
Fund Balance-Beginning of Year	357,852
Fund Balance-End of Year	\$ 357,402

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

**VERNON FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Exhibit E

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

Fund Balance - Total Governmental Fund (Exhibit C)	\$	357,402
--	----	---------

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

Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.

Governmental Capital Assets	1,730,013	
Less: Accumulated Depreciation	<u>(756,176)</u>	
		973,837

Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds.	(234,235)
--	-----------

Deferred Inflows of Resources	<u>53,429</u>
-------------------------------	---------------

Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 1,150,433</u></u>
---	----------------------------

**VERNON FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2019**

Exhibit F

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

Net Change in Fund Balance - Total Governmental Fund (Exhibit D)	\$	(450)
---	----	-------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		34,989
--	--	--------

Net Change in Deferred Outflows and Inflows of Resources		2,885
--	--	-------

The addition of non-current liabilities (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		42,215
--	--	--------

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>79,639</u>
---	----	---------------

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

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

VERNON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Introduction

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

Basic Financial Statements

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

Government -wide Statements

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

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

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

Governmental funds

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 90 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 90 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

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

Long-Term Obligations

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

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

Net Position/ Fund Equity

Net Position on Government Wide Financial Statements – Exhibit A

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

- § Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- § Unrestricted—This balance area is the amount of equity which is not included in the restricted fund balance and the Investments in Capital Asset balances.
- § Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Fund Balances on Government Fund Financial Statements – Exhibit C

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

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

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

Accounting Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.2(a)

Pursuant to ARS 48.805.2(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1st of each year.

Budgets are adopted by the District on basis consistent with Arizona Revised Statutes.

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

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

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

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

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

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

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer. The County treasurer invests the cash in a pool under policy guidelines established by the County Treasurer's office. 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 County Treasurer's Investment pool is included in the Comprehensive Annual Financial Report of the County. The fair value of each participant's position in the County Treasurer's Investment Pool approximates the value of the participant's shares in the pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the State Treasurer's Office.

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

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2019:

DEPOSITORY ACCOUNTS:

	General <u>Fund</u>
Insured Deposits (FDIC)	\$ 230,799
County Treasurer Investment Pool	<u>139,773</u>
Total Deposits	370,572
In Transit Items	<u>2,435</u>
Total Depository Accounts	373,007

NON DEPOSITORY ACCOUNTS

Cash On Hand	<u>200</u>
Total Non- Depository Accounts	<u>200</u>
Total Cash & Cash Equivalents	<u>\$ 373,207</u>

GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments, establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value and enhances disclosures related to fair value hierarchy and valuation techniques.

These fair value measurement reporting levels are:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Significant other observable inputs.

Level 3 - Significant unobservable inputs.

Investments by fair value level: Level Two

External investment pools measured at fair value:

County Treasurer Investment Pool	\$ <u>139,773</u>
Total	\$ <u>139,773</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form.

Foreign Currency Risk. Arizona Revised Statutes do not allow foreign investments.

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

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes (ARS). The Apache County Treasurer’s Investment Pool (ACTIP) are external investment pools with no regulatory oversight. The ACTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2019, the ACTIP had not received a credit quality rating from a national rating agency.

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

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

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

Arizona Revised Statutes do not include any requirement for concentration of risk.

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

The Apache County Treasurer invests the cash in a pool under policy guidelines established by the Apache County Treasurer's office (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 County Treasurer's Investment Pool (ACTIP) is included in the Comprehensive Annual Report of the County. The fair value of each participant's position in the ACTIP approximates the value of the participant's shares in the pool.

NOTE 4 – RISK MANAGEMENT

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

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

NOTE 5 - INVENTORIES

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

NOTE 6 - RECEIVABLES

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

Wildland receivables were \$19,021 with an allowance for bad debt of \$0 at June 30, 2019. This gave a net of \$19,021 which was expected to be collectable. The allowance for bad debt is the amount over 150 days in the accounts receivable aging report as of June 30, 2019.

Other receivables were \$28,744 with an allowance for bad debt of \$12,109 at June 30, 2019. This gave a net of \$16,635 which was expected to be collectable. The allowance for bad debt is the amount over 150 days in the accounts receivable aging report as of June 30, 2019.

