

**GOLDEN SHORES FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2015**

**Saunders Company, Ltd.  
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**GOLDEN SHORES FIRE DISTRICT  
TOPOCK, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**GOLDEN SHORES FIRE DISTRICT  
TOPOCK, ARIZONA  
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# SAUNDERS COMPANY, LTD

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

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

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

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Golden Shores Fire District  
Topock, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Golden Shores Fire District, Topock, Arizona, as of and for the year ended June 30, 2015, 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 Shores Fire District, as of June 30, 2015, 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.

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## **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.

### *Implementation of New Accounting Standards*

As disclosed in the footnotes to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, And GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

## **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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Saunders Company, Ltd.**

Glendale, Arizona  
January 18, 2016

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# Golden Shores Fire District

## Management's Discussion and Analysis of Basic Financial Statements June 30, 2015

The following discussion and analysis of the Golden Shores Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

### Nature of Operations

The Golden Shores Fire District provides Fire, Ambulance, and Paramedic services to homes, property and persons residing within the District boundaries, as well as services to locations and persons outside the District through mutual aid agreements and contracts.

### Results of Operations

Description of things District has done in 2014-2015 fiscal year

Examples:

- λ 97 of Fire runs
- λ 421 of Ambulance runs
- λ Fire Safety week at Topock Elementary School, Trunk or Treat, Toys for Joy, Fire Department BBQ

### Financial Highlights

- λ District investment in capital assets decreased by \$71,981 or 7.47%.
- λ The District's net position increased \$64,904 or 7.26% from the previous fiscal year.
- λ Total revenues increased \$58,855 or 8.17% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the Governmental activities was \$50,277.

### 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, 2015**

	BALANCE <u>JUNE 30, 2014</u>	BALANCE <u>JUNE 30, 2015</u>
Invested in Capital Assets, Net of Related Debt	\$ 795,602	\$ 755,223
Restricted	0	153,652
Unrestricted	<u>98,646</u>	<u>50,277</u>
Total Net Position	<u>\$ 894,248</u>	<u>\$ 959,152</u>

### **Governmental Activities**

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

- λ Ambulance revenue was \$162,571 and increased by \$34,674 from the previous year. Fidelity Medical Billing specializes in medical billing providing effective claim submittal to ensure timely payment. Ambulance revenues are regulated by the Arizona Department of Health Services.
- λ Grant revenue was \$137,816 and increased by \$90,753 from the previous year. The Homeland Security grant reimburses payroll expenses as well as the payroll benefits for three employees..

### **General Fund Budgetary Highlights**

The District follows procedures in establishing the budgetary data reflected in the financial statements. Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a cash basis of accounting. The Board of Directors approves the total budget appropriation and amendments.

- λ Over the course of the year there were no amendments to the budget.
- λ The Districts business-type activities remained virtually unchanged as a result of the year's operations.
- λ The District stayed within the budget.
- λ The Budget was \$910,558. Revenues increased by \$81,032, and expenses increased by \$43,685.

### **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, 2015 the District purchased, had contributed, or constructed the following assets:

- λ There were no new fixed assets purchased.
- λ Cell Tower Easement acquired – no exchange.

**Capital Assets, Net of Depreciation June 30, 2015**

	BALANCE <u>06/30/2014</u>	BALANCE <u>06/30/2015</u>
<u>Depreciable Assets</u>		
Vehicles	\$1,020,107	\$ 1,020,107
Buildings	534,599	534,599
Equipment, Fire	<u>253,216</u>	<u>253,216</u>
Total Historical Costs	<u>1,807,922</u>	<u>1,807,922</u>
Less Accumulated Depreciation		
Vehicles	691,195	731,383
Buildings	88,522	99,214
Equipment, Fire	<u>117,634</u>	<u>138,735</u>
Less: Total Accumulated Depreciation	<u>897,351</u>	<u>969,332</u>
Depreciable Capital Assets, Net	910,571	838,590
<u>Non-Depreciable Assets</u>		
Land	<u>52,500</u>	<u>52,500</u>
Capital Assets, Net	<u>\$ 963,071</u>	<u>\$ 891,090</u>

**Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$145,153. All of the debt is backed by the full faith and credit of the District.

