GOLDEN VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2014

Saunders Company, Ltd.
6008 West Cortez Street
Glendale, Arizona 85304
Fax 602-926-2431
Phone 623-476-8660

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
GOLDEN VALLEY, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2014

TABLE OF CONTENTS

	PAGE	EXHIBIT
TABLE OF CONTENTS	1	
INDEPENDENT AUDITOR'S REPORT	5	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9	
BASIC FINANCIAL STATEMENTS:	17	
Government-Wide Financial Statements		
Statement of Net Position	18	A
Statement of Activities	19	B
Fund Financial Statements		
Balance Sheet - Governmental Funds	20	C
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21	D
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	22	E
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds To the Statement of Activities	23	F
Statement of Net Position - Fiduciary Funds	24	G
Statement of Changes in Fiduciary Net Position	25	H
Notes to the Financial Statements	27	

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
GOLDEN VALLEY, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2014

	PAGE	EXHIBIT
REQUIRED SUPPLEMENTARY INFORMATION	45	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis) General Fund	46	I
Pension Financial Disclosures	47	
Notes to the Required Supplementary Information	50	
OTHER SUPPLEMENTARY INFORMATION	51	
Arizona Annual Report Information	52	
GOVERNMENT AUDIT STANDARDS SECTION	53	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	55	
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*	57	
Schedule of Findings and Questioned Costs	61	

THIS PAGE

IS

DELIBERATELY LEFT BLANK

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATOR S #01534603, # 1003706
CERTIFIED IN FINANCIAL FORENSICS
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Redheadedcutie10@AOL.com

Member: American Institute of Certified Public Accountants | Arizona Association of Licensed Private Investigators | International Association of Certified Fraud Examiners
Arizona Society of Certified Public Accountants | AICPA Government Audit Quality Center | Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Golden Valley Fire District
Golden Valley, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Golden Valley Fire District, Golden Valley, Arizona, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Golden Valley Fire District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Other Matters

Required Supplementary Information

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

Other Legal and Regulatory Requirements

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

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 9-956 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Arizona State Fire Marshal as mandated by statute as an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Saunders Company, Ltd.

Glendale, Arizona
February 5, 2015

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Golden Valley Fire District

Management's Discussion and Analysis of
Basic Financial Statements
June 30, 2014

The following discussion and analysis of the Golden Valley Fire District financial performance presents Management's overview of the District's financial activities for the fiscal year ending June 30, 2014. Please read it in conjunction with the District's basic financial statements which begin following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Golden Valley Fire District provides Fire, Rescue, Paramedic Hazardous Materials, Rope Rescue and Confined Space Rescue services to businesses, homes, property and persons within the District boundaries, as well as services to locations and persons outside the District thru mutual aid agreements and contracts.

Results of Operations (Chief)

Overview of 2013-2014 fiscal year Fire District initiatives to better serve the community through planned improvements and strategic initiatives to keep the Golden Valley Fire District proactive and in a constant state of development and self-evaluation.

- **Response Information:**
  - Fire incidents 90 (4%)
  - Emergency Medical incidents 1,412 (64%)
  - Hazardous Materials incidents 21 (1%)
  - Service Calls 473 (22%)
  - Good Intent incidents 97 (4 %)
  - False Alarms 93 (4%)
  - Special Incidents / other 14 (1%)
  - Total Calls for service **2200 incidents**

- **Personnel**:
  - No additional staffing added
  - Elimination of the Battalion Chief position
  - Permitted a fourth (4^{th}) Captain position

- **Specialized Teams:**
  - Technical Rescue Team – performs Rope Rescue and Confined Space Rescues
  - Hazardous Material Team
  - Fire Investigation Team

λ **Budget:**
- Improved detailed budget
- Assignment of budget Project Managers for specific areas or responsibility

λ **Community awareness programs:**
- Annual meetings with local industrial corridor leadership
- Bi-Monthly meetings community groups
- Annual Fire Prevention Week
- Golden Valley Days parade participation
- Participant in Veterans Day parades & activities in Golden Valley & Kingman areas
- Golden Valley Days parade participation
- Participant in "Pink Heals" cancer awareness activities in region October
- All District personnel wear pink uniforms for Breast Cancer Awareness month
- Improved Fire District website at www.GoldenValleyFire.com

λ **Other initiatives:**
- New Fire District Policy Manual developed and adopted
- Improved / web-based training program
- Business Community partnerships improved
- Improved succession planning for all job descriptions
- Continued Economic development partnership with Mohave County officials

λ **New apparatus:**
λ 2006 International Ferrara Type-III – new refurbished

λ **Out of District contracts for services:**

o Griffith Energy	$295,000.00
o Arizona State Prison – MTC Kingman in-kind services	120,000.00 cash / $247,000.82
o Western Wind Energy	$3,593.00
o UniSource / Black Mountain Energy	$150,370.00
o Nucor Steel	$33,357.00
o Total added compensation for services *(Cash & Services)*	**$602,320.82 / *$849,320.82***

λ **Regionalized 911 Dispatch Center cooperative with:**
- City of Kingman Fire & Police
- Golden Valley Fire District (GVFD)
- Northern Arizona Consolidated Fire District (NACFD)
- Pine Lake Fire (PLFD)
- Pinion Pine Fire District (PPFD)
- Lake Mohave Ranchos Fire District

- λ **ISO reduction plan:**
  - o Improved 911 call processing dispatch with new Regional 911 Dispatch Center
  - o Strategic Planning for apparatus distribution (New station locations planning)
  - o Fire Marshal Inspection / Code Enforcement Program
  - o Improved daily / annual firefighter training
  - o Improvements in water hauling apparatus
  - o Budget for future apparatus improvements / refurbishment

