

APACHE JUNCTION FIRE DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2013



APACHE JUNCTION FIRE DISTRICT
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HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Apache Junction Fire District, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the remaining fund information of Apache Junction Fire District, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Apache Junction Fire District, Arizona'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.

Auditors' 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 of material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the remaining funds of the Apache Junction Fire District, Arizona, as of June 30, 2013, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* that could have a material impact on the financial statements. GASB Statement No. 62 has not impacted the financial statements of Apache Junction Fire District, Arizona; however GASB Statements No. 63 has impacted what was previously identified as “Statement of Net Assets” and renamed it “Statement of Net Position.” GASB No. 65 has impacted the presentation of the financial statements in the reclassification of deferred revenues from liabilities to deferred inflows of resources. As discussed in Note 9 to the financial statements, the adoption of GASB 65 resulted in the restatement of beginning net position. Our opinion is not modified with respect to those matters.

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 – general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Apache Junction Fire District, Arizona, basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2013, on our consideration of the Apache Junction Fire District, Arizona'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 Apache Junction Fire District, Arizona's internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
December 7, 2013

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Apache Junction Fire District
Management's Discussion and Analysis of
Basic Financial Statements
June 30, 2013

The following discussion and analysis of the Apache Junction Fire District's financial performance presents management's overview of the District's financial activities for the fiscal year that ended June 30, 2013. 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 Apache Junction Fire District provides fire, rescue, prevention and emergency medical services to homes, property, and persons residing within the District's boundaries, as well as services to locations and persons outside the District through mutual aid agreements and contracts.

Results of Operations

- The grand opening of Fire Station 265 in the Gold Canyon Community was held in July 2012.
- The District hired Paul Bourgeois as the new Fire Chief in November 2012.
- The District hired 5 new firefighters in February 2013 to help reduce staff overtime.
- The District purchased \$1,361,642 in capitalized apparatus, computer equipment, radio equipment, and computer software, including the following:
 - 85 foot Pierce Aerial Platform ladder truck.
 - Image Trend – Records Management System / Electronic Patient Care Reporting System and 15 corresponding Panasonic Toughbook electronic notebooks.
 - Kronos / Telestaff Staffing Management Software System.
 - Adobe Cold Fusion Enterprise Management Software.
 - Specialized Gateway Hot-Spot Mobile Data Communications Equipment.
- The District handled 8,194 Total Emergency Response calls:
 - 5,733 Rescue and Emergency Medical Service incidents
 - 109 Fire calls
 - 1 Overpressure/Rupture/Explosion call
 - 39 Hazardous Condition incidents (no fire)
 - 923 Service calls
 - 601 Good Intent calls
 - 151 False Alarm / False calls
 - 597 Special incident type calls

- The Prevention Department continued its efforts in public education with emphasis on fire and water safety. The annual 'Fire Prevention Week', 'April Pool's Day', 'Swim to Survive', and 'Senior Safety Program' events were held, as were on-duty crew presentations at elementary schools where fire safety messages were shared and emphasized.
- In addition to fire and water safety, the District staff continued its support and participation in the following public service activities throughout the year:
 - Breast Cancer Awareness – support research for the cure of breast cancer.
 - Stuff the Backpack – provide school supplies for school age youth.
 - Child Passenger Safety Program / National Car Seat Safety Club – emphasize the importance of proper use of child car seats.
 - Explorer Cadet Program – provide young men and women an opportunity to learn about fire service and prepare the youth to become quality candidates for potential service to the Fire Service profession.
 - 10th Annual Fire Prevention Celebration – provide the public with fire prevention information.
 - Habitat for Humanity – build safe, affordable housing for needy families.
 - Adopt a Family for Christmas Program – provide a needy family with gifts and supplies for the holiday.
 - Smoke Alarm Program – provide free smoke alarms and/or batteries, and assist in their installation, to District residents whose homes do not have smoke alarms.
 - Juvenile Fire Setter Program – remediate juveniles who have been caught starting fires.
 - After-the-Fire Program – assist fire victims with basic needs after they have experienced a fire in their home.
- Several District staff were selected or volunteered to serve in a variety of public service organizations:
 - Pinal County Fire Chief's Association President – Assistant Chief Dave Montgomery
 - Drowning Prevention Coalition of Arizona (DPCA) Advisory Council – Tina Gerola, Fire Inspector - Civilian
 - Central Arizona College (CAC) Paramedic Student of the Year – Firefighter Dustin Farber
- The District hosted the 2nd Annual Pinal County Leadership Academy, the county-wide educational program to develop future leaders in public safety.
- The District added the following staff positions, either through new hires or through restructuring of job responsibilities:
 - Human Resources (HR) Director
 - HR Analyst/Benefits & Employment Analyst
 - Fleet Supervisor
 - Mechanic 1
 - Planning & Research Analyst
 - Executive Administrative Assistant
 - Special Administrative Assignments
 - Multi-Media Production Specialist
 - Training Coordinator
 - Finance Manager

