

CORONA DE TUCSON FIRE DISTRICT

YEAR ENDED JUNE 30, 2015

CORONA DE TUCSON FIRE DISTRICT

YEAR ENDED JUNE 30, 2015

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BEACHFLEISCHMAN

Independent Auditors' Report

Governing Board and Management
Corona de Tucson Fire District
Vail, Arizona

We have audited the accompanying statement of cash receipts and disbursements and changes in cash and cash equivalents of Corona de Tucson Fire District for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in cash basis financial position of Corona de Tucson Fire District for the year ended June 30, 2015 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of Corona de Tucson Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corona de Tucson Fire District's internal control over financial reporting and compliance.

Beak Fleischman PC

Tucson, Arizona
September 23, 2015

CORONA DE TUCSON FIRE DISTRICT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS

YEAR ENDED JUNE 30, 2015

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Cash receipts:			
Property taxes	\$ 1,358,591	\$ -	\$ 1,358,591
Fire district assistance tax	269,052	-	269,052
Charges for services	198,676	-	198,676
Rental income	1,650	-	1,650
Other	<u>861</u>	<u>-</u>	<u>861</u>
Total cash receipts	<u>1,828,830</u>	<u>-</u>	<u>1,828,830</u>
Cash disbursements:			
Salaries and wages	1,050,837	-	1,050,837
Employee taxes and benefits	285,494	-	285,494
Materials and supplies	64,035	-	64,035
Professional services	9,566	-	9,566
Utilities and communications	67,458	-	67,458
Insurance	33,684	-	33,684
Repairs and maintenance	46,965	-	46,965
Training	496	-	496
Office expense	17,695	-	17,695
Capital outlay:			
Fire equipment	3,728	-	3,728
Debt service:			
Principal retirement	114,224	-	114,224
Interest and fiscal charges	<u>77,065</u>	<u>-</u>	<u>77,065</u>
Total cash disbursements	<u>1,771,247</u>	<u>-</u>	<u>1,771,247</u>
Receipts over disbursements	<u>57,583</u>	<u>-</u>	<u>57,583</u>
Other financing sources (uses):			
Transfers in (out)	-	-	-
Net change in cash and cash equivalents	57,583	-	57,583
Cash and cash equivalents, beginning of year	<u>262,804</u>	<u>43,420</u>	<u>306,224</u>
Cash and cash equivalents, end of year	<u>\$ 320,387</u>	<u>\$ 43,420</u>	<u>\$ 363,807</u>

See notes to financial statements.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies:

Reporting entity:

Corona de Tucson Fire District (the District), established in 1975 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries. The District derives the majority of its cash receipts from property tax levies.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Basis of accounting:

The cash basis of accounting is followed by the District. The cash basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Revenue is recorded in the period cash is received. Amounts received and held by Pima County, Arizona (the County) for the benefit of the District are reflected as revenue when received by the County; consequently, the financial statements do not reflect accounts receivable, including billings for fire protection agreements and property taxes. Expenditures are recorded in the period they are paid; consequently, the financial statements do not reflect expenditures paid in advance of services provided or goods received, prepaid assets or inventory, and do not reflect expenditures incurred but not yet paid, accounts payable, accrued payroll and accrued employee benefits.

Fund accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for the resources. Each fund is considered a separate accounting entity and its operations are accounted for in a separate set of self-balancing accounts, as follows:

The general fund accounts for all financial resources used to finance District services except those required to be accounted for in another fund.

The capital projects fund accounts for resources to be used for acquiring and constructing major capital facilities and other capital assets.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Cash and investments:

The District considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents. Investments maintained in the Pima County Investment Pool are carried at cost, which approximates fair value, and can be liquidated as needed.

The District places its cash and investments with various credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and investments.

Property tax receipts:

Real and personal property taxes are levied on or before the third Monday in August that become due and payable in two equal installments. The County also levies a fire district assistance tax on taxable property in the County, which is allocated to the various districts. Each District receives fire district assistant tax equal to twenty percent of the District's adopted property tax levy for the year, limited to \$400,000.

The first installment for taxes 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. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Pima County and remitted to the District. Property taxes are reflected as cash receipts in the year they are received.

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board

CORONA DE TUCSON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Fund balance (continued):

- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The following is a breakdown of the District's cash basis fund balance at June 30, 2015:

Unassigned	\$ 320,387
Committed for capital projects	<u>43,420</u>
	<u>\$ 363,807</u>

Budgetary information:

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; under statute only the General Fund must legally adopt an annual budget.

2. Cash and investments:

Cash and investments consist of the following:

Deposits:	
Operating accounts	\$ 355,600
Investments:	
Pima County Treasurer investment pool	<u>8,207</u>
	<u>\$ 363,807</u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued):

Investments (continued):

Custodial credit risk - the District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments.

3. Interfund transfers:

Interfund transfers are used to transfer funds from the general fund to the capital projects fund for current or future capital purchases.