### **Outstanding Debt**

	Balance <u>June 30, 2014</u>	Balance <u>June 30, 2015</u>
Building	\$ 133,388	\$ 115,562
Powerload	24,748	20,304
Ambulance	<u>9,333</u>	<u>0</u>
 Total Lease Obligations	 167,469	 135,866
 Compensated Absences	 <u>\$ 48,800</u>	 <u>\$ 9,287</u>
 Totals	 <u><u>\$ 216,269</u></u>	 <u><u>\$ 145,153</u></u>

### **Factors Affecting Future Results**

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

- λ There was a change in administration staff effective March 2015.
- λ The District was approved for an ambulance rate increase April 2015.
- λ The District converted from Easy Accounting to QuickBooks on June 1, 2015.
- λ Employees received a 3% cost of living adjustment effective August 2015.
- λ There are some additional new homes being built in the District.
- λ Increase in property value.
- λ The storage facility next to Shell is expanding.
- λ Topock 66 Spa and Resort expansion project.
- λ Possible solar plant.

### **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 Golden Shores Fire District at 12950 Oatman Highway, PO Box 66, Topock, Arizona 86436.

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## **BASIC FINANCIAL STATEMENTS**

**GOLDEN SHORES FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash & Cash Equivalents (Note 3)	\$ 69,297
Receivables:	
Property Taxes (Note 6)	29,619
Ambulance, Net (Note 5)	76,515
Grants (Note 5)	11,490
Overfunded Pension Liability	153,652
Total Capital Assets, Net (Note 7)	891,090
 Total Assets	 1,231,663
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Pension	12,213
Total Deferred Outflow of Resources	12,213
<b>LIABILITIES</b>	
Accounts Payable	1,759
Payroll Taxes Payable	2,552
Wages Payable	3,666
Compensated Absences (Note 11)	
Portion due within one year	5,285
Portion due after one year	9,287
Lease/Purchases (Note 12)	
Due in less than one year	23,449
Due in more than one year	112,418
Total Liabilities	158,416
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Pension	103,235
Deferred Property Taxes	23,073
Total Deferred Inflow of Resources	126,308
<b>NET POSITION</b>	
Invested in Capital Assets, Net of related Debt	755,223
Restricted (Note 14)	153,652
Unrestricted (Note 14)	50,277
 <b>Total Net Position</b>	 <b>\$ 959,152</b>

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

**GOLDEN SHORES FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B

**Governmental  
Activities**

**EXPENSES**

Public Safety - Fire/EMS Protection		
Personnel Services	\$	599,027
Materials & Services		131,451
Depreciation		<u>71,981</u>
Total Program Expenses		<u>802,459</u>

**PROGRAM REVENUES**

Charges for Service		<u>78,339</u>
Total Program Revenues		<u>78,339</u>
Net Program Expense		<u>724,120</u>

**GENERAL REVENUES**

Property Taxes		492,152
Fire District Assistance		45,887
Investment Earnings		88,036
Miscellaneous		<u>162,948</u>
Total General Revenues		<u>789,023</u>

Increase (Decrease) in Net Position		64,903
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<b>NET POSITION-BEGINNING OF THE YEAR</b>		<u>894,249</u>
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<b>NET POSITION-END OF THE YEAR</b>	<b>\$</b>	<u><u>959,152</u></u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**GOLDEN SHORES FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Exhibit C

**General**

**ASSETS**

Cash and Cash Equivalents (Note 3)	\$	69,297
Receivables:		
Property Taxes (Note 6)		29,619
Ambulance, Net (Note 6)		76,515
Grants (Note 5)		<u>11,490</u>
 Total Assets		 <u><u>\$ 186,921</u></u>

**LIABILITIES**

Accounts Payable	\$	1,759
Payroll Taxes Payable		2,552
Wages Payable		3,666
Compensated Absences (Note 11)		<u>5,285</u>
 Total Liabilities		 <u>13,262</u>

**DEFERRED INFLOW OF RESOURCES**

Deferred Property Taxes		<u>23,073</u>
 Total Deferred Inflow of Resources		 <u>23,073</u>

**FUND BALANCES**

Assigned (Note 14)		6,523
Unassigned (Note 14)		<u>144,063</u>
 Total Fund Balances		 <u>150,586</u>
 Total Liabilities & Fund Balances		 <u><u>\$ 186,921</u></u>