- λ **Public Education & Training:**
  - o Budget for Public Education & Awareness programs
  - o Active participation in local school Annual Fire Prevention Week activities

Financial Highlights

- λ District investment in capital assets increased by $134,335 or 2.82%.
- λ The District's net position decreased $440,387 or 7.46% from the previous fiscal year.
- λ Total revenue decreased $11,434 or 0.38% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was $2,003,636.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Net Position June 30, 2014

	BALANCE JUNE 30, 2013	BALANCE JUNE 30, 2014
Invested in Capital Assets, Net of related Debt	$ 3,204,329	$ 3,338,664
Unrestricted	2,697,589	2,003,636
Total Net Position	$ 5,901,913	$ 5,342,300

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the County. Additional revenues were generated through several Out of District contracts as well as response to major wild land fires.

General Fund Budgetary Highlights

The Golden Valley Fire District stayed within the approved budget for fiscal year 2013-2014.

Capital Asset and Debt Administration

Capital Assets

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

For fiscal year ended June 30, 2014, the District purchased, had contributed, or constructed the following assets:

List new fixed assets here:

- λ Attack Type III $212,000

Capital Assets, Net of Depreciation June 30, 2014

	BALANCE 06/30/2013	BALANCE 06/30/2014
Depreciable Assets		
Vehicles	$2,114,462	$ 2,505,354
Buildings	1,897,374	1,762,827
Building Improvements	84,028	84,028
Equipment, Admin	102,464	102,464
Equipment, Fire	360,444	360,444
Total Historical Costs	4,558,772	4,863,137
Less Accum Depreciation		
Vehicles	1,073,695	1,243,181
Buildings	310,947	226,193
Building Improvements	10,229	14,333
Equipment, Admin	16,373	32,863
Equipment, Fire	132,163	187,257
Less: Total Accumulated Depreciation	1,543,407	1,703,827
Depreciable Capital Assets, Net	3,015,365	3,159,310
Non-Depreciable Assets		
Land	188,964	179,354
Capital Assets, Net	$3,204,329	$ 3,338,664

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of $86,943. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	Balance June 30, 2013	Balance June 30, 2014
None	$ 0	$ 0
Total Lease Obligations	0	0
Compensated Absences	68,883	86,943
Totals	$ 68,883	$ 86,943

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions.

1) **Fire District Revenue**
   a. The most recent economic forecast indicates property values may continue on a slight decline for the 2014 – 2015 budget years. The District will plan accordingly by seeking alternative revenue streams such as:
      i. Property annexations to offset the decline for the foreseeable future
      ii. Investment and involvement in Statewide Wildland Mobilizatio ns
      iii. Out of District Contract for Services Agreements
      iv. Reduction of overtime costs through alternative staffing models

2) **New Fire Station(s):**
   a. The District, having already purchased property on Yucca Road, will re-evaluate the future community needs for an additional fire station in the industrial corridor around Griffith Road and Interstate-40. In addition, Administration will keep in mind a fire station to the north central area of the District, which could affect the population concentration to the North of Hwy-68

3) **District Operated Ground Ambulance Transportation**
   a. Having made application in 2012 with the Department of Health Services (DHS) for the Certificate of Necessity (CON), and awaiting the decision of the Administrative Law Judge following Hearings in October & November of 2014, and the pending final decision of the Administrator of the Department of Social & Health Services, GVFD anticipates beginning ground ambulance services around June 2015. As cited earlier, GVFD will hire four additional staff to aid in proper staffing.

4) **Training Center**
   a. Since the acquisition and completed interior remodel of Golden Valley Fire District's Public Safety Training Center (PSTC), the planning and acquisition of "Props" begins in FY 2015-2016 to fill the remaining 10-acres with Firefighter training props to include the following:
      i. Flashover chamber
      ii. Confined Space Rescue
      iii. Helicopter Landing Zone
      iv. Vehicle Extrication area
      v. Liquefied Petroleum Gas (LPG) prop
      vi. Emergency Vehicle Driving course
      vii. Large Area Search prop inside the gymnasium
   b. The District will continue to work with other community organizations and public safety providers to collaborate with the District to allow for the largest use of this facility.

5) **Specialized Teams**
   a. The District will continue to support the followin g specialized District teams:
      i. Hazardous Materials Response Team
      ii. Technical Rescue Team
      iii. Fire Investigations Team

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Fire Chief Thomas O'Donohue, Golden Valley Fire District at 3327 N. Mayer Rd., Golden Valley, AZ 86413.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

BASIC FINANCIAL STATEMENTS

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents (Note 3)	$ 2,263,495
Receivables:	
Property Taxes (Note 6)	659,940
General (Note 5)	22,308
Total Capital Assets, Net (Note 7)	3,338,664
Total Assets	6,284,407
LIABILITIES	
Accounts Payable	46,898
Payroll Taxes Payable	71,579
Wages Payable	55,011
Compensated Absences (Note 10)	
Portion due within one year	21,736
Portion due after one year	86,943
Total Liabilities	282,167
DEFERRED INFLOW OF RESOURCES	
Unavailable Property Tax Revenue	659,940
Total Deferred Inflow of Resources	659,940
NET POSITION	
Invested in Capital Assets, Net of related Debt	3,338,664
Unrestricted (Note 12)	2,003,636
Total Net Position	$ 5,342,300

