

SUNSITES -PEARCE FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2010

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**SUNSITES-PEARCE FIRE DISTRICT
PEARCE, ARIZONA
FINANCIAL STATEMENT
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Sunsites-Pearce Fire District
Sunsites, Arizona

I have audited the accompanying financial statements of the governmental activities of the Sunsites-Pearce Fire District, Sunsites, Arizona, as of and for the year ended June 30, 2010, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial 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. I believe that my audit provides a reasonable basis for my opinion.

Because we were not engaged as auditors until after June 30, 2010 and in accordance with the terms of our engagement, I have not applied audit procedures necessary to satisfy myself about the classifications and amounts comprising the balance sheet at June 30, 2009. Significant aspects of the balance sheet at that date, including classifications amounts materially affect the determination of the results of operations for the year ended June 30, 2010.

Because of the matter discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the results of operations for the year ended June 30, 2010 or on the consistency of application of accounting principles with the preceding year.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the previous year financial statements been audited, the statement of net assets and the balance sheet of the General Fund referred to above presents fairly in all material respects, the financial position of the District as of June 30, 2010 for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

IN TEXAS TRUCKS AND PASSENGER VEHICLES



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Independent Auditor's Report
Sunsites-Pearce Fire District
June 30, 2010
Page 2

and analysis is not in conformity with accounting principles generally accepted in the United States of America because some areas of discussion, which are required by BASB Statement #34, have been omitted.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Arizona Annual Report information is not a required part of the basic financial statements, but is supplemental information required by Arizona Revised Statutes. This additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on this information.

This report is intended solely for the information and use of the governing body and management of the Sunsites-Pearce Fire District, Sunsites, Arizona, and for filing with the County Board of Supervisors and County Treasurer. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

James H. Saunders, CPA

James H. Saunders
Certified Public Accountant
Glendale, Arizona

December 16, 2010



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Sunsites-Pearce Fire District
Management's Discussion and Analysis of
Basic Financial Statements
June 30, 2010

The following discussion and analysis of the Sunsites-Pearce Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2010. 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 Sunsites-Pearce Fire District provides fire, EMS and other public services to homes, property, and persons residing or traveling through the fire district boundaries as well as services to locations and persons outside the fire district through mutual aid agreements and contracts.

The fire district promotes and encourages safety through public education, fire prevention, code fire enforcement and community involvement.

Results of Operations

During the 2009-2010 fiscal year, the Sunsites-Pearce Fire District responded to 248 calls for service. These calls included 46 responses to reports of a fire, 202 responses to medical emergencies and 66 responses to other emergencies.

In addition to fulltime staffing, the fire district employed 10 Reserve Firefighters to ensure adequate staffing. These Reserves supplement fulltime staffing during the daytime, backfill for fulltime personnel during periods of absence such as illness or vacations, and respond large scale emergencies.

The fire district also used numerous opportunities to promote fire safety, general safety, and community enrichment through a variety of programs including public tours of fire apparatus and stations, public meetings, fire hazard reduction and cleanup, and other organized and spontaneous events.

The District also committed to increasing educational opportunities for employees. Increased medical skill levels, specialized training and other training opportunities are frequently presented to district employees.

Financial Highlights

- District investment in capital assets increased by \$100,722 or 12.89%.
- The District's net assets increased \$51,522 or 12.61% from the previous fiscal year.
- Operating revenues increased \$399,875 or 51.12% over the previous fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$346,442.

Overview of the Financial Statements

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

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

Government - Wide Financial Statements

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

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

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

Fund Financial Statements

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

Net Assets June 30, 2010

Net Assets:

Invested in Capital Assets, net of related debt	\$ 426,165
Unrestricted Net Assets	<u>411,029</u>
Total Net Assets	<u>\$ 837,194</u>

Governmental Activities

Most of the revenues for the district were derived from assessed property taxes and Fire District Assistance Tax from the county. The Fire Department Auxiliary also contributed a significant amount for the purchase of additional communication equipment to comply with the federal mandate of narrow-banding before January 2013.

General Fund Budgetary Highlights

During fiscal year 2009-2010, the Sunsites -Pearce Fire District stayed within budget.

Capital Asset and Debt Administration

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

For fiscal year ended 2010 the District purchased, had contributed or constructed the following assets:

The Fire District continued to make the annual payment on the 2005 Chevy Ambulance that was purchased in 2005.

