

**SHOW LOW FIRE DISTRICT**

**YEAR ENDED JUNE 30, 2014**



**SHOW LOW FIRE DISTRICT**  
**YEAR ENDED JUNE 30, 2014**

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BEACHFLEISCHMAN

## Independent Auditors' Report

Governing Board and Management  
Show Low Fire District  
Show Low, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Show Low Fire District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Show Low Fire District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

**Other Matter*****Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of Show Low Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Show Low Fire District's internal control over financial reporting and compliance.



Tucson, Arizona  
November 25, 2014

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **FISCAL YEAR ENDED JUNE 30, 2014**

As Management of the Show Low Fire District (District), we offer readers of the District financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

### ***Financial Highlights***

1. The District closed the fiscal year with \$1,074,996 in cash and investments, this was an increase of 229% over the prior fiscal year.
2. The assets of Show Low Fire District exceeded its liabilities at the close of the most recent fiscal year by \$2,244,864. Of this amount \$944,559 (unrestricted net position) may be used to meet ongoing obligations of the District to citizens and creditors.
3. Total net position of the District increased \$740,781 primarily due to management of expenses and conservative budget practices.
4. At the end of the current fiscal year, unassigned fund balances for the General Fund was \$1,005,181 or 98.3% of the total General Fund.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide financial statements.**

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

**Statement of Net Position** - The *Statement of Net Position (page 10)* presents information of all the assets and liabilities of the District, with the difference between the two being reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

## **Fund Financial Statements**

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Show Low Fire District, assets exceeded liabilities by \$2,244,864 at the close of the 2014 fiscal year.

The largest portion of net position of the District (\$1,300,305, or 57.9%) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (\$944,559, or 42.1%) may be used to meet ongoing obligations of the District to citizens and creditors.

At the end of Fiscal Year 2014, the District is able to report positive balances in both categories of net position.

The following table reflects the condensed Statement of Net Position:

Show Low Fire District  
**Condensed Statement of Net Position**  
 As of June 30, 2014

	District Activities		Increase/ (Decrease)
	2014	2013	
Cash and Investments	\$ 1,074,996	\$ 326,273	\$ 748,723
Other Assets	684,093	239,778	444,315
Capital Assets	2,205,136	2,375,687	(170,551)
<b>Total Assets</b>	<b>3,964,225</b>	<b>2,941,738</b>	<b>1,022,487</b>
Other Liabilities	475,239	419,119	56,120
Long Term Liabilities	1,244,122	1,018,536	225,586
<b>Total Liabilities</b>	<b>1,719,361</b>	<b>1,437,655</b>	<b>281,706</b>
Net Position:			
Net investments in capital assets	1,300,305	1,249,216	51,089
Unrestricted	944,559	254,867	689,692
<b>Total Net Position</b>	<b>\$ 2,244,864</b>	<b>\$ 1,504,083</b>	<b>\$ 740,781</b>

**Governmental Activities.** The net position of the District from governmental activities increased from \$1,504,083 to \$2,244,864, a change of 49.3%. Key elements of these activities are as follows

- The District increased its cash position over the previous year by 229% through management of expenditures.
- The District continues to manage the overall budget and plan for contingency, while reducing liabilities and planning for needed capital improvements.

The following table reflects the Condensed Statement of Activities:

Show Low Fire District  
**Condensed Statement of Activities**  
 For the Year Ended June 30, 2014

	Governmental Activities		Increase/ (Decrease)
	2014	2013	
Program Revenues:			
Charge for Services/Grants	\$ 312,784	\$ 410,052	\$ (97,268)
General Revenues:			
Property Taxes	4,270,023	3,870,392	399,631
Fire District Assistance Tax	295,033	293,620	1,413
Investment Earnings	4,587	1,973	2,614
Donated capital assets	-	26,000	(26,000)
Total Revenues	<u>4,882,427</u>	<u>4,602,037</u>	<u>(280,390)</u>
Expenses:			
Public Safety	4,127,454	4,084,934	42,520
Interest	64,192	69,992	(5,800)
Total Expenses	<u>4,191,646</u>	<u>4,154,926</u>	<u>36,720</u>
Special item – insurance settlement	50,000	-	50,000
Change in net position	740,781	447,111	293,670
Beginning Net Position	1,504,083	1,056,972	447,111
Ending Net Position	<u>\$ 2,244,864</u>	<u>\$ 1,504,083</u>	<u>\$ 740,781</u>



## DISTRICT FUNDS FINANCIAL ANALYSIS

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

As of June 30, 2014, the Governmental Funds of the District reported a fund balance of \$1,022,620, which is an increase of \$803,057 compared to the prior period. This increase was recognized due to cost containment actions designed to meet fund level objectives.