NOTE 7 – PROPERTY TAX REVENUE RECEIVABLE

Property Tax Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arise.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2018</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2019</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 651,973	\$ 113,014	\$ 80,500	\$ 684,487
Buildings	770,000	0	0	770,000
Equipment, Fire	<u>160,526</u>	<u>0</u>	<u>0</u>	<u>160,526</u>
Total Historical Costs	<u>1,582,499</u>	<u>113,014</u>	<u>80,500</u>	<u>1,615,013</u>
Less Accum Depreciation				
Vehicles	434,947	56,414	80,500	410,861
Buildings	178,917	19,250	0	198,167
Equipment, Fire	<u>144,787</u>	<u>2,361</u>	<u>0</u>	<u>147,148</u>
Less: Total Accumulated Depreciation	<u>758,651</u>	<u>78,025</u>	<u>80,500</u>	<u>756,176</u>
Depreciable Capital Assets, Net	823,848	34,989	0	858,837
<u>Non-Depreciable Assets</u>				
Land	<u>115,000</u>	<u>0</u>	<u>0</u>	<u>115,000</u>
Capital Assets, Net	<u>\$ 938,848</u>	<u>\$ 34,989</u>	<u>\$ 0</u>	<u>\$ 973,837</u>

NOTE 9 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District reports the deferred inflows and outflows as follows:

	<u>Governmental Activities</u>
Unavailable Revenues	
Deferred Property Tax Revenue	\$ 53,429
Total Governmental Activities	<u>\$ 53,429</u>

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11- ACCUMULATED COMPENSATED ABSENCES

The District has designated all accumulated leave time as Paid Time Off (PTO), unpaid PTO is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

At June 30, 2019 the total amount of accumulated PTO is \$8,995.

NOTE 12 – CURRENT LIABILITIES

Accounts Payable are liabilities considered due and payable in 60 days or less.

Short-Term Debt are those liabilities payable within one year or less which are not considered as Accounts Payable.

	BALANCE <u>07/01/2018</u>	<u>Additions</u>	<u>Deletions</u>	BALANCE <u>06/30/2019</u>
Accounts Payable	\$ 29,669	\$ 0	\$ 23,698	\$ 5,971
Payroll Taxes Payable	3,914	17,689	0	21,603
Wages Payable	12,757	13,060	0	25,817
Compensate d Absences	1,612	187	0	1,799
Capital Leases Payable	<u>42,961</u>	<u>796</u>	<u>0</u>	<u>43,757</u>
Totals	<u>\$ 90,913</u>	<u>\$ 31,732</u>	<u>\$ 23,698</u>	<u>\$ 98,947</u>

NOTE 13 - COMMITMENTS

The District does not utilize a line of credit for day to day operations .

NOTE 14 – NON CURRENT LIABILITIE S

In the government -wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

Fire Station: On January 28th 2009 the District entered into a lease/purchase agreement with Zion Bank to build a new fire station . The initial purchase was in the amount of \$570,000 at an interest rate of 6.192% for a term of 5 years. Semi-annual payments are due each July 28th and January 28th in the amount of \$29,443 with a final payment due on January 28th 2024.

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance</u> <u>06/30/19</u>
Fire Station	6.192%	01/28/2024	\$ 71,764

The following assets were acquired through capital leases:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Fire Station	<u>\$ 570,000</u>	<u>\$ 137,750</u>	<u>\$ 432,250</u>
Total	<u>\$ 570,000</u>	<u>\$ 137,750</u>	<u>\$ 432,250</u>

Changes in Non Current Liabilities :

	<u>BALANCE 07/01/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE 06/30/2019</u>
Fire Station	<u>\$ 270,000</u>	<u>\$ 0</u>	<u>\$ 42,961</u>	<u>\$ 227,039</u>
Total Lease Obligations	270,000	0	42,961	227,039
Compensated Absences – Due in More Than One Year	<u>6,450</u>	<u>746</u>	<u>0</u>	<u>7,196</u>
Total Lease Obligations and Compensated Absences	276,450	746	42,961	234,235
Less: Current Capital Liabilities	<u>42,961</u>	<u>796</u>	<u>0</u>	<u>43,757</u>
Totals	<u>\$ 233,489</u>	<u>\$ (50)</u>	<u>\$ 42,961</u>	<u>\$ 190,478</u>

NOTE 15 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2019, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 43,757	\$ 3,983	\$ 47,740
2021	44,567	3,173	47,740
2022	45,392	2,348	47,740
2023	46,232	1,508	47,740
2024	<u>47,091</u>	<u>651</u>	<u>47,742</u>
Total Obligation	227,039	\$ <u>11,663</u>	238,702
Less Amount Representing Interest			<u>11,663</u>
Less amount due within 1 year	<u>43,757</u>		
Future Minimum Lease Payments			\$ <u>227,039</u>
Amount due after 1 year	\$ <u>183,282</u>		

NOTE 16 – NET POSITION/ FUND BALANCE

The District’s Net Position consists of restricted, unrestricted, and net investment in capital assets amounts.

The District’s Governmental Funds fund balances consist of restricted, committed, assigned and unassigned amounts.