Capital Assets

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

For fiscal year ended 2010 the District purchased, had contributed, or constructed the following assets:

None.

Capital Assets, Net of Depreciation June 30, 2010

	BALANCE <u>06/30/2009</u>	BALANCE <u>06/30/2010</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 393,516	\$ 378,199
Buildings	178,800	183,703
Equipment	<u>209,223</u>	<u>320,359</u>
Total Capital Assets	<u>781,539</u>	<u>882,261</u>
Less Accumulated Depreciation		
Vehicles	201,365	216,428
Buildings	89,915	94,430
Equipment	<u>117,303</u>	<u>149,247</u>
Less: Total Accumulated Depreciation	<u>408,583</u>	<u>460,105</u>
Depreciable Capital Assets, Net	372,956	422,156
<u>Non-Depreciable Assets</u>		
Land	<u>30,000</u>	<u>30,000</u>
Capital Assets, Net	<u>\$ 402,956</u>	<u>\$ 452,156</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$25,991. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	Balance <u>June 30, 2009</u>	Balance <u>June 30, 2010</u>
2005 Ambulance	\$ <u>33,950</u>	\$ <u>25,991</u>
Totals	<u>\$ 33,950</u>	<u>\$ 25,991</u>

Factors Affecting Future Results

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

Because assessed property values decreased significantly from 2008, fiscal year 2009-2010 saw no further reduction of the tax rate. Despite the decreased values, the fire district was able to create a budget without increasing the tax rate. This rate met the current needs of the District.

With assessed property values continuing to decline, the District's lower assessed property values may force the District to return to tax levy rates as seen in previous years. The District desires to maintain the current staffing arrangements in order to ensure service during emergencies. The District should keep the lowest rate possible to ensure that public safety needs are met while still remaining fiscally conservative and responsible.

Annexation of areas located outside the current District boundaries, are also being considered .

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 Sunsites-Pearce Fire District at 105 Tracy Road, Sunsites, Arizona.



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STATEMENT OF FINANCIAL POSITION

BASIC FINANCIAL STATEMENTS

**SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit A

Assets:

Cash & Cash Equivalents (Note 3)	\$ 367,951
Grants Receivable	106,856
Wildland Receivable	1,439
Service Contract Receivable (Note 5)	76,346
Capital Assets (Net of Accumulated Depreciation) (Note 7)	<u>452,156</u>
 Total Assets	 <u>1,004,748</u>

Liabilities:

Wages Payable	10,693
Payroll Taxes Payable	6,973
Accounts Payable	110,437
Due to the Pension Fund	200
Compensated Absences	
Portion due within one year	13,260
Lease/Purchases Payable	
Portion due within one year	8,301
Portion due after one year	<u>17,690</u>
Total Liabilities	<u>167,554</u>

Net Assets:

Invested in Capital Assets, net of related debt	426,165
Unrestricted Net Assets	<u>411,029</u>

Total Net Assets

\$ 837,194

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

**SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B

Expenses:

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 518,030
Materials & Services	258,112
Depreciation	<u>70,022</u>
Total Program Expenses	<u>846,164</u>

Program Revenues:

Operating & Capital Grants	116,989
Charges for Service	<u>377,161</u>
Total Program Revenues	494,150
Net Program Expense	<u>352,014</u>

General Revenues

Property Taxes	518,176
Fire District Assistance	107,819
Investment Earnings	3,887
Miscellaneous	<u>28,549</u>

Total General Revenues	<u>658,431</u>
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Increase in Net Assets	306,417
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Net Assets - Beginning of Year	<u>530,777</u>
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Net Assets - End of Year	<u><u>\$ 837,194</u></u>
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-The Notes to the Financial Statements are an Integral Part of this Statement-

SUNSITES-PEARCE FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2010

Exhibit C

	General
Assets:	
Cash & Cash Equivalents	\$ 367,951
Wildland Receivable	1,439
Grants Receivable	106,856
Service Contract Receivable	76,346
Total Assets	\$ 552,592
LIABILITIES & FUND BALANCE:	
Liabilities	
Wages Payable	10,693
Payroll Taxes Payable	6,973
Accounts Payable	110,437
Compensated Absences	13,260
Due to Pension Fund	200
Total Liabilities	141,563
Fund Balance	
Committed	64,587
Unassigned	346,442
Total Liabilities & Fund Balance	\$ 552,592