- The District aggressively implemented the Social Media Project where District events and news are shared with the public via Facebook, Twitter, You Tube, and Flickr.
- The District served on 6 major wild land fire deployments that generated \$271,144 in reimbursement from the state of Arizona or the federal government, including:
 - Longhorn Complex fire
 - Deployment to Utah and Nebraska involving 436 man-hours.
 - Lime / Greenhorn / Elko Mob fire
 - Deployment to Nevada involving 330 man-hours
 - Mistake fire
 - Deployment to the Tonto National Forest in Arizona involving 166 man-hours
 - Halstead fire
 - Deployment to Idaho involving 2,555 man-hours
 - Rush fire
 - Deployment to California involving 330 man-hours
 - Mustang fire
 - Deployment to Montana and Idaho involving 1,478 man-hours
 - Thompson Ridge fire
 - Deployment to New Mexico involving 549 man-hours
- The District co-participated in a FEMA grant along with the Mesa Fire Department which resulted in a \$50,474 savings related to the purchase of Motorola portable radios needed to enhance the communications link between fire crews.

Overview of the Financial Statements

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

Fund Financial Statements

A fund is a grouping of related accounts that are 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.

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 the 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 changes in net position* 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.

Condensed Statement of Net Position

	2013	2012*
Current and other assets	\$ 7,752,573	\$ 10,428,132
Capital assets	14,022,394	13,703,355
Total assets	21,774,967	24,131,487
Other liabilities	409,959	360,108
Long-term liabilities outstanding	9,063,365	9,312,785
Total liabilities	9,473,324	9,672,893
Net Position		
Net investment in capital assets	6,185,933	6,483,154
Restricted	83,925	79,393
Unrestricted	6,031,785	7,896,047
Total net position	\$ 12,301,643	\$ 14,458,594

*Restated

Government Activities

In fiscal year 2012 – 2013, the District derived \$9,867,813 in revenue from assessed property taxes and the Fire District Assistance Tax from the County. The District generated an additional \$507,765 in charges for services (Emergency Medical Services, Intergovernmental Agreements including State Land Fires, Outside Fleet Maintenance, and Building Plan Review fees), \$9,660 from interest, and \$24,573 in other miscellaneous revenue.

Financial Highlights

- The District's investment in capital assets increased by \$1,361,642.
- The District's net position in all government funds decreased by -\$2,156,951, a 14.8% decline when compared to the previous fiscal year.
- General fund operating revenues increased \$368,248 over the previous year due mainly to an increase in property tax revenues, county aid, and charges for services of \$215,358, \$100,000, and \$54,942, respectively. Interest revenue decreased \$10,052 from the previous year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,388,096.

Condensed Statement of Changes in Net Position

	2013	2012*
Program revenues		
Charges for services	\$ 435,866	\$ 435,009
Operating grants and contributions		-
General revenues		
Taxes	10,174,050	9,836,907
Centrally assessed taxes	271,180	300,000
Capital grants and contributions	70,269	12,648
Investment and other income	57,337	53,899
Total revenues	11,008,702	10,638,463
 Program expenses		
Administration	1,037,282	1,127,406
Technical services	579,327	582,719
Communication services	571,225	263,532
Emergency services	10,130,391	9,132,224
Community services	465,209	317,733
Interest on debt/debt issuance costs	382,219	511,774
Total expenses	\$ 13,165,653	\$ 11,935,388
 Increase in net position	(2,156,951)	(1,296,925)
 Net position - beginning of year	14,458,594	15,755,519
 Net position - end of year	\$ 12,301,643	\$ 14,458,594

*Restated

General Fund Budgetary Highlights

During fiscal year 2012 – 2013 there were changes to the originally adopted budget.

Original budget compared to final budget. During the year there was an amendment to increase the General Fund budget by \$290,700 which was funded through the transfer of Capital Project Fund cash reserves to the General Fund.

A general analysis of the General Fund non-GAAP Budgetary Basis comparison of Revenues, Expenditures, and Changes in Fund Balance report follows:

- The District decreased overall General Fund spending by \$2,629,429 from final budgeted levels.
- Taxes receivable decreased \$163,199 from the prior fiscal year.
- State Land Fire revenue increased \$49,552 from the prior fiscal year.
- Administrative Services Division actual expenditures for the fiscal year were \$2,034,891 less than final budgeted levels.