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

**GOLDEN SHORES FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED  
JUNE 30, 2015**

Exhibit D

	<b>General</b>
<b>REVENUE</b>	
Property Taxes	\$ 492,152
Fire District Assistance Tax	45,887
Fees for Service	78,339
Interest	348
Miscellaneous	162,948
Total Revenues	779,674
<b>EXPENDITURES</b>	
Current:	
Public Safety	693,175
Administration	67,702
Debt Service	
Principal	31,602
Interest	7,928
Capital Outlay	324
Total Expenditures	800,731
Excess (Deficiency) of Revenues over Expenditures	(21,057)
Net Change in Fund Balances	(21,057)
<b>Fund Balances-Beginning of Year</b>	<b>171,643</b>
<b>Fund Balances-End of Year</b>	<b>\$ 150,586</b>

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

**GOLDEN SHORES FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Exhibit E

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

Fund Balances - Total Governmental Funds (Exhibit C)	\$	150,586
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.</p>		
Governmental Capital Assets		1,860,422
Less: Accumulated Depreciation		<u>(969,332)</u>
		891,090
Deferred Outflows of Resources		12,213
Overfunded Pension Liability		153,652
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		(145,154)
Deferred Inflows of Resources		<u>(103,235)</u>
Net Position of Governmental Activities (Exhibit A)	\$	<u><u>959,152</u></u>

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

**GOLDEN SHORES 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, 2015**

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)	\$	(21,057)
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(71,981)
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Net Change in Deferred Outflows and Inflows of Resources		229,057
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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.		<u>(71,116)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>64,903</u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**GOLDEN SHORES FIRE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

Exhibit G

	<b>Volunteer Pension Fund</b>	<b>Toy Fund</b>	<b>BBQ Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 30,711	\$ 1,837	\$ 19,261	\$ 51,809
Investments, at fair value				
Mutual Funds	<u>152,412</u>	<u>-0-</u>	<u>-0-</u>	<u>152,412</u>
Total Assets	<u>183,123</u>	<u>1,837</u>	<u>19,261</u>	<u>204,221</u>
<b>LIABILITIES</b>				
Accounts Payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>NET POSITION</b>				
Held in trust for pension and other purposes	<u><u>\$ 183,123</u></u>	<u><u>\$ 1,837</u></u>	<u><u>\$ 19,261</u></u>	<u><u>\$ 204,221</u></u>

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

**GOLDEN SHORES FIRE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit H

	<b>Volunteer Pension Fund</b>	<b>Toy Fund</b>	<b>BBQ Fund</b>	<b>Total</b>
<b>ADDITIONS</b>				
Other				
Contributions	\$	\$ 827	\$ 21,345	\$ 22,172
State Fire Marshal	2,412			2,412
Total Other Contributions	<u>2,412</u>	<u>827</u>	<u>21,345</u>	<u>24,584</u>
Investment Earnings:				
Interest & Dividends	4,349	-	-	4,349
Net Increase in the fair value of investments	1,357	-	-	1,357
Total Investment Earnings	5,706	-	-	5,706
Less Investment Expense	2,596	-	-	2,596
Net Investment Earnings	<u>3,110</u>	<u>-</u>	<u>-</u>	<u>3,110</u>
Total Additions	<u>5,522</u>	<u>827</u>	<u>21,345</u>	<u>27,694</u>
<b>DEDUCTIONS</b>				
Payouts	112	-	22,569	22,681
Distributions	-	-	-	-
Total Liabilities	<u>112</u>	<u>-</u>	<u>22,569</u>	<u>22,681</u>
Change in Net Position	5,410	827	(1,224)	5,013
<b>Net Position - Beginning</b>	<u>177,713</u>	<u>1,010</u>	<u>20,485</u>	<u>199,208</u>
<b>Net Position - Ending</b>	<u>\$ 183,123</u>	<u>\$ 1,837</u>	<u>\$ 19,261</u>	<u>\$ 204,221</u>

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

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**GOLDEN SHORES FIRE DISTRICT  
TOPOCK, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Reporting Entity**

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

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

**Introduction**

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

**Basic Financial Statements**

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

## **Government -wide Statements**

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

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

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

## **Governmental funds**

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

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 Assets 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 Nonspendable 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 1<sup>st</sup> 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, 2015:

DEPOSITORY ACCOUNTS:

	<u>General</u> <u>Fund</u>	<u>Fiduciary</u> <u>Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 6,782	\$ 26,631	\$ 33,413
Uninsured & Uncollateralized	<u>80,469</u>	<u>177,590</u>	<u>258,059</u>
Total Deposits	87,251	204,221	291,472
In Transit Items	<u>(17,954)</u>	<u>(0)</u>	<u>(17,954)</u>
Total Cash & Cash Equivalents	<u>\$ 69,297</u>	<u>\$ 204,221</u>	<u>\$ 273,518</u>

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

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$ 80,469
TD Ameritrade	Unrated	Not Applicable	\$177,590

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, 2015:

For Pool 5	40 Days
For Pool 7	47 Days
For Pool 500	1.54 Years
For Pool 700	1.73 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.