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

Committed fund balance is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

Net Investment in Capital Assets	\$ 746,798
Unrestricted	<u>403,635</u>
Total Net Position	<u>\$ 1,150,433</u>

Governmental Fund Balances :

Assigned Fund Balances	
Capital	\$ 170,560
Payroll	<u>59,994</u>
Total Assigned Fund Balances	230,554
Unassigned Fund Balances	<u>126,848</u>
Total Fund Balance	<u>\$ 357,402</u>

NOTE 17 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

**REQUIRED SUPPLEMENTARY
INFORMATION**

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

**VERNON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2019**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 453,179	\$ 453,179	\$ 454,948	\$ 1,769
Fire District Assistance	90,636	90,636	90,636	-
Fees for Service	298,500	298,500	415,250	116,750
Grants	25,000	25,000	-	(25,000)
Interest	-	-	3,100	3,100
Miscellaneous	5,000	5,000	21,910	16,910
Total Revenues	872,315	872,315	985,844	113,529
Expenditures:				
Current:				
Public Safety	694,986	694,986	816,146	(121,160)
Administration	69,050	69,050	33,264	35,786
Debt Service	47,740	47,740	47,740	-
Capital Outlay	535,539	535,539	89,144	446,395
Total Expenditures	1,347,315	1,347,315	986,294	361,021
Excess (Deficiency) of Revenues over Expenditures	(475,000)	(475,000)	(450)	474,550
Net Change in Fund Balances	(475,000)	(475,000)	(450)	474,550
Fund Balance at Beginning of Year	475,000	475,000	357,852	(117,148)
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 357,402</u>	<u>\$ 357,402</u>

See Accompanying Notes To The Budgetary Comparison Schedule

VERNON FIRE DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 – BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget no later than August 1st. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year-end.

NOTE 2- OVER-EXPENDITURE OF BUDGET LINE ITEMS

The District over spent one line item. This item was Public Safety in the amount of \$121,160, causing a negative variance in this line item.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend its budget at the fund level.

OTHER SUPPLEMENTARY INFORMATION

**VERNON FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2019**

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

REGULAR FIRE BOARD MEETINGS:

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 24, 2018	7:00 PM	Vernon Library, Vernon, Arizona
August 28, 2018	7:00 PM	Vernon Library, Vernon, Arizona
September 25, 2018	7:00 PM	Vernon Library, Vernon, Arizona
October 23, 2018	7:00 PM	Vernon Library, Vernon, Arizona
November 27, 2018	7:00 PM	Vernon Library, Vernon, Arizona
December 04, 2018	7:00 PM	Vernon Library, Vernon, Arizona
January 29, 2019	7:00 PM	Vernon Library, Vernon, Arizona
February 23, 2019	7:00 PM	Vernon Library, Vernon, Arizona
March 19, 2019	7:00 PM	Vernon Library, Vernon, Arizona
April 23, 2019	7:00 PM	Vernon Library, Vernon, Arizona
May 14, 2019	7:00 PM	Vernon Library, Vernon, Arizona
June 22, 2019	7:00 PM	Vernon Library, Vernon, Arizona

BOARD MEMBERS

<u>Name</u>	<u>Business Phone</u>	<u>Position</u>
Steve Coombs	928-537-4806	Chairman
Sara King	928-537-4806	Clerk
Dave Peelman	928-537-4806	Member
Mike Maher	928-537-4806	Member
John Vehar	928-537-4806	Member

LOCATION AND POSTING OF MEETING NOTICES (all meetings)

Vernon Firehouse Vernon, Arizona
 Vernon Post office Vernon, Arizona
 District Web Site www.vernonfiredistrict.org
 Distributed by e-mail by 2 community volunteers

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

None

VERNON FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS SECTION
June 30, 2019

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

VERNON FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS SECTION
TABLE OF CONTENTS
JUNE 30, 2019

	<u>PAGE</u>
GOVERNMENT AUDIT STANDARDS SECTION	49
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	51
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance with State of Arizona Regulatory Requirements	57

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciaesaunder@yahoo.com

Member: American Institute of Certified Public Accountants

Arizona Association of Licensed Private Investigators

International Association of Certified Fraud Examiners

Arizona Society of Certified Public Accountants

Arizona Association of Certified Fraud Examiners

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

To the Governing Board
Vernon Fire District
Vernon, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Fire District, Vernon, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2020.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

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*.

Purpose of this Report

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

Saunders Company, Ltd.

Glendale, Arizona
January 9, 2020

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciasanders@yahoo.com

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

Arizona Association of Licensed Private Investigators

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA FIRE DISTRICT REGULATORY REQUIREMENTS

To the Governing Board
Vernon Fire District
Vernon, Arizona

Report on Compliance

We have audited the Vernon Fire District's (the District) compliance with the requirements of Arizona Revised Statutes Title 48-805 for the year ended June 30, 2019, and have issued our report thereon dated January 9, 2020. Our audit included test work on the District's compliance with the selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1 and ARS 48-805.

Management's Responsibility

The management of the District is responsible for compliance with all requirements identified above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit; specifically, the following statements:

1. That the District has not incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District general fund except for those liabilities as prescribed in section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807.
2. That the District complies with subsection F of section 48-805.
3. Whether the audit or report disclosed any information contrary to the certification made as prescribed by subsection D, paragraph 1 of section 48-805.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied with the requirements identified above for the year ended June 30, 2019.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona
January 9, 2020

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**