- Technical Services Division actual expenditures for the fiscal year were \$31,997 less than final budgeted levels.
- Communications Services Division actual expenditures for the fiscal year were \$32,375 less than final budgeted levels.
- Emergency Services Division actual expenditures were \$535,798 less than final budgeted levels.
- Technology and Community Services Division actual expenditures were \$5,632 more than final budgeted levels.

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 the fiscal year that ended June 30, 2013, the District purchased the following capital assets:

- New Pierce 85 foot Aerial Platform ladder truck for \$1,114,549 including the cost of peripheral equipment such as extrication equipment to fully equip the truck for operations.
- Image Trend – Records Management System / Electronic Patient Care Reporting System for \$99,500.
- Kronos / Telestaff Staffing Management Software System for \$32,896.
- Adobe Cold Fusion Enterprise Management Software for \$6,994.
- Motorola portable radios for \$63,093, with the actual cost to the District being \$12,619 after application of the FEMA grant funds the District received in relation to these radios.

Long-Term Debt

At the end of the current fiscal year, the District had GADA Bond debt outstanding of \$7,485,000. All of the debt is backed by the full faith and credit of the District.

Factors Affecting Future Results

The District remains subject to general economic conditions affecting property tax values. In recent years, the net assessed valuation of properties within the Apache Junction Fire District has decreased dramatically, down approximately 43% from the highest values experienced in fiscal year 2008/2009.

However, recent news regarding home values and home sales has been more positive. According to numerous home price indices, home values in the greater Phoenix metropolitan area have been increasing since 2011. It is important to remember that the net assessed valuation (NAV) lags approximately 36 months, so the NAV for the fiscal year 2013/2014 will reflect assessed home values in the 2010/2011 period.

In addition to the economy's impact on the housing market and the corresponding net assessed valuation, recent legislative changes will provide challenges for the District even in periods of rising property values. Proposition 117, passed by the Arizona legislature in November 2012, limits the annual increase of real property used to calculate property taxes to 5.0% over the prior year's value. This change in statute takes effect in 2015.

On the expenditure side, the District has taken aggressive steps to manage costs. Increases in employee benefit costs have been experienced in recent years, however for fiscal year 2013/2014, health insurance premiums have been held constant as the District changed insurance carriers to begin the transition to a self-administered health insurance policy. In addition, fiscal year 2013/2014 will be the fifth fiscal year in a row without a general wage or cost-of-living increase.

The District will continue to implement an aggressive cost control policy while providing the highest quality fire and emergency medical services to our district and surrounding communities /states.

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 the Apache Junction Fire District at 565 North Idaho Road in Apache Junction, Arizona 85119-4014.

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APACHE JUNCTION FIRE DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 7,016,736
Receivables (net of no allowance for uncollectibles)	594,809
Prepays	16,975
Restricted cash and cash equivalents	79,481
Investment in joint venture	44,572
Capital assets	
Capital assets, not being depreciated	1,241,806
Capital assets, being depreciated, net	<u>12,780,588</u>
Total assets	<u>21,774,967</u>
 LIABILITIES	
Accounts payable	39,447
Accrued payroll and employee benefits	370,512
Current portion of:	
Lease payable	19,369
Compensated absences	409,269
Loan payable	390,000
Long-term portion of:	
Lease payable	19,375
Compensated absences	817,635
Loan payable	<u>7,407,717</u>
Total liabilities	<u>9,473,324</u>
 NET POSITION	
Net investment in capital assets	6,185,933
Restricted for:	
Debt service	83,925
Unrestricted	<u>6,031,785</u>
Total net position	<u>\$ 12,301,643</u>

APACHE JUNCTION FIRE DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
Administration	\$ 1,037,282	\$ -	\$ -	\$ -
Technical services	579,327	-	-	-
Communication services	571,225	-	-	-
Emergency services	10,130,391	429,485	-	19,795
Community services	465,209	6,381	-	50,474
Interest on debt	382,219	-	-	-
Total governmental activities	<u>\$ 13,165,653</u>	<u>\$ 435,866</u>	<u>\$ -</u>	<u>\$ 70,269</u>

General revenues

Property taxes
 Centrally assessed taxes
 Investment earnings
 Other income

Total general revenues

Change in net position

Net position-beginning as restated

Net position-ending

Net (Expense)
Revenue and
Changes in Net Position
Total
Governmental
Activities

\$ (1,037,282)
(579,327)
(571,225)
(9,681,111)
(408,354)
(382,219)
(12,659,518)

10,174,050
271,180
28,147
29,190

10,502,567

(2,156,951)