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

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

	Governmental Activities
EXPENSES	
Public Safety - Fire/EMS Protection	
Personnel Services	$ 2,447,723
Materials & Services	781,239
Depreciation	294,967
Total Program Expenses	3,523,929
PROGRAM REVENUES	
Charges for Service	617,658
Total Program Revenues	617,658
Net Program Expense	2,906,271
GENERAL REVENUES	
Property Taxes	1,806,113
Fire District Assistance	192,737
Investment Earnings	12,979
Miscellaneous	334,828
Total General Revenues	2,346,657
Decrease in Net Position	(559,614)
NET POSITION-BEGINNING OF THE YEAR	5,901,914
NET POSITION-END OF THE YEAR	$ 5,342,300

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

GOLDEN VALLEY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit C

	General
ASSETS	
Cash and Cash Equivalents (Note 3)	$ 2,263,495
Receivables:	
Property Taxes (Note 6)	659,940
General (Note 5)	22,308
Total Assets	$ 2,945,743
LIABILITIES	
Accounts Payable	$ 46,898
Payroll Taxes Payable	71,579
Wages Payable	55,011
Compensated Absences (Note 10)	21,736
Total Liabilities	195,224
DEFERRED INFLOW OF RESOURCES	
Unavailable Property Tax Revenue	659,940
Total Deferred Inflow of Resources	659,940
FUND BALANCES	
Unassigned (Note 12)	2,090,579
Total Fund Balances	2,090,579
Total Liabilities & Fund Balances	$ 2,945,743

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

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2014

Exhibit D

	General
REVENUE	
Property Taxes	$ 1,806,113
Fire District Assistance Tax	192,737
Fees for Service	617,658
Interest	12,979
Miscellaneous	344,438
Total Revenues	2,973,925
EXPENDITURES	
Current:	
Public Safety	2,886,936
Administration	270,167
Capital Outlay	492,711
Total Expenditures	3,649,814
Excess (Deficiency) of Revenues over Expenditures	(675,889)
Net Change in Fund Balances	(675,889)
Fund Balances-Beginning of Year	2,766,468
Fund Balances-End of Year	$ 2,090,579

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

GOLDEN VALLEY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit E

Reconciliation of Governmental Fund Balance to Net Position (Exhibit A) of governmental activities:		
Fund Balances - Total Governmental Funds (Exhibit C)		$ 2,090,579
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.		
Governmental Capital Assets	5,042,491	
Less: Accumulated Depreciation	(1,703,827)	
		3,338,664
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(86,943)
Net Position of Governmental Activities (Exhibit A)		$ 5,342,300

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

GOLDEN VALLEY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2014

Exhibit F

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	$	(675,889)
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:		
Governmental funds report capital outlays as expeditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expenses in the current period.		134,335
The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(18,060)
Change in Net Position of Governmental Activities (Exhibit B)	$	(559,614)

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

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

Exhibit G

	Volunteer Pension Fund
ASSETS	
Cash & Cash Equivalents	$ 444
Investments, at fair value	
Mutual Funds	53,602
Total Assets	54,046
LIABILITIES	
Accounts Payable	-0-
Total Liabilities	-0-
NET POSITION	
Held in trust for pension and other purposes	$ 54,046

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

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit H

	Volunteer Pension Fund
ADDITIONS	
Contributions	$ -0-
Investment Earnings:	
Interest & Dividends	1,545
Increase in the fair value of investments	6,653
Net Investment Earnings	8,198
Total Additions	8,198
DEDUCTIONS	
Distributions	-
Total Deductions	-
Change in Net Position	8,198
Net Position - Beginning	45,848
Net Position - Ending	$ 54,046

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

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
GOLDEN VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Introduction

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

Basic Financial Statements

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

Government-wide Statements

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

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

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

Governmental funds

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

The District reports the following major governmental funds:

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

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. This fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Net Position/ Fund Equity

Net Position on Government Wide Financial Statements – Exhibit A

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

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

Fund Balances on Government Fund Financial Statements – Exhibit C

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

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

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

Accounting Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

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

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

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

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

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer which is in turn invested in the Local Government Investment Pool (LGIP) operated by the Arizona State Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool.

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

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

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2014:

DEPOSITORY ACCOUNTS:	General Fund	Fiduciary Fund	Total
Insured Deposits (FDIC)	$ 97,930	$ 0	$ 97,930
Uninsured & Uncollateralized	2,209,003	54,046	2,263,049
Total Deposits	2,306,933	54,046	2,360,979
In Transit Items	(43,638)	0	(43,638)
Total Depository Accounts	2,263,295	54,046	2,317,341
NON DEPOSITORY ACCOUNTS			
CASH ON HAND	200	0	200
Total Non Depository Accounts	200	0	200
Total Cash & Cash Equivalents	$ 2,263,495	$ 54,046	$ 2,317,541

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

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

Custodial Credit Risk For:	Rating	Rating Agency	Amount
County Treasurer Pool	Unrated	Not Applicable	$2,209,003
American Funds	Unrated	Not Applicable	$54,046

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

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

The District normally invests only in FDIC insured bank accounts, accounts collateralized above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, which is reinvested in the Arizona State Treasurer Local Government Investment Pool (LGIP), and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

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

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

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

Interest rate risk factors and information are not available for the mutual fund investments of the District.

The weighted average maturity of the LGIP-GOV pool at June 30, 2014:

For Pool 5	34 days
For Pool 7	53 days
For Pool 500	1.82 years
For Pool 700	2.02 years

Risk Management

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

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

Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

NOTE 4 - INVENTORIES

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

NOTE 5 - RECEIVABLES

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

General receivables were $22,308 with an allowance for bad debt of $0 at June 30, 2014. This gave a net of $22,308 which was expected to be collectable.

NOTE 6 – PROPERTY TAX REVENUE RECEIVABLES

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended.

