



**Hellsgate Fire District  
Financial Statements  
June 30, 2013**

**Hellsgate Fire District  
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June 30, 2013**

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**ACCOUNTING PROFESSIONALS, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Governing Board of the  
Hellsgate Fire District  
Pinetop, Arizona

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hellsgate Fire District (the District), as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

**Management 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 and of each major fund of the Hellsgate Fire District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

As disclosed in the notes to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statements No. 63 and implemented GASB Statement No. 65 in advance during the fiscal year 2013. Among these new GASB Statements, 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*, have significant impact over the presentation of the District's financial statements.

As described in the notes to the financial statements, the District has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments", GASB Statement No. 27, "Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments; Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures", effective July 1, 2003. However, the Hellsgate Fire District has elected not to present Management's Discussion and Analysis or the Budgetary Comparison Schedule that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

## Other Reporting Required by *Government Auditing Standards*

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

*Accounting Professionals, LLC*

Phoenix, Arizona  
February 5, 2014



# **BASIC FINANCIAL STATEMENTS**

**Hellsgate Fire District**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 719,897
Due from other governments	55,549
Taxes receivable	62,673
Capital assets:	
Non-depreciable	203,777
Depreciable (net)	<u>795,973</u>
Total assets	<u>1,837,869</u>
<b>LIABILITIES</b>	
Accounts payable	33,522
Accrued payroll and related liabilities	60,629
Long-term liabilities:	
Due within one year	52,618
Due in more than one year	<u>436,074</u>
Total liabilities	<u>582,843</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	545,999
Unrestricted	<u>709,027</u>
Total net position	<u>\$ 1,255,026</u>

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

**Hellsgate Fire District  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2013**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency services	\$ 1,090,819
Administrative and support services	117,609
Depreciation	128,537
Interest on long-term debt	<u>14,866</u>
Total program expenses	<u>1,351,831</u>
<b>PROGRAM REVENUES</b>	
Charges for services	337,701
Operating grants and contributions	265,527
Total program revenues	<u>603,228</u>
Net program expenses	<u>748,603</u>
<b>GENERAL REVENUES</b>	
Property taxes	766,825
Centrally assessed taxes	75,863
Investment earnings	<u>2,668</u>
Total general revenues	<u>845,356</u>
Increase in net assets	96,753
Net position – beginning	<u>1,158,273</u>
Net position – ending	<u>\$ 1,255,026</u>

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

**Hellsgate Fire District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 719,897	\$ -	\$ 719,897
Due from other governments	55,549	-	55,549
Taxes receivable	<u>62,673</u>	<u>-</u>	<u>62,673</u>
 Total assets	 <u>\$ 838,119</u>	 <u>\$ -</u>	 <u>\$ 838,119</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 33,522	\$ -	\$ 33,522
Accrued payroll and related liabilities	<u>60,629</u>	<u>-</u>	<u>60,629</u>
Total liabilities	94,151	-	94,151
Deferred inflows of resources:			
Deferred taxes	<u>21,120</u>	<u>-</u>	<u>21,120</u>
 Total deferred inflows of resources	 21,120	 <u>-</u>	 <u>21,120</u>
Fund balances:			
Committed for future volunteer pension contributions	36,365	-	36,365
Committed for capital projects	635,296	-	635,296
Unassigned	<u>51,187</u>	<u>-</u>	<u>51,187</u>
 Total fund balances	 <u>722,848</u>	 <u>-</u>	 <u>722,848</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 838,119</u>	 <u>\$ -</u>	 <u>\$ 838,119</u>

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



**Hellsgate Fire District**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

Fund balances - total governmental funds		\$ 722,848
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p>		999,750
<p>Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.</p>		21,120
<p>Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet, specifically:</p>		
Capital leases payable	(453,751)	
Compensated absences	(34,941)	
		(488,692)
Net position of governmental activities		\$ 1,255,026

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

**Hellsgate Fire District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 785,383	\$ -	\$ 785,383
Fire district assistance taxes	75,863	-	75,863
Intergovernmental	208,833	-	208,833
Charges for services	337,701	-	337,701
Contributions	4,363	-	4,363
Interest income	2,668	-	2,668
Other revenue	<u>52,331</u>	<u>-</u>	<u>52,331</u>
Total revenues	<u>1,467,142</u>	<u>-</u>	<u>1,467,142</u>
<b>EXPENDITURES</b>			
Current:			
Public safety, fire protection:			
Emergency services	1,089,788	-	1,089,788
Administrative and support services	117,609	-	117,609
Debt service:			
Principal	80,208	-	80,208
Interest on long-term debt	14,866	-	14,866
Capital outlay	<u>501,428</u>	<u>-</u>	<u>501,428</u>
Total expenditures	<u>1,803,899</u>	<u>-</u>	<u>1,803,899</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(336,757)</u>	<u>-</u>	<u>(336,757)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Proceeds from debt	420,000	-	420,000
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>420,000</u>	<u>-</u>	<u>420,000</u>
Net changes in fund balances	83,243	-	83,243
Fund balances – beginning	<u>639,605</u>	<u>-</u>	<u>639,605</u>
Fund balances – ending	<u>\$ 722,848</u>	<u>\$ -</u>	<u>\$ 722,848</u>