14,458,594

\$ 12,301,643

APACHE JUNCTION FIRE DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2013

ASSETS	General	Capital Projects Fund	Bond Proceeds
Cash and cash equivalents	\$ 2,577,566	\$ 3,401,309	\$ 990,563
Receivables			
Property taxes	327,083	-	-
Accounts receivable	241,098	-	-
Prepays	16,975	-	-
Restricted cash and cash equivalents	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,162,722</u>	<u>\$ 3,401,309</u>	<u>\$ 990,563</u>
LIABILITIES			
Accounts payable	39,447	-	-
Accrued wages and benefits	370,512	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>409,959</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	347,692	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>347,692</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	16,975	-	-
Restricted for debt retirement	-	-	-
Committed	-	3,401,309	990,563
Assigned	-	-	-
Unassigned	2,388,096	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,405,071</u>	<u>3,401,309</u>	<u>990,563</u>
Total liabilities and fund balances	<u>\$ 3,162,722</u>	<u>\$ 3,401,309</u>	<u>\$ 990,563</u>

Debt Service Fund	Other Nonmajor Fund	Total Governmental Funds
\$ -	\$ 47,298	\$ 7,016,736
26,628		353,711
-	-	241,098
-	-	16,975
79,481	-	79,481
<u>\$ 106,109</u>	<u>\$ 47,298</u>	<u>\$ 7,708,001</u>
-	-	39,447
-	-	370,512
-	-	409,959
<u>22,184</u>	<u>-</u>	<u>369,876</u>
<u>22,184</u>	<u>-</u>	<u>369,876</u>
-	-	16,975
83,925	-	83,925
-	-	4,391,872
-	47,298	47,298
-	-	2,388,096
<u>83,925</u>	<u>47,298</u>	<u>6,928,166</u>
<u>\$ 106,109</u>	<u>\$ 47,298</u>	<u>\$ 7,708,001</u>

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APACHE JUNCTION FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2013

Fund balance - total governmental funds balance sheet		\$ 6,928,166
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture		44,572
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	21,926,203	
Less accumulated depreciation	<u>(7,903,809)</u>	14,022,394
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position		
		369,876
Long-term liabilities , including notes payable and their related costs, are not due and payable in the current period and therefore are not reported in the funds.		
Lease payable	(38,744)	
Compensated absences	(1,226,904)	
Notes payable	<u>(7,797,717)</u>	<u>(9,063,365)</u>
Net position of governmental activities - statement of net position		<u>\$ 12,301,643</u>

APACHE JUNCTION FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

REVENUES	General	Capital Projects Fund	Bond Proceeds
Taxes	\$ 9,211,492	\$ -	\$ -
Centrally assessed taxes	256,321	-	-
County aid	400,000	-	-
Charges for services	507,765	-	-
Grants	-	-	-
Interest revenues	9,660	14,270	3,177
Other income	24,573	-	-
Total revenues	<u>10,409,811</u>	<u>14,270</u>	<u>3,177</u>
EXPENDITURES			
Current			
Administration	1,258,158	-	-
Technical services	541,317	-	-
Communication services	225,875	-	-
Emergency services	9,028,745	-	-
Community services	387,915	-	-
Capital outlay	-	1,504,262	-
Debt service			
Principal	-	20,079	-
Interest and fiscal charges	-	440	-
Total expenditures	<u>11,442,010</u>	<u>1,524,781</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,032,199)</u>	<u>(1,510,511)</u>	<u>3,177</u>
OTHER FINANCING SOURCES			
Transfers in	1,105,270	-	-
Transfers out	-	(1,117,760)	-
Proceeds from capital lease	-	58,793	-
Total other financing sources and uses	<u>1,105,270</u>	<u>(1,058,967)</u>	<u>-</u>
Net change in fund balances	73,071	(2,569,478)	3,177
Fund balances - beginning of year	<u>2,332,000</u>	<u>5,970,787</u>	<u>987,386</u>
Fund balances - end of year	<u>\$ 2,405,071</u>	<u>\$ 3,401,309</u>	<u>\$ 990,563</u>

See accompanying notes.

Debt Service Fund	Other Nonmajor Fund	Total Governmental Funds
\$ 788,594	\$ -	\$ 10,000,086
-	-	256,321
-	-	400,000
-	-	507,765
-	50,474	50,474
937	103	28,147
-	25,385	49,958
<u>789,531</u>	<u>75,962</u>	<u>11,292,751</u>
-	-	1,258,158
-	-	541,317
-	-	225,875
-	-	9,028,745
-	74,374	462,289
-	-	1,504,262
370,000	-	390,079
381,779	-	382,219
<u>751,779</u>	<u>74,374</u>	<u>13,792,944</u>
<u>37,752</u>	<u>1,588</u>	<u>(2,500,193)</u>
-	12,618	1,117,888
-	(128)	(1,117,888)
-	-	58,793
<u>-</u>	<u>12,490</u>	<u>58,793</u>
37,752	14,078	(2,441,400)
<u>46,173</u>	<u>33,220</u>	<u>9,369,566</u>
<u>\$ 83,925</u>	<u>\$ 47,298</u>	<u>\$ 6,928,166</u>