	BALANCE 06/30/2013	ADDITIONS	DELETIONS	BALANCE 06/30/2014
Depreciable Assets				
Vehicles	$2,114,462	$ 390,892	$ 0	$ 2,505,354
Buildings	1,897,374	0	134,547	1,762,827
Building Improvements	84,028	0	0	84,028
Equipment, Admin	102,464	0	0	102,464
Equipment, Fire	360,444	48,020	0	408,464
Total Historical Costs	4,558,772	438,912	134,547	4,863,137
Less Accumulated Depreciation				
Vehicles	1,073,695	169,486	0	1,243,181
Buildings	310,947	49,793	134,547	226,193
Building Improvements	10,229	4,104	0	14,333
Equipment, Admin	16,373	16,490	0	32,863
Equipment, Fire	132,163	55,094	0	187,257
Less: Total Accumulated Depreciation	1,543,407	294,967	134,547	1,703,827
Depreciable Capital Assets, Net	3,015,365	143,945	0	3,159,310
Non-Depreciable Assets				
Land	188,964	0	9,610	179,354
Capital Assets, Net	$3,204,329	$ 143,945	$ 9,610	$ 3,338,664

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 – SHORT-TERM INDEBTEDNESS

The District utilizes a credit line with a limit of $1,861,562.00. As of June 30, 2014, the balance outstanding was approximately $0.00 and $1,861,562.00 was available. The interest rate, at year end, was approximately 0.57% of prime. The District routinely pays the balance in full when funds are available.

Changes in Short-Term Indebtedness:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Line of Credit	$ 0	$ 0	$ 0	$ 0
Totals	$ 0	$ 0	$ 0	$ 0

NOTE 10 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District policy on sick leave allows employees to be compensated for a portion of their accrued unused sick time when they retire, based on a schedule which varies with length of service and type of employee. At June 30, 2014, the total amount of accumulated sick leave is $108,678.

NOTE 11 – LONG-TERM INDEBTEDNESS

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

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

The District does not currently have any capital leases.

Changes in Long-Term Indebtedness :

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
None	$ 0	$ 0	$ 0	$ 0
Total Lease Obligations	0	0	0	0
Compensated Absences	68,883	18,060	0	86,943
Totals	$ 68,883	$ 18,060	$ 0	$ 86,943

NOTE 12 – NET POSITION/ FUND BALANCE

The District's Net Position balances consist of restricted, unrestricted, non-spendable, and net investment in capital assets amounts.

The District's Governmental Funds fund balances consist of restricted, committed, assigned, non-spendable and unassigned amounts.

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

Non-spendable are amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

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

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

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

Net Position:

Invested in Capital Assets, Net of Related Debt	$ 3,338,664
Unrestricted	2,003,636
Total Net Position	$ 5,342,300

Governmental Fund Balances:

Unassigned Fund Balances	$ 2,090,579
Total Fund Balance	$ 2,090,579

NOTE 13 - PROPERTY TAXES

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

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

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

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

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

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

NOTE 14 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)

Plan Descriptions

The District contributes to the three plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' annual compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health Insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost sharing, multiple-employer defined benefit pension plan, a cost-sharing, multiple employer defined health insurance premium plan, and a cost-sharing, multiple employer defined long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to provisions of the A.R.S. Title 38, Chapter 5, Article 2. The ASRS System does not provide information on each individual entity that has an account in the System. Information provided in this report is based on the information provided by ASRS, which is on a state wide basis.

Normal retirement is when an individual achieves 80 points, which is age plus years of service after age 62. Retirement benefits are computed by the Arizona State Retirement System.

The information required by GASB 50 paragraph 7b, three year trend information, is not currently available.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administration agent, is governed by a five-member board known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Normal retirement is on completion of 20 years of service or 15 years of service and attainment of age 62. Retirement benefits after 20 years are 50% of average monthly compensation plus an additional 2% for each year of service from 20 to 25 years. Upon attainment of 25 years of service the additional percentage is increased to 2 ½ % for each year beyond 20. Maximum pension is 80% of average compensation. All participants are fully vested upon 10 years of service with deferred retirement possible at reduced benefits. Disability, survivor's benefits and medical care are also integrated into the plan.

Each multiple employer plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Avenue
Suite 200
PO Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778

PSPRS
3010 E. Camelback Road,

Phoenix, AZ 85016-4416
Phone (602) 255-5575

The District maintains a *Volunteer Fire Pension Fund* as allowed by ARS 9-951. This plan is administered by an outside consulting firm who prepares a separate annual report. This report is available through Innes & Associates, 4302 East Ray Road Suite 117, Phoenix, Arizona 85044. The plan is reviewed by the Arizona State Fire Marshal's office.

Standard benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Maximum age does not apply. Retirement age is earlier of age 50 or 20 years of service. Entry dates are Jan 01 and July 01 of each year.

The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan. The District has elected under ARS Title 9, Section 4 to establish an alternative plan which differs significantly from the standards referred to above.

NOTE 16 - POST EMPLOYMENT BENEFITS

The government provides certain health care and insurance benefits for recently separated employees as required by the Federal law under COBRA. Any cost of health care and insurance benefits would be short term and recognized as an expenditure as claims are paid. The District currently has no such claims.

Although the Golden Valley Fire District does not have a written policy providing other Post Retirement Benefits, The District has an undocumented agreement with 2 former employees to provide them with Healthcare Benefits thru the Public Safety Personnel Retirement System (PSPRS). One of these employees is on medical retirement and the other one is on regular retirement. This agreement was put in place prior to the current District administration and no documentation has been found to provide detail of the agreement. No actuarial information has been provided.

