



**Lake Mohave Ranchos Fire  
District  
Financial Statements  
June 30, 2014**

**Lake Mohave Ranchos Fire District**  
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**ACCOUNTING PROFESSIONALS, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Governing Board of the  
Lake Mohave Ranchos Fire District  
Dolan Springs, Arizona

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Mohave Ranchos Fire District (the District), as of and for the year ended June 30, 2014, 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 Lake Mohave Ranchos Fire District, as of June 30, 2014, 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.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedules on page 28, 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 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  
March 18, 2015



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Required Supplementary Information)**

**Lake Mohave Ranchos Fire District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

As management of the Lake Mohave Ranchos Fire District the District, we offer readers of the District financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. This discussion and analysis is intended to be an easily readable breakdown of the District's financial activities based on currently known facts, decisions and conditions. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole, and the accompanying notes to those financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the Lake Mohave Ranchos Fire District exceeded its liabilities at the close of the fiscal year by \$855,634 (net assets). Of this amount, \$421,788, or 49.3%, of the net assets are classified as unrestricted net assets that may be used to meet the government's ongoing obligations to citizens, creditors and further the purpose of the district.
- The District's total net assets increased by \$302,307, or 54.6%, primarily due to repayment of long term debt and management of expenses and conservative budget practices.
- As of the close of the current fiscal year, the District's unassigned fund balance for the General Fund was \$(106,456).
- The District's total long-term debt decreased by \$600,498 during the current fiscal year to a balance of \$14,914. The decrease was primarily due to the net effect of principal payments of \$57,014 on the capital leases and repayments of \$537,549 to Mohave County. All capital leases are now paid off. The District has projected to have the balance to Mohave County paid prior to the end of the fiscal year ending June 30, 2015.
- Capital asset additions totaled \$17,000 for the year ended June 30, 2014. This was to purchase a used ambulance.

**Overview of the Financial Statements**

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

**Lake Mohave Ranchos Fire District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014**

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

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

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

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements for using certain taxes, grants and other money. All of the funds of the District are considered governmental funds.

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

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

The District adopts an annual appropriated budget for its general fund and the capital projects fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the adopted budget.

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

**Lake Mohave Ranchos Fire District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a District's financial condition. The assets of the District exceeded liabilities by \$855,634 as of June 30, 2014. The District's net assets increased by \$302,307 for the fiscal year ended June 30, 2014.

However, the largest portion, \$433,846, or 50.7%, of the net assets reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

**Lake Mohave Ranchos Fire District's Net Assets**

	Governmental Activities	
	2014	2013
Cash and cash equivalents	\$ 39,265	\$ 12,016
Other current assets	611,610	655,908
Capital assets, net	433,846	528,992
<b>Total assets</b>	<b>1,084,721</b>	<b>1,196,916</b>
Current liabilities	214,173	28,177
Long-term liabilities	14,914	615,412
<b>Total liabilities</b>	<b>229,087</b>	<b>643,589</b>
Net Assets		
Invested in capital assets	433,846	471,978
Unrestricted	421,788	81,349
<b>Total Net Assets</b>	<b>\$ 855,634</b>	<b>\$ 553,327</b>

**Lake Mohave Ranchos Fire District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Governmental Activities.** Governmental activities increased the District's net assets by \$302,307 or 54.6 percent. Key elements of these activities are as follows:

- Total expenditures for public safety and fire protection decreased by \$506,483, or 39.2 percent, primarily as a result of the District's decision to reduce expenses, manage the overall budget and plan for contingency, while reducing overall liabilities and planning for capital improvements.
- The District decreased total liabilities by \$414,502 over the previous year by repayment of debt.

**Lake Mohave Ranchos Fire District's Changes in Net Assets**

	Governmental Activities	
	2014	2013
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 197,875	\$ 319,644
Operating grants and contributions	1,676	130
General revenues:		
Property taxes	719,234	744,270
Fire district assistance tax	104,756	79,553
Net gain (loss) on capital assets	62,530	(15,855)
Investment earnings	316	328
Total revenues	1,086,387	1,128,070
<b>EXPENSES</b>		
Public safety, fire protection	784,080	1,290,563
Total expenses	784,080	1,290,563
Increase in net assets	\$ 302,307	\$ (162,493)

The cost of all governmental activities for the year ended June 30, 2014 was \$784,080. These costs were offset by ambulance revenues of \$197,875 and state and federal grant revenues of \$1,676. The net program expenses of \$784,080 were financed mainly by property taxes and the fire district assistance tax which provided funding of \$719,234 and \$104,756, respectively. Additional revenue was realized from the sale of capital assets and interest in the amounts of \$62,530 and \$316, respectively.