APACHE JUNCTION FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds		\$ (2,441,400)
Amounts reported for governmental activities in the statement of activities are different because:		
Equity interest reported at cost for the investment in the City of Mesa joint venture		39
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.		
Expenditures for capital assets	\$ 1,361,642	
Less current year depreciation	<u>(1,042,603)</u>	319,039
Revenues received in the current year that were accrued in the statement of activities in prior years		
Special assessments		(284,049)
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.		
		(58,793)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Amortization	39,868	
Leases payable	20,049	
Notes payable	<u>370,000</u>	<u>429,917</u>
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(121,704)</u>
Change in net position of governmental activities		<u><u>\$ (2,156,951)</u></u>

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Apache Junction Fire District (the District) was organized in 1955 pursuant to Title 48 of the Arizona Revised State Statutes (ARS) and is operated as a special purpose local government that is governed by an elected governing body.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – 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. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – 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 measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has one nonmajor fund for June 30, 2013.

The District reports the following major governmental funds:

General Fund – This 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 other funds.

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

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Bond Proceeds Fund - This fund is used to account for the proceeds from the sale of voter approved bonds. Expenditures from this fund may only be used to pay for capital projects which were vote approved by the bond issue.

Debt Service Fund – This fund is used for the accumulation of resources and payment of principal and interest expenditures of debt issued by the District.

D. Budgeting and Budgetary Control

The District Board formally adopts an annual budget for all operating funds which is submitted to the county treasurer and county board of supervisors. The budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Investments

The District reports all investments at fair value in the statement of net position.

G. Restricted Cash

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

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Receivables and Payables (Continued)

Property taxes are levied by the District and collected by the Pinal County and Maricopa County Treasurers. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise. The District also levies various personal property taxes during the year which are due at the same time as real property taxes.

I. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life equal to or exceeding two years. Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed. Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	27.5 - 40
Equipment	7
Fire Trucks	10
Automobiles	5
Office Equipment	5

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balances – Governmental Funds

Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in Nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board or any official or body to which the District Board delegates authority may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

K. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASBS No. 62 in fiscal year 2013. The adoption of GASBS No. 62 does not have any impact on the District's financial statements.

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Impact of Recently Issued Accounting Principles (Continued)

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASBS No. 63 in fiscal year 2013. The adoption of GASBS No. 63 has impacted the presentation of the District's financial statements.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASBS No. 65 provides reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, and other related disclosures. In addition, the reporting of such items should be limited to those instances identified by the Governmental Accounting Standards Board. Statement No. 65 also changes the determination of the major fund calculations and limits the use of the term deferred in financial statement presentation. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2013. The adoption of GASBS No. 65 has impacted the presentation of the District's financial statements.

L. Compensated Absences

The District's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. Hours earned in excess of the annual allowable accumulations are paid on the final paycheck of the fiscal year. Any accrued amounts are paid in full upon separation from the District. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

M. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

APACHE JUNCTION FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

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

NOTE 2 DEPOSITS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2013, the carrying amount of the District's deposits totaled \$7,016,736 and the bank balance was \$7,095,930. Federal Depository Insurance fully covered the District's deposits at June 30, 2013.

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,241,806	\$ -	\$ -	\$ 1,241,806
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,241,806	-	-	1,241,806
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	11,556,810	17,862	-	11,574,672
Vehicles and apparatus	6,063,613	1,085,649	-	7,149,262
Furniture and equipment	1,702,332	258,131	-	1,960,463
Total capital assets being depreciated	19,322,755	1,361,642	-	20,684,397
Less accumulated depreciation for:				
Buildings and improvements	(3,558,582)	(490,718)	-	(4,049,300)
Vehicles and apparatus	(2,577,841)	(416,511)	-	(2,994,352)
Furniture and equipment	(724,783)	(135,374)	-	(860,157)
Total accumulated depreciation	(6,861,206)	(1,042,603)	-	(7,903,809)
Total capital assets, being depreciated, net	12,461,549	319,039	-	12,780,588
Governmental activities capital assets, net	\$ 13,703,355	\$ 319,039	\$ -	\$ 14,022,394

Depreciation expense was charged to the various departments in the governmental activities as follows:

Governmental activities:	
Administrative	\$ 55,156
Technical services	38,010
Communication services	345,350
Emergency services	601,167
Community services	2,920
Total depreciation expense	\$ 1,042,603

NOTE 4 EMPLOYEE RETIREMENT PLANS

All full-time District employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute.