NOTE 17- SUBSEQUENT EVENTS

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

THIS PAGE

IS

DELIBERATELY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

GOLDEN VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2014

Exhibit I

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 2,075,105	$ 2,075,105	$ 1,806,113	$ (268,992)
Fire District Assistance	230,000	230,000	192,737	(37,263)
Fees for Service	682,320	682,320	617,658	(64,662)
Grant Revenue	371,000	371,000	-	(371,000)
Miscellaneous	985,000	985,000	344,438	(640,562)
Interest	25,000	25,000	12,979	(12,021)
Total Revenues	4,368,425	4,368,425	2,973,925	(1,394,500)
Expenditures:				
Current:				
Public Safety	3,741,651	3,741,651	2,886,936	854,715
Administration	353,085	353,085	270,167	82,918
Capital Outlay	2,970,670	2,970,670	492,711	2,477,959
Total Expenditures	7,065,406	7,065,406	3,649,814	3,415,592
Excess (Deficiency) of Revenues over Expenditures	(2,696,981)	(2,696,981)	(675,889)	2,021,092
Net Change in Fund Balances	(2,696,981)	(2,696,981)	(675,889)	2,021,092
Fund Balances at Beginning of Year	2,696,981	2,696,981	2,766,468	69,487
Fund Balances at End of Year	$ 0	$ 0	$ 2,090,579	$ 2,090,579

GOLDEN VALLEY FIRE DISTRICT

GASB STATEMENT NO. 25 SUPPLEMENTARY PENSION INFORMATION

SCHEDULE OF FUNDING PROGRESS
(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)

Year Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2003	$1,503,009	$1,085,791	$(417,248)	138.4%	$639,026	0.0%
2004	1,593,231	1,363,990	(229,241)	116.8%	649,274	0.0%
2005	1,679,199	1,516,766	(162,433)	110.7%	676,836	0.0%
2006	1,681,614	1,598,153	(83,461)	105.2%	658,405	0.0%
2007	1,763,568	2,194,010	430,442	80.4%	853,082	50.5%
2008	1,983,282	2,428,718	445,436	81.7%	1,046,539	42.6%
2009	2,219,650	2,733,238	513,588	81.2%	1,023,734	50.2%
2010	2,436,086	2,972,074	535,988	82.0%	1,203,012	44.6%
2011	2,732,262	3,490,705	758,443	78.3%	1,273,732	59.5%
2012	3,078,658	3,997,499	918,841	77.0%	1,395,830	65.8%
2013	3,411,393	4,247,204	835,811	80.3%	1,473,406	56.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution
2003	23,904
2004	34,179
2005	37,869
2006	34,162
2007	55,814
2008	83,273
2009	167,362
2010	150,076
2011	(est.)145,165
2012	(est.)185,851
2013	(est.)213,592
2014	(est.)254,842
2015	(est.)253,417

-See Accountant's Report-

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	June 30, 2013
Actuarial cost method:	Entry Age Normal
Amortizati on Method:	Level percent-of-pay closed
Remaining amortization period:	23 years for underfund ed 20 years for overfunded
Asset valuation method:	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment Rate of Return:	7.85%
Projected Salary increases	4.50% - 8.50%
Payroll Growth	4.5%
Cost-of-Living adjustments	None

GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION

The following information is presented concerning the post-retirement health insurance subsidy. The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25. Although segregated assets for the health insurance subsidy have not been available historically, it is our understanding that they will be made available beginning with the June 30, 2014 valuation.

SCHEDULE OF FUNDING PROGRESS

Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	$0	$88,560	$88,560	0.00%	658,405	13.45%
2007	0	131,394	131,394	0.00%	853,082	15.40%
2008	0	125,190	125,190	0.00%	1,046,539	11.96%
2009	0	70,072	70,072	0.00%	1,023,734	6.84%
2010	0	76,566	76,566	0.00%	1,203,012	6.36%
2011	0	105,055	105,055	0.00%	1,273,732	8.25%
2012	0	109,755	109,755	0.00%	1,395,830	7.86%
2013	0	122,343	122,343	0.00%	1,473,406	8.30%

-See Accountant's Report-

ANNUAL REQUIRED CONTRIBUTION

VALUATION DATE JUNE 30,	FISCAL YEAR ENDED JUNE 30,	(a) NORMAL COST	(b) ACTUARIAL ACCRUED LIABILITY	TOTAL (a) +(b)	DOLLAR AMOUNT BASED ON COVERED PAYROLL
2006	2008	0.53%	0.82%	1.35%	$14,128
2007	2009	0.60%	0.72%	1.32%	$13,814
2008	2010	0.56%	0.58%	1.14%	$11,931
2009	2011	0.59%	0.32%	0.91%	$10,369
2010	2012	0.62%	0.32%	0.94%	$12,586
2011	2013	0.46%	0.44%	0.90%	$12,639
2012	2014	0.41%	0.42%	0.83%	$12,773
2013	2015	0.41%	0.48%	0.89%	$14,320

Health Insurance Subsidy Payment Reported for FY 2013: $3,600

BENEFITS

Normal retirement is the first day of the month following completion of 20 years of service or following the 62nd birthday after 15 years of service. Normal pension after 25 years of credited service is 50% of average monthly compensation for the first 20 years of credited service plus 2½% of average monthly compensation for each year of credited service above 20 years. Retirement at other lengths of service vary according to the plan. The maximum compensation is 80% of the average monthly compensation. Employees are fully vested after 10 years of service.

The plan provides for disability retirement, survivors benefits, temporary disability, child's benefits, health insurance and other post employmen t benefits.

The plan is a multiple employer defined benefit pension plan operated by the State of Arizona for the benefit of all public safety employees in the state.

