



**Verde Valley Fire District
Financial Statements
June 30, 2010**

**Verde Valley Fire District
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June 30, 2010**

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Assurance
Professionals, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Verde Valley Fire District
Cottonwood, Arizona

We have audited the accompanying financial statements of Verde Valley Fire District (the District), as of and for the year ended June 30, 2010, as listed in the table of contents. The financial information included in the financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by the State of Arizona, which accounting practices differ from accounting principles generally accepted in the United State of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of each fund of the District as of June 30, 2010, or changes in financial position thereof for the year then ended.

In our opinion, the financial statements referred to above presents fairly, in all material respects, cash balances of each fund of the the District as of June 30, 2010, and their respective revenues collected, expenses paid and fund balances of the District for the year ended, on the basis of accounting described in Note 1.

Assurance Professionals, P.C.

Assurance Professionals, PC
October 19, 2010

**Verde Valley Fire District
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ <u>1,146,889</u>	\$ <u>2,069,147</u>	\$ <u>3,216,036</u>
Total assets	\$ <u>1,146,889</u>	\$ <u>2,069,147</u>	\$ <u>3,216,036</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholdings held in trust	\$ <u>1,088</u>	\$ <u>-</u>	\$ <u>1,088</u>
Total liabilities	<u>1,088</u>	<u>-</u>	<u>1,088</u>
Fund balances:			
Unreserved, designated, reported in:			
Capital projects fund	-	2,069,147	2,069,147
Unreserved, undesignated, reported in:			
General fund	<u>1,145,801</u>	<u>-</u>	<u>1,145,801</u>
Total fund balances	<u>1,145,801</u>	<u>2,069,147</u>	<u>3,214,948</u>
Total liabilities and fund balances	\$ <u>1,146,889</u>	\$ <u>2,069,147</u>	\$ <u>3,216,036</u>

The accompanying notes are an integral part of this financial statement.

Verde Valley Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 3,603,427	\$ -	\$ 3,603,427
Fire district assistance taxes	302,840	-	302,840
Intergovernmental	43,062	-	43,062
Charges for services	567,195	-	567,195
Other revenue	24,117	-	24,117
Contributions	300	-	300
Interest income	<u>7,755</u>	<u>8,782</u>	<u>16,537</u>
Total revenues	<u>4,548,696</u>	<u>8,782</u>	<u>4,557,478</u>
EXPENDITURES			
Current:			
Public safety, fire protection:			
Emergency services	2,943,055	-	2,943,055
Administrative and support services	801,896	-	801,896
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	<u>148,066</u>	<u>-</u>	<u>148,066</u>
Total expenditures	<u>3,893,017</u>	<u>-</u>	<u>3,893,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,679</u>	<u>8,782</u>	<u>664,461</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	593,493	878,672	1,472,165
Transfers out	<u>(878,672)</u>	<u>(593,493)</u>	<u>(1,472,165)</u>
Total other financing sources and uses	<u>(285,179)</u>	<u>285,179</u>	<u>-</u>
Net changes in fund balances	370,500	293,961	664,461
Fund balances – beginning	<u>775,301</u>	<u>1,775,186</u>	<u>2,550,487</u>
Fund balances – ending	<u>\$ 1,145,801</u>	<u>\$ 2,069,147</u>	<u>\$ 3,214,948</u>

The accompanying notes are an integral part of this financial statement.

Verde Valley Fire District
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Firefighters' Relief and Pension Fund</u>
ASSETS	
Cash	\$ -
Investment, fair value	<u>-</u>
Total assets	<u>\$ -</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

Verde Valley Fire District
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	<u>Firefighters' Relief and Pension Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 3,123
Employee	937
Premium tax	23
Investment earning	<u>11,666</u>
Total additions	<u>15,749</u>
DEDUCTIONS	
Benefits paid	108,422
Loss on investments	-
Administration costs	<u>10,233</u>
Total deductions	<u>118,655</u>
Change in net assets	(102,906)
Net assets, July 1, 2009	<u>102,906</u>
Net Assets, June 30, 2010	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations and Financial Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District has no discrete or blended component units.

B. Fund Accounting

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. 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 general government, except those required to be accounted for in another fund.

Capital Projects 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.

The District also reports a Fiduciary Fund for the *Firefighters' Relief and Pension Fund*.

C. Modified Cash Basis of Accounting

As required under Arizona Revised Statutes, Title 48 § 251.A(1), the District has prepared these financial statements in a manner sufficient to report beginning and ending fund balances and all revenues and expenditures for the year ending June 30, 2010. The Statement of Revenues, Expenses and Changes in Fund Balance is presented on the modified cash basis of accounting which is a comprehensive basis other than accounting principles generally accepted in the United States. The modified cash basis of accounting recognizes revenues when cash is received and expenditures when cash is spent.

The major departure from accounting principles generally accepted in the United States is that there are generally no accruals made using the modified cash basis of accounting. Specifically, there were no accruals made for accounts receivable, accounts payable and amounts either due from or due to other governmental entities. However, accruals were made for payroll related liabilities in which the district acts as a fiduciary. Furthermore, these financial statements do not include government-wide financial statements which are required by accounting principles generally accepted in the United States. Additionally, the District has also elected not to present Management's Discussion and Analysis or the Budgetary Comparison Schedules that accounting principles generally accepted in the United States have determined are necessary to supplement, although not required to be part of, the basic financial statements.