**General Fund.** The General Fund accounts for all the resources retained by the District not accounted for in any other fund. At the end of the year, the unassigned fund balance was \$1,005,181.

The following statement provides the detail of the District fund balances:

Show Low Fire District  
**Governmental Funds – Fund Balances**  
 As of June 30, 2014

Major Funds	Fiscal Year June 30, 2014		Fiscal Year June 30, 2013	
	Amount	%	Amount	%
General	\$ 1,022,620	100.00%	\$ 219,563	100.00%
Total Fund Balance	\$ 1,022,620	100.00%	\$ 219,563	100.00%

## BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

- Revenues were under budget by \$800,765 due mostly to a lack of receiving anticipated grant revenue.
- Expenses were under budget due to diligent management of the District finances by administrative and operational staff.

Show Low Fire District  
**Condensed Budget to Actual**  
As of June 30, 2014

	General Fund		Variance with budget
	Budget	Actual	
Total Revenues	\$ 5,830,258	\$ 5,029,493	\$ (800,765)
Total Expenditures	5,830,258	4,276,436	(1,553,822)
Other item: Insurance Settlement	-	50,000	50,000
Net change in fund balance	-	803,057	803,057
Fund balance, beginning of year	219,563	219,563	-
Fund balance, end of year	<u>\$ 219,563</u>	<u>\$ 1,022,620</u>	<u>\$ 803,057</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2014, the investment in capital assets for governmental activities amounts to \$2,205,136 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment. The total decrease in capital assets for the current fiscal year was \$170,551 or 7.2%.

Show Low Fire District  
**Capital Assets as of June 30, 2014**  
(net of depreciation)

	Fiscal Year 2014	Fiscal Year 2013	Increase/Decrease
Land and Buildings	\$ 2,104,742	\$ 2,099,610	\$ 5,132
Equipment	725,190	714,146	11,044
Vehicles	2,257,376	2,174,621	82,755
Accumulated Depreciation	<u>(2,882,172)</u>	<u>(2,612,690)</u>	<u>(269,482)</u>
<b>Net Capital Assets</b>	<u>\$ 2,205,136</u>	<u>\$ 2,375,687</u>	<u>\$ (170,551)</u>

**Long Term Debt.** At the end of the current fiscal year, the District had total debt outstanding of \$1,316,872. The District acquired \$450,000 in new debt for the acquisition of a new fire engine. The entire amount of the debt is backed by the full faith and credit of the District.

The following table shows the District's Outstanding Debt:

Show Low Fire District  
**Outstanding Debt**  
As of June 30, 2014

	District Activities		Increase/ (Decrease)
	Fiscal Year 2014	Fiscal Year 2013	
Lease Purchase	1,316,872	1,117,850	199,022
Net long-term liabilities	\$ 1,316,872	\$ 1,117,850	\$ 199,022

Additional information can be found in the notes to the financial statements that follow.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

For fiscal year 2015 the District adopted a rate increase to \$2.95. This rate increase was necessary to not only develop capital and financial reserves, but in response to an additional 7.96% decrease in assessed valuations. The District has continued to maintain the operational needs of the District through vigilant management of expenses and exploration of non-tax revenue.

## FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 60 North 6<sup>th</sup> Street, Show Low, AZ 85901 or 928-537-5100.