The plan issues a separate report for the entire system and annually issues an actuaria l study for each participating governmental agency. These reports are available through the Arizona Public Safety Personnel Retirement System.

A complete copy of the actuarial valuation as of June 30, 2013 is available from the Arizona Public Safety Personnel Retirement System, Phoenix, Arizona or from Gabriel Roeder Smith & Company, One Towne Square, Suite 800 Southfield, MI 48076.

Date of Information

The information above reflects the most currently available information about this pension plan as of the published actuarial study for June 30, 2013 issued October 11th, 2013.

-See Accountant's Report-

GOLDEN VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2014

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures, and Changes in Fund Balances.*

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

2. PUBLIC SAFETY PENSION DISCLOSURE INFORMATION

All Public Safety Pension disclosure information has been furnished by the actuary for the Districts' Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

OTHER SUPPLEMENTARY INFORMATION

GOLDEN VALLEY FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2014

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

REGULAR FIRE BOARD MEETINGS:

Date	Time	Location
July 18, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
August 21, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
Sept 18, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
October 16, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
Nov 14, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
December 19, 2013	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
January 22, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
February 20, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
March 20, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
April 21, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
May 15, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ
June 19, 2014	6:00 p.m.	423 S Colorado St, Golden Valley, AZ

BOARD MEMBERS:

Name	Business Phone Number	Occupation
Curt Hardy	928-565-3479	Retired
Rhonda Brooks	928-565-3479	
Steve Robinson	928-565-3479	
Mark Vanik	928-565-3479	Safety Manager

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

GVFD Admin Office	3327 N Mayer Rd	Golden Valley, AZ
Station 11	3480 N. Bacobi Rd.	Golden Valley, AZ
Station 12	749 S. Egar Rd.	Golden Valley, AZ
Station 13	2790 Oatman Rd	Golden Valley, AZ

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

NONE

GOLDEN VALLEY FIRE DISTRICT

GOVERNMENT AUDIT STANDARDS SECTION

June 30, 2014

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
GOLDEN VALLEY, ARIZONA
TABLE OF CONTENTS
GOVERNMENT AUDIT STANDARDS SECTION
JUNE 30, 2014

	PAGE
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	55
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*	57
Schedule of Findings and Questioned Costs	61

THIS PAGE

IS

DELIBERATELY LEFT BLANK

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATOR S #01534603, # 1003706
CERTIFIED IN FINANCIAL FORENSICS
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Redheadedcutie10@AOL.com

Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants
Arizona Association of Licensed Private Investigator s
AICPA Government Audit Quality Center
International Association of Certified Fraud Examiners
Arizona Association of Certified Fraud Examiners

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

To the Governi ng Board
Golden Valley Fire District
Golden Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Golden Valley Fire District, Golden Valley, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated February 5, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as findings 2014-01, 2014-02, 2014-04, 2014-05, 2014-06, 2014-08, 2014-09 and 2014-10.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-03, 2014-05, 2014-07 and 2014-08.

Golden Valley Fire District's Response to Findings

Golden Valley Fire District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

State of Arizona Required Statutory Compliance Matter

Arizona Revised Statutes section 48-805.02 requires auditors of fire districts in the State of Arizona to test compliance with certain matters. Our audit was not designed to test for all possible areas of non-compliance with this statute. In connection with the tests we performed relating to compliance with laws, regulations or other matters, nothing came to our attention that would indicate the District failed to comply with this statute, as it relates to accounting matters.

Purpose of this Report

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

Saunders Company, Ltd.

Glendale, Arizona
February 5, 2015

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-01

Internal Control Deficiency over petty cash

Condition: District policy states petty cash should be maintained at $200.00. Our count of petty cash on August 24, 2014 was $9.95. Our prior year count on October 10, 2013 was $205.61. During the October 2013 count, the proper method of maintaining petty cash was explained to Ms. Guerrero, the petty cash custodian. Proper procedures relating to petty cash were not followed.

Criteria: Petty cash should always be maintained at a constant level where the cash and receipts equal the designated level. When the cash on hand becomes low, the fund is reimbursed for the receipts contained in the fund, thus returning the cash up to the full amount designated.

Cause: The custodian of the fund failed to follow proper procedures to maintain the cash on hand at the designated level.

Effect: Failure to follow proper procedures results in inaccurate accounting records and possible loss of cash due to fraud or other improper purposes.

Questioned Costs: $190.05

Recommendations: The petty cash custodian should be instructed in the proper procedure to maintain the cash fund. The District should consider policies making the cash custodian financially responsible for unaccounted losses from the cash. Supervisory checks of the fund should occasionally be made on a random basis.

District Response: The District will train all authorized personnel in the proper handling of petty cash. The District will adjust its policies to reflect the proper procedures for petty cash.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-02

Internal Control Deficiency over cash – Bank Deposits/Check Control

Condition: We examined the bank statement from National Bank of Arizona for April 2014. We found the District had deposited a warrant April 25, 2014 in the amount of $73,712.11. We found that another warrant in the exact amount of $73,712.11 was deposited on April 30, 2014. The second warrant, deposited on April 30, 2014, was rejected by National Bank of Arizona. This resulted in a returned item service charge to the District.

In the District accounting software, we found that the first warrant #6626 was issued on April 24, 2014 to the Golden Valley Firefighters Association in the amount of $45.00. On April 30, 2014 this warrant was voided in the accounting system.

We found that a warrant #6626 (same Number as above) was issued on April 24, 2014 for the amount of $73,712.11 and on April 30, 2014 this warrant was renumbered to #6628.

Additionally a third entry was made on April 24, 2014 in the amount of $73,712.11 as a bill payable.