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

**Hellsgate Fire District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

Net change in fund balances - total governmental funds	\$	83,243
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures..		501,428
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.		(128,537)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the amount by which revenues reported in the statement of activities exceeded those amounts received and reported as current financial resources in the governmental funds.		(18,558)
Proceeds from the issuance of long-term debt is reported as a source of revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(420,000)
Repayment of the principal of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		80,208
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds, specifically:		
Compensated absences		<u>(1,031)</u>
Change in net position of governmental activities	\$	<u>96,753</u>

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

**Hellsgate Fire District**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2013**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ASSETS</b>	
Cash	\$ 131,166
Investment, fair value	<u>102,254</u>
Total assets	<u>\$ 233,420</u>
 <b>NET POSITION</b>	
Held in trust for pension benefits	<u>\$ 233,420</u>

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

**Hellsgate Fire District**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2013**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 27,393
Employee	13,060
Premium tax	7,003
Investment earnings	1,885
Investment gain (unrealized)	<u>-</u>
Total additions	<u>49,341</u>
<b>DEDUCTIONS</b>	
Forfeitures transferred to General Fund	36,365
Loss on investments	3,478
Benefits paid	<u>-</u>
Total deductions	<u>39,843</u>
Change in net position	9,498
Net position – beginning	<u>223,922</u>
Net position – ending	<u>\$ 233,420</u>

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

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**A. Reporting Entity**

The District, established in 2008 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component units are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units.

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

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment (e.g. special assessments). Taxes and other revenues not included among program revenues are reported instead as general revenues.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

The District reports the following major governmental funds:

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

The *Capital Project Fund* is used to account for funds received and expended for the construction of buildings and improvements as well as the acquisition of apparatus and major equipment for use by the District.

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

The District also reports one *Fiduciary Fund*, the Firefighters' Alternative Pension and Benefit Fund, which is used to account for the accumulation of resources to be used for annuity payments and benefits resulting from premium tax contributions received by the District. Fiduciary funds are accounted for on an economic resources measurement focus and accrual basis of accounting. District contributions are recognized in the period the contributions are due.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash and cash equivalents**

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

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

**E. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding, if any, at the end of the fiscal year are referred to as "advances to/from other funds". All program service receivables are shown net of an allowance for uncollectibles, if such estimates are necessary.

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

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**F. Capital assets**

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

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

<u>Type of asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	2 - 40
Improvements, other than building	\$5,000	2 - 40
Furniture, vehicles and equipment	\$5,000	5 - 20

**G. Deferred outflows and inflows of resources**

Pursuant to GASB Statements No., 63 and 65, the District recognized deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of fund balance or net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of fund balance or net position by the government that is applicable to a future reporting period.

**H. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

**I. Long-term obligations**

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



**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**J. Fund equity**

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

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

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

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

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

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

**K. Intergovernmental grants and aid**

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

**L. Use of estimates**

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

**M. Budgetary accounting**

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

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of its tax levy outstanding and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 2 - CASH AND INVESTMENTS**

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

**A. District's Cash and Cash Equivalents Deposits**

As of June 30, 2013 the District had \$707,308 on deposit with the Gila County Treasurer's investment pool (GCTIP). The GCTIP is an external investment pool with no regulatory oversight. The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission. The Gila County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the GCTIP is included in the Comprehensive Annual Financial Report of Gila County. The fair value of each participant's position in the GCTIP approximates the value of the participant's shares in the pool.

*Custodial Credit Risk - Deposits.* In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2013, the District's carrying amount of demand deposits was \$10,784 and the bank balance was \$597. The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. The remaining balance is covered by collateral held by the pledging financial institution's trust department in the District's name.

**B. Firefighters' Alternative Pension and Benefit Fund's Cash and Investments (Pension Fund)**

The District's Pension Fund has an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment policy that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, the District has a service agreement with professional investment managers, National Benefit Services, LLC. The investments are in the form of annuities held by the Life Insurance Company of the Southwest.

Cash: As of June 30, 2013 the Pension Fund had \$131,166 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

Investments: As of June 30, 2013, the Pension Fund held annuities issued by the Life Insurance Company of the Southwest with a fair market value of \$102,254. The investment objective is long term growth.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. As of June 30, 2013 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

*Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit.