Ambulance receivables were \$78,759 with an allowance for bad debt of \$2,244 at June 30, 2015. This gave a net of \$76,515, before contractual write offs and was expected to be collectable.

Grant receivables were \$11,490 with an allowance for bad debt of \$0 at June 30, 2015. This gave a net of \$11,490 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.

	<u>BALANCE</u> <u>06/30/2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2015</u>
<u>Depreciable Assets</u>				
Vehicles	\$1,020,107	\$ 0	\$ 0	\$ 1,020,107
Buildings	534,599	0	0	534,599
Equipment, Fire	<u>253,216</u>	<u>0</u>	<u>0</u>	<u>253,216</u>
Total Historical Costs	<u>1,807,922</u>	<u>0</u>	<u>0</u>	<u>1,807,922</u>
Less Accumulated Depreciation				
Vehicles	691,195	40,188	0	731,383
Buildings	88,522	10,692	0	99,214
Equipment, Fire	<u>117,634</u>	<u>21,101</u>	<u>0</u>	<u>138,735</u>
Less: Total Accumulated Depreciation	<u>897,351</u>	<u>71,981</u>	<u>0</u>	<u>969,332</u>
Depreciable Capital Assets, Net	910,571	(71,981)	0	838,590
<u>Non-Depreciable Assets</u>				
Land	<u>52,500</u>	<u>0</u>	<u>0</u>	<u>52,500</u>
Capital Assets, Net	<u>\$ 963,071</u>	<u>\$ (71,981)</u>	<u>\$ 0</u>	<u>\$ 891,090</u>

**NOTE 8 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District has two items that are reportable on the Governmentwide Statement of Net Position: the first item relates to outflows from changes in the net pension liability and the second item relates to property taxes.

Deferred outflows of resources balances for the year ended June 30, 2015 were as follows:

Governmentwide Deferred Outflows		Government Activities
Pensions		<u>\$ 12,213</u>
Total Governmental Activities		<u>\$ 12,213</u>

Deferred Inflows of Resource balances for the year ended June 30, 2015 were as follows:

Governmentwide Deferred Inflows		Government Activities
Property Taxes		\$ 23,073
Pensions		<u>103,235</u>
Total Governmental Activities		<u>\$ 126,308</u>

**NOTE 9 - 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 10 – SHORT-TERM INDEBTEDNESS**

The District utilizes a credit line with Wells Fargo thru the Mohave County Treasurer. Interest on this line of credit is based on a percentage of the Prime rate at the time the line of credit is utilized.

Changes in Short-Term Indebtedness :

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Line of Credit	\$ <u>0</u>	\$ <u>43,746</u>	\$ <u>43,746</u>	\$ <u>0</u>
Totals	\$ <u>0</u>	\$ <u>43,746</u>	\$ <u>43,746</u>	\$ <u>0</u>

## **NOTE 11 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid Vacation, Sick Leave and Paid Time Off (PTO) are 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 grants full-time administrative or non-shift suppression members 40 hours, accruing on January 1<sup>st</sup>. Full-time shift suppression members shall receive 120 hours, accruing on January 1<sup>st</sup>. The maximum sick leave is 360 hours.

The District policy on vacation allows individuals various amounts of hours per year, based on the number of service years and job type. The vacation is not allowed to be carried over to a new calendar year, and is cashed out at that time.

The District policy on PTO allows employees to be compensated for their PTO time. The PTO hours shall not be carried over to a new calendar year. At June 30, 2015, the total amount of accumulated PTO was \$2,963.

## **NOTE 12 – 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**

**Building:** The District entered into a lease/purchase agreement for a Fire Station Building with Zion Bank. The lease/purchase was dated August 7<sup>th</sup>, 2012, in the amount of \$167,992 with an interest rate of 5.029%. It has a semi-annual payment of \$12,156, starting in December 1<sup>st</sup>, 2012, with a final payment due on December 1<sup>st</sup>, 2020.