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As of June 30, 2010 the District reported \$3,002,634 in governmental funds on deposit with the Yavapai County Treasurer's investment pool; the investment pool is considered a cash equivalent. For additional information regarding cash and cash equivalents see Financial Note 2 - Cash and Cash Equivalents.

E. Payroll withholdings held in trust

Liabilities are reported for amounts withhold from employees salaries and wages, held in trust by the District. As the District has expensed all amounts related to salaries and wages payable, the District holds these monies as a fiduciary until they are remitted to the appropriate third parties.

F. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified cash basis of accounting, which an acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to spend more than the budgeted revenues plus the prior year's carry-over of unrestricted cash. The limitation is applied to the total of the combined funds.

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

A. District's Cash and Cash Equivalents Deposits

As of June 30, 2010 the District had \$3,002,634 on deposit with the Yavapai County Treasurer's investment pool (YCTIP) in the governmental funds. The Yavapai County Treasurer invests the cash in a pool under policy guidelines established by the Yavapai County Treasurers' Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the YCTIP is included in the Comprehensive Annual Financial Report of Yavapai County. The fair value of each participant's position in the YCTIP approximates the value of the participant's shares in the pool. The District also maintains a checking account with a local financial institution, the amount on deposit as of June 30, 2010 was \$213,252.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. 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.

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments of the YCTIP to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Yavapai County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The YCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2010 the YCTIP had not received a credit quality rating from a national rating agency. As of June 30, 2010 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all investments are held in safekeeping by either Yavapai County or are in the District's name, and collateralized by pledged securities, with further insurance provided by the Securities Investor Protection Corporation (SIPC). For demand deposits with local financial institutions, all monies on deposit were fully insured by the Federal Deposit Insurance Corp.

NOTE 3 – TRANSFERS AND DESIGNATIONS OF FUND BALANCE

The District has adopted a policy whereby it will transfer budgeted and/or unused appropriations to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. Transfers to the general fund from the capital projects fund totaled \$593,493 for the year ended June 30, 2010. Transfers from the general fund to the capital projects fund for the year ended June 30, 2010 totaled \$878,672.

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

A. Volunteer Firefighter's Relief and Pension Fund

The District terminated its pension fund for volunteer firefighters, which was a single employer fund that administered the District's and employees' defined contributions. As of June 30, 2010 the Pension Fund had fully liquidated all cash and investments to and such monies were either paid out in distributions or transferred to another qualified plan for all plan participants.

Volunteer firefighters are now participating in the Deferred Compensation Plan (See Note B below).

Funding Policy: For the year ended June 30, 2010, active volunteers and the District were each required by statute to contribute at the rate of 5% percent of the volunteers' gross compensation. The District's contributions to the plan for the years ended June 30, 2010, 2009 and 2008 were \$3,123, \$6,270 and \$3,895, respectively, which were equal to the required contributions for the year.

B. Deferred compensation plan

The District has established a defined contribution deferred compensation plan for all full-time employees in order to provide for supplementary retirement benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). Contributions to the plan for the year ended June 30, 2010 totaled \$13,790. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for either of the plans, are not included as a fund of the District.

C. Arizona State Retirement System

Plan Description: The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit 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 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2010, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 9.10 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2010, 2009 and 2008 were \$26,992, \$26,663 and, \$24,667 respectively, which were equal to the required contributions for the years then ended.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

D. Public Safety Personnel Retirement System

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as the Fund Manager, and 162 local boards, according to the provisions of ARS Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road #200, Phoenix, Arizona 85016, (602) 255-5575.

Funding Policy: For the year ended June 30, 2010, PSPRS members were required by statute to contribute 7.65% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 10.88%.

Annual Pension Cost: For the year ended June 30, 2010, the District's annual pension cost of \$156,393 for PSPRS was equal to the District's required and actual contributions. The District's actuarial assumptions for PSPRS for the year ended June 30, 2009, which is based on the most recent available actuarial valuation, and related information follow:

Contribution rates	
Plan members	7.65 %
District	10.88 %
Actuarial cost method	Projected Unit Cost
Investment rate of return	8.50 %
Projected salary increases *	5.50 % - 8.5 %
* Includes payroll growth at	5.5 %
Amortization method	Level percent of pay closed.
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value

Three year trend information for PSPRS: The information for the agent plan was obtained from the three most recent actuarial valuations.

Year ended June 30,	APC	Percentage of APC Contributed	Net pension Obligation
2009	\$ 206,196	100%	\$ -
2008	113,465	100%	-
2007	71,545	100%	-

Verde Valley Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Funding progress: The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2009	\$ 3,915,323	\$ 4,192,035	\$ 276,712	93 %	\$ 1,640,813	17 %
2008	3,333,203	3,450,514	117,311	97 %	1,599,395	7 %
2007	2,995,699	3,242,455	246,756	92 %	1,207,698	20 %

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