**Lake Mohave Ranchos Fire District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

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

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the General Fund's balance of \$(106,456) was unassigned. The decrease from last year's fund balance of \$43,842 was \$(150,298) or 342.8%. This decrease in fund balance is primarily due to the District's aggressive debt repayment plan during the fiscal year, as explained earlier.

**Budgetary Highlights**

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

**Budgetary Comparison - General Fund**

Actual revenues were \$159,878 less than the budgeted revenues primarily because revenues from the fire district assistance tax, charges for services and government grant revenues were, in aggregate, less than the District originally had expected to receive. However, this was offset by operations expenditures being held in check to compensate for the lack of funding. The District was able to comply with its budgetary requirements.

**Capital Asset and Debt Administration**

**Capital Assets** - The District's investment in capital assets for its governmental type activities as of June 30, 2014, totaled \$433,846 (net of accumulated depreciation). These assets include buildings, improvements, apparatus and general equipment.

Major capital asset transactions during the year include the following:

- Purchase of a used ambulance for \$17,000.

**Long-term Debt** - As of June 30, 2014, the District, had total long-term debt outstanding of \$14,914. All debt backed by the full faith and credit of the District.

The remaining portion of long-term debt is due to a compensated absences liability balance of \$14,914 as of June 30, 2014. The compensated absences liability represents the amount of monies the District owes for accrued vacation and sick leave that would be paid to eligible employees upon their separation from the District.

Additional, detailed information can be found in the Notes to financial statements that follow.

**Lake Mohave Ranchos Fire District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

As property values have continued to decline, tax revenues of the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while providing the highest level of service to the community. Despite aggressive management of expenditures, costs continue to rise, such as employee benefits including pension contribution rates.

For fiscal year 2015 the District adopted a rate of \$3.25 per \$100 of secondary assessed value. The District has continued to maintain its operational needs through vigilant management of expenses and exploration of non-tax revenue.

**Request for Information**

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, please contact the District at P.O. Box 611, Dolan Springs, AZ 86441 or by phone at 928-767-4510.

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# **BASIC FINANCIAL STATEMENTS**

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,265
Accounts receivable, net	54,975
Taxes receivable	556,635
Capital assets:	
Non-depreciable	12,439
Depreciable (net)	<u>421,407</u>
Total assets	<u>1,084,721</u>
<b>LIABILITIES</b>	
Accounts payable	207,740
Accrued payroll and related liabilities	6,433
Long-term liabilities:	
Due within one year	-
Due in more than one year	<u>14,914</u>
Total liabilities	<u>229,087</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	433,846
Unrestricted	<u>421,788</u>
Total net position	<u>\$ 855,634</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2014**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency services	\$ 589,249
Administrative and support services	96,007
Depreciation	79,324
Interest on long-term debt	<u>19,500</u>
Total program expenses	<u>784,080</u>
<b>PROGRAM REVENUES</b>	
Charges for services	197,875
Operating grants and contributions	1,676
Total program revenues	<u>199,551</u>
Net program expenses	<u>584,529</u>
<b>GENERAL REVENUES</b>	
Property taxes	719,234
County aid	104,756
Net gain/(loss) on sale of capital assets	62,530
Investment earnings	<u>316</u>
Total general revenues	<u>886,836</u>
Increase (decrease) in net position	302,307
Net position – beginning	<u>553,327</u>
Net position – ending	<u><u>\$ 855,634</u></u>

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

**Lake Mohave Ranchos Fire District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,265	\$ 39,265
Accounts receivable, net	54,975	54,975
Taxes receivable	556,635	556,635
Total assets	\$ 650,875	\$ 650,875
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 207,740	\$ 207,740
Accrued payroll and related liabilities	6,433	6,433
Total Liabilities	214,173	214,173
Deferred inflows of resources		
Deferred revenue	543,158	543,158
Deferred taxes		
Total deferred inflows of resources	543,158	543,158
Total liabilities and deferred inflows of resources	757,331	757,331
Fund balances:		
Unassigned	(106,456)	(106,456)
Total fund balances	(106,456)	(106,456)
Total liabilities, deferred inflows of resources and fund balances	\$ 650,875	\$ 650,875