## **Basic Financial Statements**

**SHOW LOW FIRE DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<u>Governmental activities</u>
<b>Assets:</b>	
Cash and investments	\$ 1,074,996
Receivables:	
Property taxes	179,993
Accounts	36,661
Prepaid expenses	17,439
Deposit on capital asset	450,000
Land	170,864
Other capital assets, net of accumulated depreciation	<u>2,034,272</u>
<b>Total assets</b>	<u><b>3,964,225</b></u>
<b>Liabilities:</b>	
Accounts payable	76,578
Accrued payroll and related benefits	61,066
Accrued interest	8,864
Unearned revenue	14,492
Noncurrent liabilities:	
Due within one year	314,239
Due in more than one year	<u>1,244,122</u>
<b>Total liabilities</b>	<u><b>1,719,361</b></u>
<b>Commitments and contingencies</b>	
<b>Net position:</b>	
Net investment in capital assets	1,300,305
Unrestricted	<u>944,559</u>
<b>Total net position</b>	<u><b>\$ 2,244,864</b></u>

See notes to financial statements.

**SHOW LOW FIRE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 113,404
Depreciation	269,482
Insurance	53,237
Managerial	41,348
Other	5,198
Payroll taxes and employee benefits	928,320
Professional services	163,949
Salaries and wages	2,273,813
Training and related	39,562
Utilities and station expenses	49,251
Vehicles and equipment	189,890
Interest	<u>64,192</u>
Total program expenses	<u>4,191,646</u>
Program revenues:	
Charges for services	205,111
Operating grants and contributions	<u>107,673</u>
Total program revenues	<u>312,784</u>
Net program expense	<u>3,878,862</u>
General revenues:	
Property taxes	4,270,023
Fire district assistance tax	295,033
Investment earnings	<u>4,587</u>
Total general revenues	<u>4,569,643</u>
Change in net position before special item	690,781
Special item - insurance settlement	<u>50,000</u>
Change in net position	740,781
Net position, beginning of year	<u>1,504,083</u>
Net position, end of year	<u><u>\$ 2,244,864</u></u>

See notes to financial statements.

**SHOW LOW FIRE DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	<u>General fund</u>
<b>Assets:</b>	
Cash and investments	\$ 1,074,996
Receivables:	
Property taxes	179,993
Accounts	36,661
Prepaid expenses	17,439
Total assets	\$ 1,309,089
<b>Liabilities:</b>	
Accounts payable	\$ 76,578
Accrued payroll and related benefits	61,066
Unearned revenue	14,492
Total liabilities	152,136
<b>Deferred inflows of resources:</b>	
Unavailable revenue	134,333
<b>Fund balance:</b>	
Nonspendable:	
Prepaid expenses	17,439
Unassigned	1,005,181
Total fund balance	1,022,620
Total liabilities, deferred inflows of resources and fund balance	\$ 1,309,089

SHOW LOW FIRE DISTRICT

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

JUNE 30, 2014

Total fund balances - governmental funds	\$ 1,022,620
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,205,136
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds:	
Property taxes	126,547
Accounts receivable	7,786
Deposits on capital assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	450,000
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(8,864)
Accrued compensated absences	(241,489)
Capital leases payable	<u>(1,316,872)</u>
Net position of governmental activities	<u>\$ 2,244,864</u>



SHOW LOW FIRE DISTRICT

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

YEAR ENDED JUNE 30, 2014

	<u>General fund</u>
Revenues:	
Property taxes	\$ 4,376,402
Fire district assistance tax	295,033
Grants and contributions	107,673
Charges for services	245,798
Investment earnings	<u>4,587</u>
Total revenues	<u>5,029,493</u>
Expenditures:	
Public safety:	
Emergency operations	3,264,139
Administration	598,439
Capital outlay:	
Buildings and improvements	5,132
Fire equipment	11,044
Vehicles	82,755
Debt service:	
Principal	250,978
Interest	<u>63,949</u>
Total expenditures	<u>4,276,436</u>
Revenues over expenditures	753,057
Special item - insurance settlement	<u>50,000</u>
Net change in fund balance	803,057
Fund balance, beginning of year	<u>219,563</u>
Fund balance, end of year	<u>\$ 1,022,620</u>

SHOW LOW FIRE DISTRICT

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - governmental funds	\$ 803,057
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	98,931
Depreciation expense	(269,482)
Certain revenues relating to property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(106,379)
Certain revenues relating to fire protection services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(40,687)
In the statement of activities, interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expenditure when paid.	(243)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	4,606
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amount consists of:	
Principal paid	<u>250,978</u>
Change in net position of governmental activities	<u>\$ 740,781</u>

**SHOW LOW FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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

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

Reporting entity:

The District, established in 1948 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents of Show Low and surrounding areas.