Apparently two warrants, in the exact same amount, to transfer funds from the County Warrant account to the National Bank Payroll Account were issued and deposited in the bank only five days apart. This indicates a serious lack of financial control over District funds and a failure to monitor checks issued. Individuals, using the District account software, apparently do not have an understanding of the proper procedures to use in recording transactions and issuing warrants or checks which is sufficient to preclude inaccurate recording of account information.

Criteria: Issuance of checks should follow established procedures and authorizations for those checks as well as the signing of warrants or checks should be closely monitored to assure accuracy.

Cause: Proper accounting and bookkeeping procedures were not followed. Warrant or check authorizations failed to notice the duplicate warrant being issued.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Finding 2014-02 Continued

Internal Control Deficiency Over Cash – Bank Deposits/ Check Control

Effect: The accounting records were not accurate and did not agree with the bank records. The possibility of duplicate payments continuing t be made is very high. The possibility of misuse of duplicate payments should be considered.

Questioned Costs: Undetermined

Recommendations: The District should review its internal control procedures and improve training of all individuals involved in the process. This should include individuals with payment authorization authority, accounting and bookkeeping personnel, and individuals charged with signing disbursement checks and warrants.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-03

Compliance With Laws – IRS Regulations - Wages

Condition: During our audit of the 2013 financial statements of the District, we noted volunteer firefighters were being paid without withholding of Social Security Taxes or Medicare Taxes. This issue was discussed with Ms. Guerrero. The District has continued this method of payment through the date of our fieldwork for the 2014 financial audit.

Criteria: IRS regulations require that all payments to individuals be made as an employee using the W-2 method of payment unless they are qualified independent contractors who use the 1099 method. No volunteer firefighters qualify as independent contractors under IRS rules. Therefore the District has failed to comply with Federal Regulations in this regard.

Cause: The District management has knowingly failed to follow IRS rules for the payment of wages.

Effect: The District is subject to payment of the withholdings which would have been required along with penalties and interest on the failure to withhold from employees pay.

Questioned Costs: The District could be liable for $1,900.54 in unpaid FICA tax, $444.48 in unpaid Medicare tax, an undetermined amount of Federal withholding, an undetermined amount of Arizona withholding tax, Arizona unemployment tax, and an undetermined amount of workmen's compensation in addition to penalties and interest on these amounts, for fiscal year 2013/2014.

Recommendations: The District should immediately change all personnel to part time employees using the W-2 method required by the IRS.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-04

Internal Control Deficiency over Accounts Payable

Condition: We found numerous bills and invoices which were seriously delinquent. Delinquent payments appeared to be pervasive and widespread. For example, we found a statement from LN Curtis dated January 2, 2014 which indicated invoices dating from September 3, 2013. This invoice was over three months delinquent. Warrant #6245 was issued on December 30, 2013 for payment of this statement.

In examining the statement we noted invoices ranging from $325.98 to $9,843.93. The sum of $20.957.67 was charged to the budget line for turnouts with $379.83 charged to the budget line for boots. It appears unusual that the purchase of turnout gear would result in only a $325.98 charge. Also, it appears unusual that seven of the eight invoices would all be for turnout gear over a period of three months. We did not examine the detail to determine the validity of these purchases or the budget category which should be properly charged for these items.

Criteria: All properly purchased goods and services should be authorized and paid on a timely basis.

Cause: District administrative personnel failed to properly process invoices and charges on a timely basis.

Effect: The District has paid a significant amount in late penalties and interest which should not have occurred.

Questioned Costs: Undetermined

Recommendations: The District should implement a process which assures timely processing of accounts payable.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-05

Internal Control Deficiency over Payment of Payroll Taxes
Compliance with Laws & Regulations

Condition: We found that payroll taxes were not submitted to the IRS on a timely basis. The District had previously submitted all required tax payments timely.

We found that during the 1st quarter of 2013, a single payment was submitted one day late out of six payments.

During the 2nd quarter of 2013, we found three payments submitted late out of six payments. These were eight, nine and 36 days late.

In the 3rd quarter of 2013, six out of seven payments were submitted late. These were 22, 8, 120, 106, 92 and 78 days late.

In the 4th quarter of 2013, six out of six payments were late. These were 64, 50, 36, 97, 84 and 69 days late.

In the 1st quarter of 2014, seven out of seven payments were submitted late. These were 56, 42, 37, 37, 40, 40 and 26 days late.

Criteria: IRS regulations require that payroll tax deposits be made within certain time requirements. The IRS imposes severe penalties for failing to meet these criteria.

Cause: A change in District administrative staff resulted in a failure to follow procedures established by the District. These procedures have been followed by previous staff for many years. The new District staff was unaware of the IRS regulations and requirements for compliance. The new staff also failed to take notice of the procedures established and followed by previous payroll personnel.

Effect: This failure subjected the District to significant penalties and interest charged by the IRS.

Questioned Costs: Undetermined

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Finding 2014-05 Continued

Internal Control Deficiency over Payment of Payroll Taxes
Compliance with Laws & Regulations

Recommendations : The District should reexamine its policies relating to the payment of payroll liabilities. Supervision of payroll personnel should be expanded to include assurance of compliance with tax requirements.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-06

Internal Control Deficiency over accounting
Compliance with Laws & Regulations

Condition: The District failed to maintain accounting records of the Volunteer Pension Fund.

Criteria: ARS 9-951 allows fire districts to establish a volunteer pension fund. The District has established such a fund. The Governmental Accounting Standards Board has established criteria for the accounting standards relating to such funds (GASB Codification 1300.102.c). GASB standard are referenced by ARS 48-807.M.

ARS 48-807(O) requires certain information to be presented monthly to the governing board.