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

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2013 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Taxes	\$ 62,673
Intergovernmental	55,549
Program services	-
Gross receivables	118,222
Less: allowance for uncollectibles	-
Total receivables, net	\$ 118,222

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report *deferred revenues* in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2013, deferred revenue consisted of the following:

	Unavailable
General Fund	
Deferred taxes	21,120
Total deferred revenues	\$ 21,120

**Hellsgate Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land, not depreciated	\$ 130,000	\$ 73,777	\$ -	\$ 203,777
Buildings and equipment	335,716	-	-	335,716
Vehicles and apparatus	1,124,969	427,651	-	1,552,620
Equipment	<u>143,436</u>	<u>-</u>	<u>-</u>	<u>143,436</u>
Total capital assets	<u>1,734,121</u>	<u>501,428</u>	<u>-</u>	<u>2,235,549</u>
Less accumulated depreciation	<u>(1,107,262)</u>	<u>(128,537)</u>	<u>-</u>	<u>(1,235,799)</u>
Total capital assets, net	<u>\$ 626,859</u>	<u>\$ 372,891</u>	<u>\$ -</u>	<u>\$ 999,750</u>

Depreciation expense for the period was \$128,537; all depreciation was expensed to the public safety - fire protection function.

**NOTE 6 - LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital leases	\$ 113,959	\$ 420,000	\$ (80,208)	\$ 453,751	\$ 52,618
Compensated absences	<u>33,910</u>	<u>1,031</u>	<u>-</u>	<u>34,941</u>	<u>-</u>
Total governmental liabilities	<u>\$ 147,869</u>	<u>\$ 421,031</u>	<u>\$ (80,208)</u>	<u>\$ 488,692</u>	<u>\$ 52,618</u>

**A. Capital leases**

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

As of June 30, 2013, the assets capitalized and acquired through the capital lease are as follows:

	Governmental Activities
Vehicles and apparatus	<u>\$ 502,110</u>
Less accumulated depreciation	<u>(116,424)</u>
Total	<u>\$ 385,686</u>

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year ended June 30,	
2014	\$ 68,899
2015	68,899
2016	68,899
2017	68,899
2018	59,104
2019-2022	<u>197,238</u>
Total minimum lease payments	531,938
Less amount representing interest	<u>(78,187)</u>
Present value of future minimum payments	<u>\$ 453,751</u>

**B. Compensated absences**

All full-time employees of the District are given paid time off based on the amount stated in policy determined by their years of service. Paid time off is accrued on a bi-weekly basis for full time employees and the maximum accrual can not exceed two times the employee's annual accrual rate. Additionally, part-time employees receive paid time off accrued on a pro-rated basis, calculated by dividing the average number of hours worked per week by forty. Any accrued paid time off hours will be paid at 50% upon termination of employment if the employee has completed six (6) months of employment and 75% upon meeting the requirements of the department pension plan when retiring.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

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

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

**B. Risk management**

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

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**NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District contributes to multiple plans as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

**A. Arizona State Retirement System**

Plan Description: The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2013, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2013, 2012 and 2011 were \$8,074, \$7,713 and, \$7,573, respectively, which were equal to the required contributions for the years then ended.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

**B. Public Safety Personnel Retirement System**

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as the Fund Manager, and 162 local boards, according to the provisions of ARS Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road #200, Phoenix, Arizona 85016, (602) 255-5575.

Funding Policy: For the year ended June 30, 2013, PSPRS members were required by statute to contribute 9.55% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 17.27%.

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Annual Pension Cost: For the year ended June 30, 2013, the District's annual pension cost of \$64,361 for PSPRS was equal to the District's required and actual contributions. The District's actuarial assumptions for the pension fire personnel for the year ended June 30, 2013, the most recent available actuarial valuation, and related information follow.

Contribution rates	
Plan members	9.55 %
District	12.85 %
Actuarial cost method	Entry Age Normal
Investment rate of return	7.85 %
Projected salary increases *	4.5 % - 8.5 %
Payroll growth	4.5 %
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market

Three year trend information for PSPRS: The information for the agent plan was obtained from the three most recent actuarial valuations.

Year ended June 30,	APC	Percentage of APC Contributed	Net pension Obligation
2013	\$ 76,761	100%	\$ -
2012	63,684	100%	-
2011	82,592	100%	-

Funding progress (excluding health insurance subsidy): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2013	\$ 1,475,093	\$ 1,815,088	\$ 339,995	81 %	\$ 550,313	62 %
2012	1,301,730	1,618,727	316,997	80 %	410,927	77 %
2011	1,077,020	1,450,643	373,623	74 %	427,142	87 %

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Funding progress (post-retirement health insurance subsidy only): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2013	\$ -	\$ 60,130	\$ 60,130	- %	\$ 550,313	11 %
2012	-	52,121	\$ 52,121	- %	410,927	13 %
2011	-	48,886	48,886	- %	427,142	11 %

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial costs methods as indicated for the plan. The District did not report a health insurance subsidy payment for the fiscal year ending June 30, 2013.

**C. Alternative Pension and Benefit Plan**

The District has established an alternative pension and benefit plan for volunteer firefighters. Contributions to the plan are administered by a third-party, National Benefit Services, LLC. During the year ended June 30, 2013 the District contributed \$27,393.