-The Notes to the Financial Statements are an Intregal Part of this Statement-

**SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit D

	General
Revenues:	
Property Taxes	\$ 518,176
Fire District Assistance Tax	107,819
Fee for Service	377,161
Interest	3,887
Miscellaneous	28,549
Grants	116,989
Total Revenues	1,152,581
Expenditures:	
Current:	
Public Safety	841,811
Administration	10,840
Capital Outlay	40,925
Debt Service	
Principal	7,631
Interest	1,788
Total Expenditures	902,995
Excess (Deficiency) of Revenues over Expenditures	249,586
Net Change in Fund Balances	249,586
Fund Balances at Beginning of Year	161,443
Fund Balances at End of Year	\$ 411,029

-The Notes to the Financial Statements are an integral Part of this Statement-

SUNSITES-PEARCE FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Exhibit E

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because of the following:

Fund Balances - Total Governmental Funds (Exhibit C)	\$	411,029
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Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.

Governmental Capital Assets	912,261	
Less: Accumulated Depreciation	<u>(460,105)</u>	
		452,156

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(25,991)

Net Assets of Governmental Activities (Exhibit A)	\$	<u>837,194</u>
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-The Notes to the Financial Statements are an integral Part of this Statement-

SUNSITES-PEARCE FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit F

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$ 249,586
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense exceeded depreciation in the current period.	49,200
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>7,631</u>
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Change in Net Assets of Governmental Activities (Exhibit B)	<u><u>\$ 306,417</u></u>
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-The Notes to the Financial Statements are an Integral Part of this Statement-

SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

Exhibit G

	<u>Volunteer Pension Fund</u>
Assets:	
Cash & Cash Equivalents	\$ 129,923
Due from General Fund	200
Employee Receivable	<u>545</u>
Total Assets	<u>\$ 130,668</u>
Liabilities:	
Accounts Payable	<u>\$ -</u>
Total Liabilities	<u>-0-</u>
Net Assets:	
Held in trust for pension and other purposes	<u>\$ 130,668</u>

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

**SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit H

	<u>Volunteer Pension Fund</u>
Additions:	
Other	
State Fire Marshal	\$ 2,234
Total Other Contributions	<u>2,234</u>
Investment Earnings:	
Interest & Dividends	4,979
Net Decrease in the fair value of investments	<u>(658)</u>
Total Investment Earnings	4,321
Less Investment Expense	<u>-</u>
Net Investment Earnings	<u>4,321</u>
Total Additions	<u>6,555</u>
Deductions:	
Disbursements	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	6,555
Net Assets - Beginning	<u>124,113</u>
Net Assets - Ending	<u><u>\$ 130,668</u></u>

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

SUNSTITES-PEARCE FIRE DISTRICT
PEARCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period.

Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial standards to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

C. Cash Equivalents

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

D. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

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

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

E. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts. The District considers all compensated absences as current as no leave is allowed to be carried forward.

F. Long-Term Obligations

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

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

G. Fund Equity

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

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

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications.

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

H. Accounting Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

During the last quarter of the fiscal year, the ensuing years operating budget, including proposed expenditures and the means of financing them, is compiled by the Fire Chief. A public hearing is held on the budget subsequent to the publication of the proposed budget in a newspaper of general circulation in the District. The budget is then submitted to the District Board for approval. After approval by the District Board the budget is then sent to the County Board of Supervisors no later than August 1st of each year as required by ARS 48-807(e).

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.

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

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

A. Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes. Deposits may be placed with any FDIC insured institution or invested in other investments as determined by the District Board. Deposits with public institutions in excess of FDIC insurance limits are required to be collateralized to the extent of one hundred and one percent of the excess deposit amount (ARS-35-323).

The District maintains accounts (as required by state law) in a public investment pool operated by the County Treasurer which is in turn invested in the Arizona State Investment Pool. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool. This pool is under the control of the Treasurer of the State of Arizona.