Cause: The District failed to maintain accounting record regarding the Volunteer Pension Fund.

The District failed to present required information to the governing board as mandated by state statutes.

Effect: The District failed to comply with proper accounting standards resulting in incomplete information available to District management.

The District failed to comply with state laws.

Questioned Costs: Undetermined

Recommendations: The District should bring prior information relating to the Volunteer Pension Fund up to date and continue posting current information into this fund as required.

All required information should be presented to the governing board as mandated by statute.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-07

Compliance with Laws & Regulations

Condition: The District has received notices from the Attorney General of the State of Arizona regarding possible violations of the open meeting laws of the State of Arizona. These notices cite meetings of the Governing Board on July 17th & 18th, 2013 and on November 14th of 2013. This matter has been assigned to the District legal counsel for resolution.

Criteria: The Governing Board of the District is required to follow the open meeting statutes of the State.

Cause: Undetermined

Effect: Failure to follow open meeting law requirements could result in the nullification of actions taken by the Governing Board or other sanctions as determined by legal process.

Questioned Costs: Undetermined

Recommendations: The Governing Board should be aware of all the requirements of the open meeting laws of the State of Arizona.

District Response: The Governing Board has received training from legal counsel in this matter and is now aware of the issues. The District does not anticipate future issues with this matter.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-08

Internal Control Deficiency over Payroll Records
Compliance with Laws & Regulations

Condition: The District failed to properly complete or failed to prepare required payroll forms. We examined five employee personnel files. All five were missing proof of compliance with the Arizona new hire notification and compliance with the Arizona E-Verify compliance. One employee was missing the Federal I-9 immigration form and one was improperly completed.

We checked the same five employees' rate of pay on four paychecks against the last authorized rate of pay in their employee file. Two employees were being paid at the authorized rate. Three of the employees were being paid at a higher rate of pay than the last authorization in their files. One employee had union dues being deducted from their paycheck without an authorization on file for that deduction.

Criteria: Immigration and Customs Enforcement regulations require that a Federal form I-9 be completed fully and properly within three days of employment. Arizona statutes require all employers to use the Federal E-Verify system for all new employees.

All employees' files should contain records authorizing all payroll deductions except mandatory tax withholdings. Employee files should also contain pay rate information and authorizations for changes in employee pay.

Cause: The District payroll administrator failed to be aware of payroll regulations and/or failed to comply with those requirements.

Effect: The District failed to comply with laws and regulations pertaining to hiring of employees. This subjected the District to possible non-compliance fines and penalties.

Questioned Costs: Undetermined

Recommendations: The District should implement policies and procedures to assure compliance with all personnel or employee hiring regulations or practices.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

FINDING 2014-08 CONTINUED

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-09

Internal Control Deficiency over Accounts Payable

Condition: We found numerous instances of incomplete information regarding clarity and completeness of accounts payable information. Numerous invoices were contained in the accounting office which had other unrelated information attached. Many contained insufficient information to properly evaluate the invoice or related data.

An example was purchase order #3605, dated October 24th 2013, for the purchase of two haz-mat suits in the amount of $11,011.34. This was attached to a quote from United Fire Equipment Company in that exact amount dated October 2nd 2013. Also attached was a packing slip for two haz-mat suits date March 6th 2014 which were shipped to the District. Notes were attached indicating that the suits were received by the District and that "Griffith" was to pay for the suits. There was no record in the District accounting system of any transaction in this matter. The District should have recorded a receivable from the entity being billed for these items and recorded an expense for the cost of the items. We were unable to determine from District records the status of this purchase.

Criteria: All financial transactions involving the District should be recorded in the District accounting system. Sufficient documentation should be maintained to allow an easy understanding of the transaction.

Cause: Administrative personnel failed to properly record financial transactions of the District.

Effect: Failing to record transactions of the District cause inaccurate accounting records and may facilitate "off-book" activities which could allow fraud or misappropriation of assets of the District.

Questioned Costs: $11,011.34

Recommendations: All District purchase orders should be accounted for and matched to invoices, packing slips, and accounting records of the District. Policies and procedures should be enacted to specify this process and supervisory monitoring should be implemented to assure compliance with these policies.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

Finding 2014- 09 Continued

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK

GOLDEN VALLEY FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Finding 2014-10

Internal Control Deficiency over cash management

Condition: The bank reconciliation for the Mohave County General Fund for the District indicated a reconciled cash balance of $2,166,568.21 on June 30th 2014. The financial statements indicated a balance of $2,170,977.48 for the same bank account for the same date. The unaccounted difference was $4,409.27.

Criteria: ARS 48-807(O) requires fire districts to complete monthly reconciliations of all bank (cash) accounts. These reconciliation are required to be reviewed by the governing board of the fire district.

Cause: Neither staff, management nor the governing board noticed the discrepancy in the reconciliation. The apparent cause of this discrepancy is a lack of accuracy in the use of the accounting software combined with a lack of follow though in comparing the reconciliation report to the actual bank statements and financial statements to assure an exact match of the data.

Effect: The June 30th 2014 financial statements indicated an overstatement of cash in the Mohave County Treasurers' account

Questioned Costs: $4,409.27 overstated

Recommendations: Staff should examine all reconciliations to assure that the amounts on the bank statements match precisely with the amounts recorded in the financial statements. Any changes to the financial records after the preparation of the reconciliations should be made with care and the reconciliations should be re-examined after any such changes to assure that they should not be redone.

District Response: The District has replaced the individual involved in the errors and has hired an outside consultant to oversee accounting matters. The District intends to more closely monitor financial activities.

THIS PAGE

IS

DELIBERATELY LEFT BLANK