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Plan Description

Arizona State Retirement Plan - The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2200 or (800) 621-3778.

Arizona Public Safety Personnel Retirement System - The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS acting as a common investment and administrative agent is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The District contributes to the PSPRS plan for firefighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 3010 E. Camelback Rd., Suite 200, Phoenix, AZ 85016-4416 or by calling (602) 255-5575.

Funding Policy

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the years ended June 30, 2013, 2012 and 2011 active ASRS members and the District were each required by statute to contribute at the actuarially determined rates of 11.14, 10.74 and 9.85 percent (rate includes 0.24, 0.24 and 0.25 for long-term disability), respectively, of the member's annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2013, 2012, and 2011 were \$80,227, \$65,879, and \$52,987, respectively. The District contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement	Health Insurance	Long-term Disability	Total
2013	\$ 73,818	\$ 4,681	\$ 1,728	\$ 80,227
2012	60,420	3,987	1,472	65,879
2011	48,468	3,174	1,345	52,987

Agent plans – The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the District was required to contribute at the actuarially determined rate of 11.28% for covered payroll totaling \$90,497 to the Plan for the firefighters.

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Annual Pension Cost

The District's pension cost for the agent plan for the year ended June 30, 2013, and related information follows:

Contribution Rates:		<u>PSPRS - Fire</u>
District – retirement		12.75%
District – health insurance premium		1.08%
Plan members		7.65%
Annual pension cost		
Retirement	\$	902,497
Health insurance premium	\$	76,447
Pension contributions made		
Retirement	\$	902,497
Health insurance premium	\$	76,447
Actuarial valuation date		June 30, 2011
Actuarial cost method		Projected Unit Credit
Actuarial assumptions:		
Investment rate of return		8.3%
Projected salary increases		5.0% - 8.0%
Includes inflation at cost-of-living adjustment		5.0%
Amortization method		Level Percent Closed
Remaining amortization period		25 years underfunded 20 years overfunded
Asset valuation method		7-year smoothed market
Post retirement benefit increases		Based on Income

Trend Information – Information for the PSPRS plan as of the most recent actuarial valuations follows:

Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS - Fire - Pension			
June 30, 2013	\$ 902,497	100.0%	-
June 30, 2012	764,190	100.0%	-
June 30, 2011	696,924	100.0%	-
PSPRS - Fire - Health Insurance			
June 30, 2013	\$ 76,447	100.0%	-
June 30, 2012	58,713	100.0%	-
June 30, 2011	49,465	100.0%	-

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Schedule of Funding Progress - An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations, June 30, 2011 reporting period, determines the rates for fiscal year 2013. For this valuation, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported; these benefits are disaggregated and reported separately.

Actuarial Accrued Liability

PSPRS – Pension Plan

Fire Pension

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll
June 30,	(a)	(AAL) (b)	(b-a)			([b-a]/c)
2011	\$ 17,519,983	\$ 21,588,897	\$ 4,068,914	81.2%	\$ 5,194,183	78.4%
2010	15,857,754	18,779,135	2,921,381	84.4%	5,556,259	52.6%
2009	1,070,878	810,901	(259,977)	132.1%	1,099,057	-23.7%

PSPRS Fire Health Insurance Plan

Fire Health Insurance

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll
June 30,	(a)	(AAL) (b)	(b-a)			([b-a]/c)
2011	-	\$ 713,725	\$ 713,725	0.0%	\$ 5,194,183	13.74%
2010	-	536,916	536,916	0.0%	5,556,259	9.66%
2009	-	23,781	23,781	0.0%	1,099,057	2.16%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Annual Required Contribution:

PSPRS Fire Health Insurance Plan

No Health Insurance Subsidy payments were reported for valuation year 2011 for the Fire plan.

NOTE 5 LONG TERM DEBT

General Obligation Bonds

In 2006, the District entered into a loan agreement with the Greater Arizona Development Authority (GADA) to provide funds for construction and furnishings of new fire stations and training facilities, to expand and renovate existing fire stations and facilities, acquire interest in land for construction and expansion of facilities, to acquire firefighting, rescue and other life preserving equipment, and to pay all legal, engineering, architectural, accounting, financial consulting and other necessary costs in connection with these activities. Interest at the rate of 4.25 to 5% is payable semiannually on January 1 and July 1. The loan is being repaid by means of a secondary tax levied on all taxable property within the Apache Junction Fire District sufficient to pay principal, interest and administration costs. The funds are held in a separate County Treasurer account to be used for principal and interest payments.