The District is also authorized to open its own depository or investment accounts. State law requires FDIC insured institutions to collateralize with specifically identifiable securities held by a third party all governmental accounts exceeding the FDIC level of insurance.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2010:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Trust Fund</u>	<u>Total</u>
Investments	\$ 389,994	129,923	519,917
Total Deposits	389,994	129,923	519,917
In Transit Items	(22,349)	0	(22,349)
Total Depository Accounts	367,645	129,923	497,568
Non Depository Accounts			
Cash on Hand	306	0	306
Total Non Depository	306	0	306
Total Cash & Cash Equivalents	<u>\$ 367,951</u>	<u>\$ 129,923</u>	<u>\$ 497,874</u>

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

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

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

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

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

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

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

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

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$ 389,994
Edward Jones Investments	Unrated	Not Applicable	\$ 129,993

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

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

The following chart contains information about the Weighted Average Maturity (WAM) of the Arizona State Treasurer's Local Government Investment Pools. Additional information is available on the Arizona State Treasurer website.

LGIP WAM

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009	77.32											
2008	38.42	38.81	41.25	42.07	49.31	44.70	43.31	41.77	42.97	46.22	54.65	79.71
2007	98.42	79.02	74.26	77.21	93.80	78.03	78.13	72.49	60.63	51.90	53.30	51.83
2006	57.22	61.85	66.62	55.05	62.67	50.95	63.07	103.33	103.24	110.44	95.51	93.34
2005	100.32	100.36	93.32	99.06	96.21	84	91.55	79.22	75.27	65.60	64.11	69.4
2004	86.52	80.3	79	82.66	79.3	71.59	180.85	167.22	162.99	151.52	151.65	145.53
2003	45	45	45	43.57	37.89	74.65	103.6	89.29	87.73	93.35	95.17	87.07

LGIP-US GOV INVESTMENTS WAM

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009	27.58											
2008	25.04	24.56	30.25	15.46	19.99	23.13	20.35	20.54	52.49	34.27	24.92	25.62
2007	14.96	14.50	39.11	30.73	52.85	49.55	48.94	47.72	39.80	36.49	38.92	28.69
2006	90.95	89.71	74.41	60.34	44.17	36.87	30.21	25.18	20.96	14.09	13.68	7.37
2005	141.59	125.37	140.04	103.62	121.18	152	119.02	129.80	127.52	121.45	113.07	96.83
2004	120.57	118.86	116.59	151.44	129.30	122.64	137.49	116.82	113.70	101.86	88.66	79.27
2003	22.53	32.35	43.37	118.77	108.44	142.34	144.70	138.08	129.80	120.61	92.99	106.10

B. Risk Management

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

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

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

NOTE 4 - INVENTORIES

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

NOTE 5 - RECEIVABLES

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

NOTE 6 - DEFERRED REVENUES

Deferred Taxes Receivable arise when property taxes are levied by not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises. The District has not accrued taxes levied but uncollected as that information has not been available from the county records.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended.

	BALANCE <u>06/30/2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>06/30/2010</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 393,516	\$ 3,183	\$ 18,500	\$ 378,199
Buildings	178,800	4,903		183,703
Equipment	<u>209,223</u>	<u>111,136</u>	<u>0</u>	<u>320,359</u>
Total Capital Assets	<u>781,539</u>	<u>119,222</u>	<u>18,500</u>	<u>882,261</u>
Less Accumulated Depreciation				
Vehicles	201,365	33,563	18,500	216,428
Buildings	89,915	4,515	0	94,430
Equipment	<u>117,303</u>	<u>31,944</u>	<u>0</u>	<u>149,247</u>
Less: Total Accumulated Depreciation	<u>408,583</u>	<u>70,022</u>	<u>18,500</u>	<u>460,105</u>
Depreciable Capital Assets, Net	372,956	49,200	0	422,156
<u>Non-Depreciable Assets</u>				
Land	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
Capital Assets, Net	<u>\$ 402,956</u>	<u>\$ 49,200</u>	<u>\$ 0</u>	<u>\$ 452,156</u>

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 - POST EMPLOYMENT BENEFITS

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

NOTE 10 - ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred. Such amounts have been accrued in the governmental fund (using the modified accrual basis of accounting).

The District policy on sick leave allows employees to be compensated for a portion of their accrued unused sick time when they retire, based on schedule which varies with length of service and type of employee. At June 30, 2010, the total amount of accumulated sick leave \$ 16,837. The vested portion at June 30, 2010 was undetermined.

NOTE 11 – LONG-TERM OBLIGATIONS

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets. The District has entered into various Lease/Purchase contract for the acquisition of assets. Pursuant to Arizona Statutes, these agreements may be cancelled by the District at anytime. Arizona Governments are prohibited from obligating future revenues without voter approval. The District has entered into the following Lease/Purchase agreements.