4. 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 natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. Lease purchase agreements:

The District, has a lease purchase agreement with Zions First National Bank to acquire real property. The lease requires semi-annual payments of \$79,000 including interest ranging from 4.84% to 5.38% through December 2026. The lease is divided into consecutive twelve-month terms and renews annually unless a termination clause is exercised. The District is required to make a payment totaling any remaining unpaid principal payments under the lease if it is terminated early.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

5. Lease purchase agreements (continued):

The district also has a lease purchase agreement with First Bankers Corporation to acquire a fire apparatus. The lease requires annual payments of \$33,300 including interest at 5.2% through December 2015.

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year ending <u>June 30,</u>	
2016	\$ 191,299
2017	158,000
2018	158,000
2019	158,000
2020	158,000
2021 - 2025	790,000
2026 - 2030	<u>158,000</u>
Total minimum lease payments	1,771,299
Less amount representing interest	<u>432,152</u>
Net present value of minimum lease payments	1,339,147
Less current portion	<u>123,455</u>
	<u>\$ 1,215,692</u>

6. Commitments:

Intergovernmental agreements:

The District is party to a variety of intergovernmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

Compensation:

During 2015, the District determined that errors existed in their payroll procedures. The District is working with a consultant and the U.S. Department of Labor to correct the matter. Presently, management does not know the impact, if any, the adjustment will have on District's finances.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

7. Concentrations:

The District generally receives approximately 89% of its cash receipts from property taxes. A change in land value due to downturn in the housing market or poor economic conditions could have a significant impact on the District.

8. Public Safety Personnel Retirement System (PSPRS):

Plan description:

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. PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 4.

Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing the Plan at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding policy:

The Arizona State Legislature establishes and may amend active plan members' contribution rates, as well as the rates applicable to the District.

For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05% of the members' annual covered payroll and the District was required to contribute 16.30%, the aggregate of which is the actuarially required amount.

Annual pension cost:

The District's pension cost for the PSPRS plan for the year ended June 30, 2015 was \$145,780, all of which was contributed during 2015.

CORONA DE TUCSON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

8. Public Safety Personnel Retirement System (PSPRS) (continued):

Funded status:

The funded status of the plan as of the most recent valuation date, June 30, 2014 is as follows:

	<u>Pension insurance</u>	<u>Health insurance</u>
Actuarial accrued liability (a)	\$ 2,722,177	\$ 83,052
Actuarial value of assets (b)	\$ 2,063,118	\$ 82,209
Unfunded actuarial accrued liability (a) - (b)	\$ 659,059	\$ 843
Funded ratio (b) / (a)	75.8 %	99 %
Covered payroll (c)	\$ 972,423	\$ 972,423
Unfunded actuarial accrued liability as a percentage of covered payroll $[(a) - (b)] / (c)$	67.8 %	0.09 %



BEACHFLEISCHMAN

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

Governing Board and Management
Corona de Tucson Fire District
Vail, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of cash receipts and disbursements and changes in cash and cash equivalents of Corona de Tucson Fire District for the year ended June 30, 2015 and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. *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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2015-001, 2015-002, 2015-003, 2015-004].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses. [2015-005]

Corona de Tucson Fire District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Beach Fleischman PC

Tucson, Arizona
September 23, 2015

CORONA DE TUCSON FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

2015-001

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the payroll process.

Condition / Context:

- In our review of 25 employee payroll transactions, we noted the personnel files were not complete and did not contain formal documentation of current approved wage rates.
- We noted non-exempt District employees did not prepare time sheets during the year.
- We further noted that non-exempt employees were paid based on a calculated average pay, not based on actual hours worked in a given pay period. Calculating total expected pay for the year and paying it evenly over the year without regard to actual hours worked, does not meet Fair Labor Standards Act (FLSA) non-exempt requirements.
- During our review, we noted a Board member reviews the payroll reports; however, no review was performed by someone in management with knowledge of pay rates and hours worked.

Effect:

Insufficient internal controls over the payroll procedures could result in errors or omissions in accounting and reporting of payroll disbursements.

Cause:

Limited staff size and available resources.

Recommendation:

We recommend the District update its payroll procedures requiring documentation of approved wage rates and employment status (FLSA exempt or non-exempt) in all personnel files. The responsibility for maintaining the personnel files should be segregated from the employee that processes payroll, if possible. We recommend all employees complete time sheets, and that the time sheets be reviewed by a supervisor with knowledge of the hours worked. We recommend implementing a level of review by the Chief (or Assistant Chief in his absence) of payroll reports, and that this level of review be documented. The Board member should still consider the reasonableness of payroll during the monthly review of financial statements, but the detail review of payroll should be done by the Chief.

We recommend the District hire a payroll professional to provide training on how to properly determine pay for non-exempt employees under FLSA requirements. Pay should be based on actual hours worked on a work period basis, in accordance with section 7(k) of the FLSA, which is specific to fire protection employees.

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2015

2015-001 (continued)

View of responsible officials and planned corrective actions:

Management has hired an outside third party to review their payroll system and to determine if employees are due any additional pay due to the inadequate payroll reporting over the past three years. Management has also reported the issue to the Department of Labor. A new electronic time keeping system has been implemented, requiring supervisor approval of hours worked.

2015-002

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the cash disbursements process.