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

**Lake Mohave Ranchos Fire District**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2014**

Fund balances - total governmental funds		\$	(106,456)
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			433,846
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.			543,158
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:			
Capital lease payable	-		
Compensated absences	(14,914)		
County loan payable	-		(14,914)
Net assets of governmental activities		<b>\$</b>	<b><u>855,634</u></b>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Property taxes	\$ 656,485	\$ 656,485
Fire district assistance taxes	104,756	104,756
Intergovernmental	-	-
Charges for services	310,378	310,378
Contributions	1,676	1,676
Interest income	316	316
Other revenue	<u>2,993</u>	<u>2,993</u>
Total revenues	<u>1,076,604</u>	<u>1,076,604</u>
<b>EXPENDITURES</b>		
Current:		
Public safety, fire protection:		
Emergency services	595,184	595,184
Community programs	-	-
Administrative and support services	96,007	96,007
Debt service:		
Principal	57,014	57,014
Interest on long-term debt	19,500	19,500
Capital outlay	<u>17,000</u>	<u>17,000</u>
Total expenditures	<u>784,705</u>	<u>784,705</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>291,899</u>	<u>291,899</u>
<b>OTHER FINANCING SOURCES/(USES)</b>		
Repayments on debt	(537,549)	(537,549)
Gain on sale of capital assets	<u>95,352</u>	<u>95,352</u>
Total other financing sources and uses	<u>(442,197)</u>	<u>(442,197)</u>
Net changes in fund balances	(150,298)	(150,298)
Fund balances – beginning	<u>43,842</u>	<u>43,842</u>
Fund balances – ending	<u>\$ (106,456)</u>	<u>\$ (106,456)</u>

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

**Lake Mohave Ranchos 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, 2014**

Net change in fund balances - total governmental funds	\$ (150,298)
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..	17,000
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.	(79,324)
Loss on disposal of assets is reported in the statement of activities, but it does not require the use of current financial resources.	(32,822)
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.	(52,747)
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.	-
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.	594,563
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.	<u>5,935</u>
Change in net assets of governmental activities	<u>\$ 302,307</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2014**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ASSETS</b>	
Cash	\$ <u>11,854</u>
Total assets	\$ <u>11,854</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	\$ <u>11,854</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2014**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 10
Investment gain (unrealized)	<u>-</u>
Total additions	<u>\$ 10</u>
<b>DEDUCTIONS</b>	
Benefits paid	<u>-</u>
Total deductions	<u>-</u>
Change in net position	\$ 10
Net position – beginning	<u>\$ 11,844</u>
Net position – ending	<u><u>\$ 11,854</u></u>

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

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

The accounting policies of the Lake Mohave Ranchos 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 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.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

The District reports the following major governmental fund:

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 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**

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 Mohave 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.

**F. Prepaid items**

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

**G. Restricted assets**

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**H. 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

**I. 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.

**J. 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.

**K. 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.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
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**L. 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.

**M. 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.

**N. 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.

**O. 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.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, 2014 the District had \$37,424 on deposit with the Mohave County Treasurer's investment pool (MCTIP). The MCTIP 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 Mohave 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 MCTIP is included in the Comprehensive Annual Financial Report of Mohave County. The fair value of each participant's position in the MCTIP 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, 2014, the District's carrying amount of demand deposits was \$1,078. 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.

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

The District maintains a Volunteer Fire Pension Fund as allowed by ARS 9-951. This plan is administered by the District Pension Board. The plan is reviewed by the Arizona State Fire Marshal's office. There were no contributions or distributions from this plan during the current fiscal year.

Cash: As of June 30, 2014 the Pension Fund had \$11,854 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, 2014 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Taxes	\$ 556,635
Program services	111,584
Gross receivables	668,219
Less: allowance for uncollectibles	(56,609)
Total receivables, net	\$ 611,610

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Governmental funds report *deferred outflows and inflows of resources* 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, 2014, deferred revenue consisted of the following:

	<u>Unavailable</u>
General Fund	
Deferred taxes and services revenue	\$ <u>543,158</u>
 Total deferred revenues	 \$ <u><u>543,158</u></u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Land, not depreciated	\$ 12,439	\$ -	\$ -	\$ 12,439
Buildings and equipment	284,359	-	-	284,359
Vehicles and apparatus	990,245	17,000	(97,984)	909,261
Equipment	<u>383,555</u>	<u>-</u>	<u>(72,498)</u>	<u>311,057</u>
Total capital assets	<u>1,670,598</u>	<u>17,000</u>	<u>(170,482)</u>	<u>1,517,116</u>
Less accumulated depreciation	<u>(1,141,606)</u>	<u>(79,324)</u>	<u>137,660</u>	<u>(1,083,270)</u>
Total capital assets, net	<u>\$ 528,992</u>	<u>\$ (62,324)</u>	<u>\$ (32,822)</u>	<u>\$ 433,846</u>