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

2005 Ambulance: The District entered into a lease/purchase agreement for a 2005 Chevrolet C 4500 Ambulance by First Municipal Leasing Corporation. The lease/purchase is in the amount of \$ 51,000 with an interest rate of 4.300% with annual payments of \$9,419.06 due each March 21st with the first payment due in 2008 for five years. The District prepaid \$9,419.06 on March 21, 2008.

Changes in Long-Term Debt:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
2005 Ambulance	\$ 33,622	\$ 0	\$ 7,631	\$ 25,991
Totals	<u>\$ 33,622</u>	<u>\$ 0</u>	<u>\$ 7,631</u>	<u>\$ 25,991</u>

NOTE 12- FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS

The future minimum lease obligations and the net present value of these minimum lease/purchase payments as of June 30, 2010, were as follows:

<u>Year Ending June</u>	
2011	\$ 9,419
2012	9,419
2013	<u>9,419</u>
Total Minimum Payments	28,257
Less: Amount Representing Interest	<u>2,266</u>
Present Value of Minimum Debt Payments	<u>\$ 25,991</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)

A. Plan Descriptions

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

The District maintains a *Volunteer Fire Pension Fund* as allowed by ARS 9-951. This plan is administered by the District.

Benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Maximum age does not apply. Retirement age is earlier of age 50 or 20 years of service. Entry dates are Jan 01 and July 01 of each year. The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan.

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

NOTE 14- PROPERTY TAX CALENDAR

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

SUNSITES-PEARCE FIRE DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit I

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 554,955	\$ 554,955	\$ 518,176	\$ (36,779)
Fire District Assistance	73,000	73,000	107,819	34,819
Fees for Service	190,500	190,500	377,161	186,661
Interest	-	-	3,887	3,887
Grants	738,900	738,900	116,989	(621,911)
Miscellaneous	2,000	2,000	28,549	26,549
Total Revenues	<u>1,559,355</u>	<u>1,559,355</u>	<u>1,152,581</u>	<u>(406,774)</u>
Expenditures:				
Current:				
Public Safety	996,855	996,855	841,811	155,044
Administration	29,500	29,500	10,840	18,660
Capital Outlay	608,000	608,000	50,344	557,656
Total Expenditures	<u>1,634,355</u>	<u>1,634,355</u>	<u>902,995</u>	<u>731,360</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>249,586</u>	<u>324,586</u>
Net Change in Fund Balances	(75,000)	(75,000)	249,586	324,586
Fund Balances at Beginning of Year	<u>75,000</u>	<u>75,000</u>	<u>161,443</u>	<u>86,443</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 411,029</u>	<u>\$ 411,029</u>

REPORT OF THE DISTRICT
ATTORNEY GENERAL
FOR THE YEAR ENDING JUNE 30, 1918

LEGAL REPORTS OF DISTRICT ATTORNEYS

NAME OF DISTRICT ATTORNEY

DATE OF REPORT

OTHER SUPPLEMENTARY INFORMATION

DESCRIPTION OF MATTER

LEGAL REPORTS OF DISTRICT ATTORNEYS

NAME OF DISTRICT ATTORNEY

DATE OF REPORT

LOCATION OF OFFICE OF DISTRICT ATTORNEY

COUNTY

LEGAL REPORTS OF DISTRICT ATTORNEYS

NAME

**SUNSIDES -PEARCE FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2010**

REGULAR FIRE BOARD MEETINGS:

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 28, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
August 25, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
Sept 22, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
October 27, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
November 24, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
December 22, 2009	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
January 26, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
February 23, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
March 23, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
April 27, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
May 25, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona
June 22, 2010	5:00 p.m.	Sunsites Fire Station, 105 N. Tracy Road, Pearce, Arizona

BOARD MEMBERS:

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>
Robert Fino	520-826-3645	Retired
Mary Farrar	520-826-3645	Real Estate Agent
William McCarter	520-826-3645	Retired
Lawrence Edgett	520-826-3645	Retired
Candayce Young Mayo	520-826-3645	Retired

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

Sunsites Fire Station	Pearce, Arizona
US Post Office	Pearce, Arizona
Country Store	Richland, Arizona

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

None