The annual debt service requirements for this debt are as follows:

Fiscal year ending June 30,	Principal	Interest
2014	\$ 390,000	\$ 357,625
2015	405,000	339,213
2016	425,000	320,056
2017	445,000	301,013
2018	465,000	279,375
2019 - 2023	2,680,000	1,016,750
2024 - 2028	2,675,000	275,875
Total	\$ 7,485,000	\$ 2,889,906

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 5 LONG TERM DEBT (Continued)

Changes in long-term debt as of June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 7,855,000	\$ -	\$ (370,000)	\$ 7,485,000	\$ 390,000
Premium on loan	352,585	-	(39,868)	312,717	-
Capital leases	-	58,124	(19,380)	38,744	19,369
Compensated absences	1,105,200	200,981	(79,277)	1,226,904	409,269
Governmental activities long-term liabilities	<u>\$ 9,312,785</u>	<u>\$ 259,105</u>	<u>\$ (508,525)</u>	<u>\$ 9,063,365</u>	<u>\$ 818,638</u>

NOTE 6 CAPITAL LEASES

The District has entered into lease agreements for capital purchases of \$58,926. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations:

A lease for a Sony camcorder and lens, payable to Kansas State Bank in the amount of \$6,402 is payable in 36 monthly installments in the amount of \$178 of principal and interest, with the final payment due May 15, 2015;

A lease for 15 Panasonic Toughbooks through CoActive Capital Partners, Inc. in the amount of \$52,524 is payable in three annual installments of \$17,508, with the final payment due October 11, 2014.

The following schedule presents future minimum lease payments as of June 30, 2013:

Year Ending, June 30	Principal
2014	\$ 19,642
2015	19,464
Total requirements	39,106
Less interest	(362)
Present value of remaining payments	<u>\$ 38,744</u>

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 6 CAPITAL LEASES (Continued)

A portion of the equipment is included in furniture and equipment in capital assets being depreciation as follows:

Asset	Leased Asset
Equipment	\$ 5,599
Less accumulated depreciation	(1,790)
Total	\$ 3,809

NOTE 7 INTEFUND TRANSFERS

At June 30, 2013, following interfund transfers had been recorded during the fiscal year:

Fund	Transfers Out	Transfers In
General Fund	\$ -	\$ 1,105,270
Capital Projects Fund	1,117,760	-
Nonmajor Fund	128	12,618
Total	\$ 1,117,888	\$ 1,117,888

There were no interfund balances to or from another fund as of June 30, 2013.

NOTE 8 JOINT VENTURE

The District participates in a joint venture with five other governments for the operations and maintenance of a communications center. The City of Mesa operates the center which is funded by the participating members of the venture. Ownership of the center is distributed to the participants relative to their individual contributions. The District's share of the venture's capital cost for the fiscal year ended June 30, 2013 was \$39. The District retains equity ownership interest in the capital purchases. Upon resolution of the venture's governing board, members may be subject to a special assessment if the Board determines the special assessment is needed for disaster recovery or other reasons as stated in the governance agreement. Additional information on this joint venture may be obtained from the website at www.topazrwc.org.

APACHE JUNCTION FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2013

NOTE 9 RESTATEMENT

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on fiscal year 2012 is as follows:

Governmental Activities	2012 Previously Presented	Restatement	2012 Restated
Unamortized Bond Costs	\$ 130,699	\$ (130,699)	\$ -
Loan issuance costs	9,218	(9,218)	-
Change in net position	(1,166,226)	9,218	(1,157,008)
Net position, end of year	14,589,293	(130,699)	14,458,594

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REQUIRED SUPPLEMENTARY INFORMATION

APACHE JUNCTION FIRE DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 9,115,925	\$ 9,096,924	\$ 9,211,492	\$ 114,568
Centrally assessed taxes	258,535	258,535	256,321	(2,214)
County aid	400,000	400,000	400,000	-
Charges for services	563,910	563,910	507,765	(56,145)
Interest revenues	24,000	24,000	9,660	(14,340)
Other income	19,050	19,050	24,573	5,523
Total revenues	10,381,420	10,362,419	10,409,811	47,392
EXPENDITURES				
Current				
Administration	3,258,633	3,293,049	1,258,158	2,034,891
Technical services	506,973	573,314	541,317	31,997
Communication services	258,250	258,250	225,875	32,375
Emergency services	9,428,658	9,564,543	9,028,745	535,798
Community services	328,226	382,283	387,915	(5,632)
Total expenditures	13,780,740	14,071,439	11,442,010	2,629,429
Excess (deficiency) of revenues over (under) expenditures	(3,399,320)	(3,709,020)	(1,032,199)	2,676,821
OTHER FINANCING SOURCES				
Transfers in	814,442	1,105,142	1,105,270	128
Sales of assets	1,000	20,000	-	(20,000)
Total other financing sources	815,442	1,125,142	1,105,270	(19,872)
Net change in fund balances	(2,583,878)	(2,583,878)	73,071	2,656,949
Fund balance-beginning of year	-	-	2,332,000	2,332,000
Fund balance - end of year	\$ (2,583,878)	\$ (2,583,878)	\$ 2,405,071	\$ 4,988,949