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

Government-wide and fund financial statements:

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

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

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

- charges to customers for services provided,
- grants and contributions

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

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

**SHOW LOW FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2014**

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

Measurement focus, basis of accounting and financial statement presentation:

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

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

Real and personal property taxes are levied on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Navajo County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

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

The District reports the following major governmental funds:

The general fund is the primary operating fund of the District. The principal revenue source is property taxes. Primary expenditures are for public safety.

There are no financial resources required to be accounted for in a separate fund, either legally or by Board direction.

Estimates:

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

Cash and investments:

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

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

Investment earnings are comprised primarily of interest earnings only.

Receivables, unearned revenue and deferred inflows of resources:

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

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to year end are recorded as deferred inflows of resources.

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

Prepaid expenses:

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

Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Insufficient records exist to determine the actual historical cost of certain vehicles and equipment. Management estimated the historical cost of these assets at approximately \$300,000 based on their internal knowledge of current prices adjusted for inflation. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Land	Not depreciated
Buildings and improvements	30 years
Fire equipment	5 to 10 years
Vehicles	5 to 10 years

Compensated absences:

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

Long-term obligations:

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

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

## SHOW LOW FIRE DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

Fund balance:

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

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

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

Net position:

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

Budgetary information:

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the General Fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year end.

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

New accounting pronouncement:

The GASB issued Statement No. 68 Accounting and Financial Reporting for Pensions (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Safety Personnel Retirement System (PSPRS).

Statement No. 68 requires cost-sharing employers participating in the PSPRS program, such as the District, to record their proportionate share, as defined in Statement No. 68, of PSPRS unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PSPRS. The requirement of Statement No. 68 to record a portion of PSPRS unfunded liability will negatively impact the District's future unrestricted net position. Statement No. 68 is effective for the fiscal year ending June 30, 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PSPRS's current funding status can be found in its Comprehensive Annual Financial Report.

2. Cash and investments:

Cash and investments consist of the following:

Deposits:

Operating accounts	\$ 102,691
--------------------	------------

Investments:

Navajo County Treasurer investment pool	<u>972,305</u>
	<u>\$ 1,074,996</u>

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



SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

2. Cash and investments (continued):

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At year end, deposits with financial institutions have a carrying value of \$102,691 and a bank balance of \$101,542. The difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2014.

Investments:

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

The District's investments at June 30, 2014 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Navajo County Treasurer's investment pool	Unrated	Not applicable	\$ 972,305

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

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

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

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

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

**SHOW LOW FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2014**

2. Cash and investments (continued):

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

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

3. Capital assets:

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 170,864	\$ -	\$ -	\$ 170,864
Total capital assets, not depreciated	<u>170,864</u>	<u>-</u>	<u>-</u>	<u>170,864</u>
Capital assets, depreciated:				
Buildings and improvements	1,928,746	5,132	-	1,933,878
Fire equipment	714,146	11,044	-	725,190
Vehicles	<u>2,174,621</u>	<u>82,755</u>	<u>-</u>	<u>2,257,376</u>
Total capital assets, depreciated	<u>4,817,513</u>	<u>98,931</u>	<u>-</u>	<u>4,916,444</u>
Less accumulated depreciation for:				
Buildings and improvements	(470,225)	(64,367)	-	(534,592)
Fire equipment	(484,284)	(40,085)	-	(524,369)
Vehicles	<u>(1,658,181)</u>	<u>(165,030)</u>	<u>-</u>	<u>(1,823,211)</u>
Total accumulated depreciation	<u>(2,612,690)</u>	<u>(269,482)</u>	<u>-</u>	<u>(2,882,172)</u>
Total capital assets, depreciated, net	<u>2,204,823</u>	<u>(170,551)</u>	<u>-</u>	<u>2,034,272</u>
Total capital assets, net	<u>\$ 2,375,687</u>	<u>\$ (170,551)</u>	<u>\$ -</u>	<u>\$ 2,205,136</u>

**SHOW LOW FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2014**

4. Capital leases:

The assets acquired through capital leases are as follows:

Buildings	\$ 1,132,032
Vehicles	<u>567,525</u>
	1,699,557
Less accumulated depreciation	<u>664,343</u>
	<u>\$ 1,035,214</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year ending <u>June 30,</u>	
2015	\$ 251,320
2016	215,526
2017	179,733
2018	179,733
2019	179,733
2020 - 2024	<u>593,311</u>
Total minimum lease payments	1,599,356
Less amount representing interest	<u>282,484</u>
Net present value of minimum lease payments	1,316,872
Less current portion	<u>193,495</u>
	<u>\$ 1,123,377</u>

5. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities 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>
Compensated absences	\$ 246,095	\$ 225,625	\$ (230,231)	\$ 241,489	\$ 120,744
Capital leases	<u>1,117,850</u>	<u>450,000</u>	<u>(250,978)</u>	<u>1,316,872</u>	<u>193,495</u>
	<u>\$ 1,363,945</u>	<u>\$ 675,625</u>	<u>\$ (481,209)</u>	<u>\$ 1,558,361</u>	<u>\$ 314,239</u>

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

6. Line of credit:

The Board of Supervisors of Navajo County, on behalf of the District, established a line of credit in the amount of \$300,000 with Wells Fargo. In accordance with the Arizona Revised Statutes, the line of credit can only be drawn on by the County Treasurer in order to pay warrants issued by the District to fund operations prior to the collection of the property tax levy in the current year. Interest is payable at the bank's prime rate and the line matures June 2014. The balance on the line at June 30, 2014 was \$0.

7. Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Commitments and contingencies:

Intergovernmental agreements:

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

During 2012, the District entered into an agreement with the Navajo County Board of Supervisors and an outside trustee for the purpose of providing advice and guidance on financial and fiscal issues impacting the District. The District incurred costs of \$4,250 monthly through August 2013. As of November 25, 2014, the trustee has remained available on an as needed basis.

Legal proceedings:

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

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

9. Misappropriation of assets:

Certain former District employees continue to be under investigation for theft of District assets. The investigation is in process and no charges have been filed. The District continues to consider all its legal options.

The District expects to receive a maximum of \$50,000 in insurance settlements per employee involved in the theft of District assets. At June 30, 2014, \$50,000 has been received by the District and is recorded as revenue. The District expects to receive additional insurance settlements, however, as of June 30, 2014, no additional amounts had been recorded as revenue related to these potential insurance settlements.

10. Concentrations:

Certain of the District's work force are members of a union, the White Mountain Firefighters Association (WMFFA). The District does not recognize WMFFA as a bargaining unit.

11. Public Safety Personnel Retirement System (PSPRS):

Plan description:

The PSPRS is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its participating 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 the participating local boards according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 4.

Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing the plan at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding policy:

The Arizona State Legislature establishes and may amend active plan members contribution rates, as well as the rates applicable to the District.

SHOW LOW FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

11. Public Safety Personnel Retirement System (PSPRS) (continued):

Funding policy (continued):

For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll and the District was required to contribute 13.34%, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.60% of covered payroll.

Actuarial methods and assumptions:

The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plan as understood by the District and plan's members and include the types of benefits in force at the valuation date and 2) the pattern of sharing benefit costs between the District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0% - 9.0%
Inflation rate	5.0%

**SHOW LOW FIRE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2014**

11. Public Safety Personnel Retirement System (PSPRS) (continued):

Annual pension cost:

The District's pension cost for the PSPRS plan for the year ended June 30, 2014 and related information is as follows:

	PSPRS	
	Pension	Health insurance
Annual pension cost	\$ 305,721	\$ 14,398
Contributions made	305,721	14,398

Trend information:

Annual pension cost information from the actuarial tables for the current and two preceding years is as follows:

PSPRS	Year ending June 30	Annual pension	Percentage of annual cost contributed	Net pension/ OPEB obligation
Pension	2014	\$ 305,721	100%	\$ 0
	2013	293,795	100%	0
	2012	223,445	100%	0
Health Insurance	2014	14,398	100%	0
	2013	14,116	100%	0
	2012	12,839	100%	0

Funded status:

The funded status of the plan as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented in the required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SHOW LOW FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2014**