Depreciation expense for the period was \$79,324; 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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease	\$ 57,014	\$ -	\$ (57,014)	\$ -	\$ -
County finance agreement	537,549	-	(537,549)	-	-
Compensated absences	<u>20,849</u>	<u>-</u>	<u>(5,935)</u>	<u>14,914</u>	<u>-</u>
Total governmental liabilities	<u>\$ 615,412</u>	<u>\$ -</u>	<u>\$ (600,498)</u>	<u>\$ 14,914</u>	<u>\$ -</u>

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**A. 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 - DEFERRED COMPENSATION PLAN**

The District has established a deferred compensation plan, in accordance with Internal Revenue Service Code Section 457, for all full-time employees in order to provide for supplementary retirement benefits. The District does not contribute to the plan. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets are not included as a fund of the District.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

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

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

**B. Risk management**

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

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

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

**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.

**Lake Mohave Ranchos Fire District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

Funding Policy: For the year ended June 30, 2014, PSPRS members were required by statute to contribute 10.35% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 18.93%.

Annual Pension Cost: For the year ended June 30, 2014, the District's annual pension cost of \$31,737 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, 2014, the most recent available actuarial valuation, and related information follow.

Contribution rates	
Plan members	10.35 %
District	18.93 %
Actuarial cost method	Entry Age Normal
Investment rate of return	7.85 %
Projected salary increases *	4.0 % - 8.0 %
Payroll growth	4.0 %
Permanent Benefit Increases	Members retired on or before July 1, 2011: 2% compounded on average. Members retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 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,	Estimated APC	Percentage of APC Contributed	Net pension Obligation
2014	\$ 152,000	100%	\$ -
2013	176,912	100%	-
2012	132,798	100%	-

**Lake Mohave Ranchos Fire District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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
2014	\$ 996,496	\$ 1,366,859	\$ 370,363	73 %	\$ 153,791	241 %
2013	1,090,340	1,435,353	345,013	76 %	229,476	150 %
2012	1,061,675	1,790,526	728,851	59 %	762,549	96 %

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
2014	\$ 50,537	\$ 12,150	\$ (38,387)	416 %	\$ 153,791	(25) %
2013	-	15,785	\$ 15,785	- %	229,476	7 %
2012	-	35,623	35,623	- %	762,549	5 %

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, 2014.

**C. Alternative Pension and Benefit Plan**

The District has established an alternative pension and benefit plan for volunteer firefighters. During the year ended June 30, 2014 the District did not make any contributions to the plan.

**NOTE 10 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events from June 30, 2014 through March 18, 2015.



# **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Lake Mohave Ranchos Fire District  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 677,932	677,932	\$ 656,485	\$ (21,447)
Fire district assistance taxes	100,000	100,000	104,756	4,756
Intergovernmental	150,000	150,000	-	(150,000)
Charges for services	308,550	308,550	310,378	1,828
Contributions	-	-	1,676	1,676
Interest income	-	-	316	316
Other revenue	-	-	<u>2,993</u>	<u>2,993</u>
Total revenues	<u>1,236,482</u>	<u>1,236,482</u>	<u>1,076,604</u>	<u>(159,878)</u>
<b>EXPENDITURES:</b>				
Current:				
Wages and benefits	345,060	345,060	355,123	(10,063)
Operations	480,772	480,772	336,068	144,704
Grant related expenditures	150,000	150,000	-	150,000
Debt service:				
Principal	207,550	207,550	57,014	150,536
Interest on long-term debt	19,500	19,500	19,500	-
Capital outlay	<u>33,600</u>	<u>33,600</u>	<u>17,000</u>	<u>16,600</u>
Total expenditures	<u>1,236,482</u>	<u>1,236,482</u>	<u>784,705</u>	<u>451,777</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>291,899</u>	<u>291,899</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Gain on sale of assets	-	-	95,352	95,352
Payments on long-term debt	<u>-</u>	<u>-</u>	<u>(537,549)</u>	<u>(537,549)</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(442,197)</u>	<u>(442,197)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(150,298)</u>	<u>(150,298)</u>
Fund balance – beginning	<u>43,842</u>	<u>43,842</u>	<u>43,842</u>	<u>-</u>
Fund balance – ending	<u>\$ 43,842</u>	<u>\$ 43,842</u>	<u>\$ (106,456)</u>	<u>\$ (150,298)</u>

**NOTE 1 - Budgetary Basis of Accounting**

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