**Powerload:** The District entered into a lease/purchase agreement for a Powerload Gurney with Stryker. The lease/purchase was dated March 31<sup>st</sup>, 2014, in the amount of \$24,748 with an interest rate of 4.935%. It has an annual payment of \$5,717, starting in April 15<sup>th</sup>, 2015, with a final payment due on April 15<sup>th</sup>, 2019.

**Ambulance:** The District entered into a lease/purchase agreement for an Ambulance with Zion Bank. The lease/purchase was dated May 1<sup>st</sup>, 2010, in the amount of \$47,394 with an interest rate of 3.570%. It has a monthly payment of \$864, starting in June 1<sup>st</sup>, 2010, with a final payment due on May 1<sup>st</sup>, 2015. This was paid off during the 2014/2015 fiscal year.

Changes in Long-Term Indebtedness :

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Building	\$ 133,388	\$ 0	\$ 17,826	\$ 115,562
Powerload	24,748	0	4,444	20,304
Ambulance	<u>9,333</u>	<u>0</u>	<u>9,333</u>	<u>0</u>
Total Lease Obligations	167,469	0	31,603	135,866
Compensated Absences	<u>\$ 48,800</u>	<u>\$ 0</u>	<u>\$ 39,513</u>	<u>\$ 9,287</u>
Totals	<u>\$ 216,269</u>	<u>\$ 0</u>	<u>\$ 71,116</u>	<u>\$ 145,153</u>

**NOTE 13 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS**

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2015, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 23,449	\$ 6,581	\$ 30,030
2017	24,635	5,394	30,029
2018	25,882	4,147	30,029
2019	27,192	2,838	30,030
2020	22,850	1,462	24,312
2021	<u>11,859</u>	<u>297</u>	<u>12,156</u>
Total Obligation	135,867	<u>\$ 20,719</u>	<u>\$ 156,586</u>
Less amount due within 1 year	<u>23,449</u>		
Amount due after 1 year	<u>\$ 112,418</u>		

**NOTE 14 – NET POSITION/FUND BALANCE**

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

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

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

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

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

Unassigned or unrestricted fund balances are 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	\$ 755,223
Restricted – Overfunded Pension Liability	153,652
Unrestricted	<u>50,277</u>
Total Net Position	<u>\$ 959,152</u>

Governmental Fund Balances :

Assigned -Payroll	<u>\$ 6,523</u>
Total Assigned Fund Balances	6,523
Total Unassigned Fund Balance	<u>144,063</u>
Total Fund Balance	<u>\$ 150,586</u>

## **NOTE 15 - 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 16 - EMPLOYEE RETIREMENT SYSTEMS**

The District contributes to the two 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 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.

#### PSPRS

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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 17 – PENSIONS – Liabilities, Expenses and Deferred Cash Flows**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District recognized no pension expenses. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 62,441
Changes in assumptions	12,213	0
Net difference between projected and actual earning on retirement plan investments	0	40,794
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>0</u>	<u>0</u>
Total	<u>\$ 12,213</u>	<u>\$ 103,235</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (14,181)
2017	(14,181)
2018	(14,181)
2019	(14,181)
2020	(3,982)
Thereafter	<u>(30,316)</u>
Total	<u>\$(91,022)</u>

## **NOTE 18 – PENSION**

### Actuarial Assumptions - PSPRS

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

### **Methods and Assumptions Used to Determine Total Pension Liability:**

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	4.00%
Price Inflation	3.0% - 4.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

### **Other Information:**

Assumed Future Permanent Benefit Increases	Members retired on or before July 1, 2011: 2% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.
--	---

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona Public Safety Personnel Retirement System annual actuarial valuation report.

**NOTE 19 - 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.

**NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68	<i>“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”</i>	The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.
Statement No. 69	<i>“Government Combinations And Disposals of Government Operations”</i>	The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.
Statement No. 71	<i>“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 27”</i>	The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

**NOTE 21- 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.

**NOTE 22 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment was made to adjust the governmental activities beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability, to comply with GASB Statement #68.