SUPPLEMENTARY INFORMATION

APACHE JUNCTION FIRE DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 31,000	\$ 31,000	\$ 14,270	\$ (16,730)
Total revenues	<u>31,000</u>	<u>31,000</u>	<u>14,270</u>	<u>(16,730)</u>
EXPENDITURES				
Administration	31,000	31,000	-	31,000
Capital outlay	1,862,200	1,571,500	1,504,262	67,238
Debt service				
Principal	-	-	20,079	(20,079)
Interest and fiscal charges	-	-	440	(440)
Total expenditures	<u>1,893,200</u>	<u>1,602,500</u>	<u>1,524,781</u>	<u>77,719</u>
Excess (deficiency) of revenues over (under) expenditures	(1,862,200)	(1,571,500)	(1,510,511)	60,989
OTHER FINANCING SOURCES				
Proceeds from capital lease	-	-	58,793	58,793
Transfers out	(814,442)	(1,105,142)	(1,117,760)	(12,618)
Total other financing sources and uses	<u>(814,442)</u>	<u>(1,105,142)</u>	<u>(1,058,967)</u>	<u>46,175</u>
Net change in fund balances	(2,676,642)	(2,676,642)	(2,569,478)	107,164
Fund balance-beginning of year	<u>2,676,642</u>	<u>2,676,642</u>	<u>5,970,787</u>	<u>3,294,145</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,401,309</u>	<u>\$ 3,401,309</u>

APACHE JUNCTION FIRE DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 801,442	\$ 801,442	\$ 788,594	\$ (12,848)
Investment income	1,750	1,750	937	(813)
Total revenues	<u>803,192</u>	<u>803,192</u>	<u>789,531</u>	<u>(13,661)</u>
EXPENDITURES				
Debt Service:				
Principal	725,000	725,000	370,000	355,000
Interest and other charges	<u>670,393</u>	<u>670,393</u>	<u>381,779</u>	<u>288,614</u>
Total expenditures	<u>1,395,393</u>	<u>1,395,393</u>	<u>751,779</u>	<u>643,614</u>
Excess (deficiency) of revenues over (under) expenditures	(592,201)	(592,201)	37,752	629,953
Fund balance - beginning of year	<u>70,000</u>	<u>70,000</u>	<u>46,173</u>	<u>(23,827)</u>
Fund balance - end of year	<u>\$ (522,201)</u>	<u>\$ (522,201)</u>	<u>\$ 83,925</u>	<u>\$ 606,126</u>

APACHE JUNCTION FIRE DISTRICT
OTHER NONMAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2013

REVENUES	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
AED Donations	\$ 2,300	\$ 2,300	\$ 5,231	\$ 2,931
Fund Raiser - EMS	8,000	8,000	14,564	6,564
Grants - Other	-	-	50,474	50,474
Fire Prevention / Public Education	250	250	4,590	4,340
Investment income	120	120	103	(17)
Total revenues	10,670	10,670	74,962	64,292
EXPENDITURES				
AED Donations Expenditures	4,948	4,948	5,035	(87)
Fire Prevention/Pub Ed DonationsExpense	3,606	3,606	2,046	1,560
Fire Science Scholarship	4,824	4,824	4,200	624
Grant expenditure - radios	-	-	63,093	(63,093)
Total expenditures	13,378	13,378	74,374	(60,996)
 Excess (deficiency) of revenues over (under) expenditures	 (2,708)	 (2,708)	 588	 3,296
Fund balance - beginning of year	70,000	70,000	46,173	(23,827)
Fund balance - end of year	<u>\$ 67,292</u>	<u>\$ 67,292</u>	<u>\$ 46,761</u>	<u>\$ (20,531)</u>

COMPLIANCE SECTION



HENRY & HORNE, LLP
Certified Public Accountants

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

To the Board of Directors
Apache Junction Fire District
Apache Junction, 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 and each major fund and the remaining fund information of the Apache Junction Fire District, Arizona, (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Apache Junction Fire District's basic financial statements, and have issued our report thereon dated December 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Apache Junction Fire District, Arizona'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 Apache Junction Fire District, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Apache Junction Fire District, Arizona'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.

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Compliance and Other Matters

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

Purpose of this Report

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

Henry & Horne LLP

Casa Grande, Arizona
December 7, 2013