Condition / Context:

- In our review of 25 disbursements, we noted that purchase orders are often not requested nor approved prior to services being purchased.
- We noted many services are considered recurring and do not require a purchase order.
- We further noted that one individual prepares the checks, is an authorized signer on the accounts, and mails out the signed checks.
- We noted that the District's check stock was not kept on site in a locked, fire proof safe and that a check log was not kept.

Effect:

Insufficient internal controls over the cash disbursements process could result in errors or omissions in accounting and reporting of cash disbursements.

Cause:

Limited staff size and available resources.

Recommendation:

We recommend the District update its disbursement procedures requiring purchase orders be prepared and submitted for approval prior to purchases being made. Blank check stock should be kept on site in a fire proof safe and tracked with a log indicating how each check was used. The individual preparing the checks should not be a check signer. Recurring services that do not require a purchase order should be limited to monthly recurring expenses.

View of responsible officials and planned corrective actions:

The Board has contracted with an experienced interim Chief in fire district administration to review and overhaul the District's processes and procedures.

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2015

2015-003

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the cash receipts process.

Condition / Context:

- Fire protection agreements for individuals outside the District's boundaries are billed and tracked in a program outside of the general ledger system. However, there is no reconciliation of the receipts recorded for these fire protection agreements in the program to the general ledger.
- We noted the same individual prepares the deposits, deposits the cash with the bank, posts the deposits in the general ledger system, and reconciles the bank statement.
- We noted checks are not restrictively endorsed when the mail is opened, and the checks are taken off-site where the deposits are prepared.

Effect:

Insufficient internal controls surrounding the cash receipts process could result in errors or omissions in accounting and reporting of cash receipts.

Cause:

Limited staff size and available resources.

Recommendation:

We recommend the District update its cash receipts procedures and segregate the duties of preparing deposits, deposit remittances, and posting deposits in the general ledger. Checks should be restrictively endorsed 'for deposit only' when the mail is opened, and checks should not leave the District offices, unless to be taken directly to the bank. Further, we recommend that reports from the fire protection agreements program be compared monthly to the general ledger to ensure all receipts recorded against the agreements were deposited to the bank.

View of responsible officials and planned corrective actions:

The Board has contracted with an experienced interim Chief in fire district administration to review and overhaul the District's processes and procedures.

2015-004

Criteria:

The District is responsible for establishing and maintaining a system of internal control and procedures over the accounting records.

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2015

2015-004 (continued)

Condition / Context:

- The District's employee responsible for accounting works predominately off-site. Certain of the District's original accounting records, including invoices and payroll information are at times in their possession off-site. In addition, the District's blank check stock and undeposited receipts are kept off-site.

Effect:

Insufficient internal controls surrounding the accounting records and assets could result in errors or omissions in accounting and reporting.

Cause:

Limited staff size, limited available resources, and performing the bookkeeping function off-site.

Recommendation:

We recommend all District employees work on-site. All District accounting records should be kept on site at all times.

View of responsible officials and planned corrective actions:

The Board has contracted with an experienced interim Chief in fire district administration to review and overhaul the District's processes and procedures.

FINDINGS RELATED TO COMPLIANCE REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

2015-005

Criteria:

The District is responsible for compliance with various state statutes specific to fire districts.

Condition / Context:

- Per A.R.S. 48-807, a fire district shall produce monthly financial reports to include a register of checks, warrants and deposits, a statement of financial activities and a statement of net assets for each calendar month. A fire district shall produce a cash flow projection report for each fiscal year. We noted a cash flow projection report was not prepared and the monthly reports were not done on a calendar month basis, instead the reports were from the time period between board meetings. We further noted the Board minutes did not consistently reflect approval of the financial reports.

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2015

2015-005 (continued)

- Per A.R.S 48-803, District board members and the fire chief shall complete at least six hours of professional development training, with board members completing their training within one year after the date of the certification of their election. We noted that of the three board members elected during the year, only one board member satisfied this requirement.

Effect:

Insufficient oversight procedures by the Board, due to insufficient reporting to and training of Board members, could result in errors or omissions in accounting and reporting of the financial statements.

Cause:

Limited staff size and available resources.

Recommendation:

We recommend the District monitor state statutes applicable to fire districts, or engage an attorney familiar with state statutes, and implement necessary procedures to ensure compliance with these statutes.

View of responsible officials and planned corrective actions:

The Board has retained a new attorney with fire district experience, and will be adding a cash flow projection report to the monthly financial reports. Further, the Board will be looking into dates of when the new Board members can receive the required training.



BEACHFLEISCHMAN

Independent Auditors' Report

Governing Board and Management
Corona de Tucson Fire District
Vail, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of cash receipts and disbursements and changes in cash and cash equivalents of Corona de Tucson Fire District for the year ended June 30, 2015 and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

In connection with our audit, nothing contrary came to our attention that caused us to believe that Corona de Tucson Fire District failed to comply with the provisions of section 48-805, subsection B, section 48-806, section 48-807, and section 48-805.02, subsection F as required pursuant to section 48-805.02, subsection G of the Arizona Revised Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the Statute, insofar as they relate to accounting matters.

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

BeachFleischman PC

Tucson, Arizona
September 23, 2015