The restatement of beginning net position of the governmental activities is summarized as follows:

	<u>Governmental Activities</u>
Net position at July 1, 2014	\$ 806,782
Net pension liability adjustment	(25,059)
Net property tax adjustment	<u>112,526</u>
Net restated position at July 1, 2014	<u>\$ 894,249</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**GOLDEN SHORES FIRE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

Exhibit I

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 441,660	\$ 441,660	\$ 492,152	\$ (50,492)
Fire District Assistance	48,249	48,249	45,887	2,362
Fees for Service	201,328	201,328	78,339	122,989
Grants	168,375	168,375	-	168,375
Interest	-	-	348	(348)
Miscellaneous	-	-	162,948	(162,948)
<b>Total Revenues</b>	<b>859,612</b>	<b>859,612</b>	<b>779,674</b>	<b>79,938</b>
Expenditures:				
Current:				
Public Safety	848,625	848,625	693,175	155,450
Administration	22,933	22,933	67,702	(44,769)
Capital Outlay	39,000	39,000	39,854	(854)
<b>Total Expenditures</b>	<b>910,558</b>	<b>910,558</b>	<b>800,731</b>	<b>109,827</b>
Excess (Deficiency) of Revenues over Expenditures	(50,946)	(50,946)	(21,057)	29,889
Net Change in Fund Balances	(50,946)	(50,946)	(21,057)	29,889
Fund Balances at Beginning of Year	50,946	50,946	171,643	120,697
Fund Balances at End of Year	\$ -	\$ -	\$ 150,586	\$ 150,586

**GOLDEN SHORES FIRE DISTRICT**

**GASB STATEMENT NO. 27 SUPPLEMENTARY PENSION INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

**(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)**

<b>Year</b> <b>Date</b> <b>June 30</b>	<b>Actuarial</b> <b>Value of</b> <b>Assets</b> <b>(a)</b>	<b>Actuarial</b> <b>Accrued</b> <b>Liability</b> <b>(AAL)</b> <b>Entry Age</b> <b>(b)</b>	<b>Unfunded</b> <b>AAL</b> <b>(UAAL)</b> <b>(b-a)</b>	<b>Funded</b> <b>Ratio</b> <b>(a/b)</b>	<b>Annual</b> <b>Covered</b> <b>Payroll</b> <b>(c)</b>	<b>UAAL as a</b> <b>% of</b> <b>Covered</b> <b>Payroll</b> <b>((b-a)/c)</b>
2003	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	0.0%
2004	0	0	0	0.0%	0	0.0%
2005	0	0	0	0.0%	0	0.0%
2006	172,714	172,534	(180)	100.1%	332,851	0.0%
2007	342,375	307,085	(35,290)	111.5%	317,820	11.1%
2008	428,457	372,642	(55,815)	115.0%	353,971	0.0%
2009	526,715	484,270	(42,445)	108.8%	387,544	0.0%
2010	626,645	551,656	(74,989)	113.6%	348,504	0.0%
2011	690,458	657,431	(33,027)	105.0%	393,051	0.0%
2012	875,952	796,962	(78,990)	109.9%	397,801	0.0%
2013	998,976	841,827	(157,149)	118.7%	377,601	0.0%
2014	1,098,120	929,241	(168,879)	118.2%	481,524	0.0%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year</b> <b>Ended</b> <b>June 30</b>	<b>Annual</b> <b>Required</b> <b>Contribution</b>
2003	\$ 0
2004	0
2005	0
2006	0
2007	0
2008	0
2009	0
2010	0
2011	0
2012	0
2013	(est.)5,400
2014	(est.)66,329
2015	(est)30,676
2016*	(est)56,665

\*This is the estimated Annual Required Contribution before the phase-in plan.

-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, 2014
Actuarial cost method:	Entry Age Normal
Amortization Method:	Level percent-of-pay closed
Remaining amortization period:	22 years for underfunded 20 years for overfunded
Asset valuation method:	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment Rate of Return:	7.85%
Projected Salary increases	4.0% - 8.0%
Payroll Growth	4.0%
Permanent Benefit Increases	Members Retired on or before July 1, 2011: 2% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

## **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. 27.

### 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	\$3,821	\$3,821	0.00%	\$332,851	1.15%
2007	0	7,829	7,829	0.00%	317,820	2.46%
2008	0	7,475	7,475	0.00%	353,971	2.11%
2009	0	12,349	12,349	0.00%	387,544	3.19%
2010	0	13,115	13,115	0.00%	348,504	3.76%
2011	0	23,768	23,768	0.00%	393,051	6.05%
2012	0	26,553	26,553	0.00%	397,801	6.67%
2013	0	31,369	31,369	0.00%	377,601	8.31%
2014	25,583	35,843	10,260	71.38%	481,524	2.13%