11. Public Safety Personnel Retirement System (PSPRS) (continued):

Funded status (continued):

	Pension	Health insurance
Actuarial accrued liability (a)	\$ 4,767,571	\$ 119,548
Actuarial value of assets (b)	\$ 4,895,908	-
Unfunded actuarial accrued liability (a) - (b)	\$ (128,337)	\$ 119,548
Funded ratio (b) / (a)	102.7 %	0 %
Covered payroll (c)	\$ 1,864,452	\$ 1,864,452
Unfunded actuarial accrued liability as a percentage of covered payroll $[(a) - (b)] / (c)$	-	6.41 %

12. Deferred compensation plan:

The District sponsors a 457(b) deferred compensation plan for personnel who are not eligible to participate in the PSPRS. The District makes discretionary contributions to the plan. Employees are immediately vested in employer contributions to the plan. During the year ended June 30, 2014, contributions to the plan by the District totaled \$160,315.

13. Subsequent events:

On September 19, 2014, the District completed a merger with Lakeside Fire District and Linden Fire District. As a result of this merger, the District's operations and financial assets, liabilities, and deferred outflows/inflows of resources have been combined with the operations and financial assets, liabilities, and deferred outflows/inflows of resources of Lakeside Fire District and Linden Fire District as part of the newly formed Timber Mesa Fire and Medical District.



**Required Supplementary Information**

**SHOW LOW FIRE DISTRICT**

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

**YEAR ENDED JUNE 30, 2014**

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 4,600,741	\$ 4,600,741	\$ 4,376,402	\$ (224,339)
Fire district assistance tax	-	-	295,033	295,033
Grants and contributions	732,017	732,017	107,673	(624,344)
Charges for services	496,000	496,000	245,798	(250,202)
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>4,587</u>	<u>3,087</u>
Total revenues	<u>5,830,258</u>	<u>5,830,258</u>	<u>5,029,493</u>	<u>(800,765)</u>
Expenditures:				
Public safety - fire protection:				
Emergency operations	4,512,633	4,512,633	3,264,139	(1,248,494)
Administration	999,976	999,976	598,439	(401,537)
Capital outlay	317,649	317,649	98,931	(218,718)
Debt service:				
Principal	-	-	250,978	250,978
Interest	<u>-</u>	<u>-</u>	<u>63,949</u>	<u>63,949</u>
Total expenditures	<u>5,830,258</u>	<u>5,830,258</u>	<u>4,276,436</u>	<u>(1,553,822)</u>
Other item:				
Insurance settlements	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balance	-	-	803,057	803,057
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>219,563</u>	<u>219,563</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,620</u>	<u>\$ 1,022,620</u>

**NOTE TO BUDGETARY COMPARISON SCHEDULE**

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

**SHOW LOW FIRE DISTRICT**

**SCHEDULE OF FUNDING PROGRESS - AGENT RETIREMENT PLAN (PSPRS)**

**YEAR ENDED JUNE 30, 2014**

**Pension - Excluding Health Insurance Subsidy**

<u>Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
2013	\$ 4,895,908	\$ 4,767,571	\$ (128,337)	102.7 %	\$ 1,864,452	0.0 %
2012	4,349,496	4,483,262	133,766	97.0 %	\$ 2,176,596	6.2 %
2011	3,504,833	3,827,996	323,163	91.6 %	2,170,037	14.9 %

**Health Insurance Subsidy:**

<u>Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
2013	\$ 0	\$ 119,548	\$ 119,548	0 %	\$ 1,864,452	6.41 %
2012	0	117,473	117,473	0 %	\$ 2,176,596	5.40 %
2011	0	105,906	105,906	0 %	2,170,037	4.88 %

**Report on Internal Control and on Compliance**



BEACHFLEISCHMAN

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Governing Board and Management  
Show Low Fire District  
Show Low, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Show Low Fire District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Beach Fleischman PC*

Tucson, Arizona  
November 25, 2014

## Other Report



BEACHFLEISCHMAN

**Independent Auditors' Report**

Governing Board and Management  
Show Low Fire District  
Show Low, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Show Low Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2014.

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

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

*BeachFleischman PC*

Tucson, Arizona  
November 25, 2014