-See Accountant's Report-

**ANNUAL REQUIRED CONTRIBUTION**

<b>VALUATION DATE JUNE 30,</b>	<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>(a) NORMAL COST</b>	<b>(b) ACTUARIAL ACCRUED LIABILITY</b>	<b>TOTAL (a) +(b)</b>	<b>DOLLAR AMOUNT BASED ON COVERED PAYROLL</b>
2006	2008	0.36%	0.07%	0.43%	\$1,522
2007	2009	0.42%	0.15%	0.57%	\$2,018
2008	2010	0.33%	0.13%	0.46%	\$1,628
2009	2011	0.42%	0.19%	0.61%	\$2,631
2010	2012	0.42%	0.23%	0.65%	\$2,521
2011	2013	0.32%	0.38%	0.70%	\$3,033
2012	2014	0.30%	0.40%	0.70%	\$3,070
2013	2015	0.34%	0.53%	0.87%	\$3,587
2014	2016	0.37%	0.11%	0.48%	\$2,500

**Health Insurance Subsidy Payment Reported for FY 2014: \$0**

**BENEFITS**

Normal retirement is the first day of the month following completion of 20 years of service or following the 62<sup>nd</sup> 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 employment 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 actuarial 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, 2014 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, 2014 issued October 27<sup>th</sup>, 2014.

-See Accountant's Report-

**GOLDEN SHORES FIRE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2015**

**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 District's Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

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## **OTHER SUPPLEMENTARY INFORMATION**

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**GOLDEN SHORES FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2015**

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

**REGULAR FIRE BOARD MEETINGS:**

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 17, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
August 21, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
Sept 18, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
October 16, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
Nov 20, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
December 18, 2014	2:00 p.m.	12950 Oatman Highway, Topock, AZ
January 15, 2015	2:00 p.m.	12950 Oatman Highway, Topock, AZ
February 19, 2015	2:00 p.m.	12950 Oatman Highway, Topock, AZ
March 19, 2015	2:00 p.m.	12950 Oatman Highway, Topock, AZ
April 23, 2015	3:00 p.m.	12950 Oatman Highway, Topock, AZ
May 22, 2015	8:30 a.m.	12950 Oatman Highway, Topock, AZ
June 18, 2015	2:00 p.m.	12950 Oatman Highway, Topock, AZ

**BOARD MEMBERS:**

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>
Darien Spiegel	(928) 768-4546	Member
Tom Daugherty	(928) 768-4546	Clerk
Jason Smathers	(928) 768-4546	Chairperson
Sandra Tees	(928) 768-4546	Member
Robert Millward	(928) 768-4546	Member

**LOCATION OF POSTING OF MEETING NOTICES (all meetings):**

Golden Shores Fire Department  
Topock Elementary School  
Golden Shores Community Center

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

NONE

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**GOLDEN SHORES FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS SECTION**  
**June 30, 2015**

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**GOLDEN SHORES FIRE DISTRICT  
PALOMINAS, ARIZONA  
JUNE 30, 2015**

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# SAUNDERS COMPANY, LTD

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

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CERTIFIED FRAUD EXAMINER  
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Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators  
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 Governing Board  
Golden Valley Fire District  
Topock, 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, Topock, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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**Purpose of this Report**

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

**Saunders Company, Ltd.**

Glendale, Arizona  
January 18, 2016

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# SAUNDERS COMPANY, LTD

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

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Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

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

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## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH ARS 48-805.02

To the Governing Board  
Golden Shores Fire District  
Topock, Arizona

We have examined management's assertion that the Golden Shores Fire District has complied with Arizona Revised Statutes (ARS) 48-805.02(F) for the year ended June 30, 2015. This statute requires the District to comply with ARS 48-805 (B)(2), 48-806 and 48-807. These requirements relate to debt and liabilities incurred by the District. The District's management is responsible for the assertion and compliance with the provisions of these statutes. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination as conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Districts compliance with the statutes referred to above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In connection with our examination, nothing came to our attention that caused us to believe that the District's assertion of compliance with these statutes was inaccurate or that the District failed to comply with the provisions of ARS sections 48-805 (B)(2), 48-806, 48-807 and 48-805.02(F) as required, insofar as it relates to accounting matters. However, our examination was no directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the statute, insofar as they relate to accounting matters.

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

**Saunders Company, Ltd.**

Glendale, Arizona  
January 18, 2016

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