

**AMBULANCE REVENUE and COST REPORT  
FIRE DISTRICT and SMALL RURAL COMPANY**

**Arizona Department of Health Services  
Annual Ambulance Financial Report**

**Fry Fire District**  
Reporting Ambulance Service

Address: 4817 S. Apache Ave  
City: Sierra Vista Zip: 85650

**Report Fiscal Year**

From: July 1, 2013 To: June 30, 2014  
Mo. Day Year Mo. Day Year

*I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.*

*I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.*

*This report has been prepared using the accrual basis of accounting.*

Authorized Signature: Maria A. Gordon (!) Date: December 16, 2014  
Print Name and Title: Maria A. Gordon, Administrative Manager  
Phone: (520) 378-3276 ext. 10

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Department of Health Services  
Bureau of Emergency Medical Services  
Certificate of Necessity and Rates Section  
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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Fry Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

**STATISTICAL SUPPORT DATA**

| Line No. | DESCRIPTION                        | (1)<br>SUBSCRIPTION<br>SERVICE<br>TRANSPORTS | *(2)<br>TRANSPORTS<br>UNDER<br>CONTRACT | (3)<br>TRANSPORTS<br>NOT UNDER<br>CONTRACT | (4)<br>TOTALS |
|----------|------------------------------------|--|---|--|---------------|
| 1        | Number of ALS Billable Transports: | 1,265  |   |  | 1,265         |
| 2        | Number of BLS Billable Transports: | 146  |   |  | 146           |
| 3        | Number of Loaded Billable Miles:   | 9,422  |   |  | 9,422         |
| 4        | Waiting Time (Hr. & Min.):         |  |   |  | -             |
| 5        | Canceled (Non-Billable) Runs:      |  |   |  | -             |

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

|    |   |  |  |                          |              |
|----|---|--|--|--------------------------|--------------|
| 6  | ALS Base Rate Revenue                             |  |  |                          | \$ 1,349,655 |
| 7  | BLS Base Rate Revenue                             |  |  |                          | 155,740      |
| 8  | Mileage Charge Revenue                            |  |  |                          | 138,881      |
| 9  | Waiting Charge Revenue                            |  |  |                          | -            |
| 10 | Medical Supplies Charge Revenue                   |  |  |                          | 25,202       |
| 11 | Nurses Charge Revenue                             |  |  |                          | -            |
| 12 | Standby Charge Revenue (Attach Schedule)          |  |  |                          | -            |
| 13 | TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE |  |  | (Post to Page 3, Line 1) | \$ 1,669,478 |

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**SALARY AND WAGE EXPENSE DETAIL**

| GROSS WAGES: |  | ** No. of FTE's           |
|--------------|--|---------------------------|
| 14           | Management   | \$ 267,359      2.0 **    |
| 15           | Paramedics and EMTs  | \$ 1,500,687      29.2 ** |
| 16           | Emergency Medical Technician (EMT)   | \$ 828,634      25.2 **   |
| 17           | Other Personnel  | \$ 374,900      5.0 **    |
| 18           | Payroll Taxes and Fringe Benefits - All Personnel                                | \$ 1,116,728              |
| 19           | Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10) | \$ 4,088,307      61 **   |

\* This column reports only those runs where a contracted discount rate was applied.

\*\* Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

**AMBULANCE REVENUE AND COST REPORT**  
**FIRE DISTRICT and SMALL RURAL COMPANY**

**AMBULANCE SERVICE ENTITY:**

Fry Fire District

**FOR THE PERIOD**

**FROM:** July 1, 2013

**TO:** June 30, 2014

**SCHEDULE OF REVENUES AND EXPENSES**

| Line No.                           | <u>DESCRIPTION</u>                                   |   |                       |
|------------------------------------|--|---|-----------------------|
| <b>Operating Revenues:</b>         |  |   |                       |
| 1                                  | Total Ambulance Service Operating Revenue            | (From: Page 2, Line 13)                     | \$ <u>1,669,478</u>   |
| <u>Settlement Amounts:</u>         |  |   |                       |
| 2                                  | AHCCCS .....   |   | <u>89,897</u>         |
| 3                                  | Medicare .....                                       |   | <u>490,093</u>        |
| 4                                  | Subscription Service .....                           |   | <u>          </u>     |
| 5                                  | Contractual .....                                    |   | <u>          </u>     |
| 6                                  | Other .....  |   | <u>65,632</u>         |
| 7                                  | Total  | (Sum of Lines 2 through 6)                  | <u>645,622</u>        |
| 8                                  | Total Operating Revenue                              | (Line 1 minus Line 7)                       | \$ <u>852,879</u>     |
| <b>Operating Expenses:</b>         |  |   |                       |
| 9                                  | Bad Debt .....                                       |   | \$ <u>10,948</u>      |
| 10                                 | Total Salaries, Wages, and Employee-Related Expenses | (From: Page 2, Line 19)                     | <u>4,088,307</u>      |
| 11                                 | Professional Services .....                          |   | <u>25,945</u>         |
| 12                                 | Travel and Entertainment .....                       |   | <u>25,090</u>         |
| 13                                 | Other General Administrative .....                   |   | <u>162,764</u>        |
| 14                                 | Depreciation .....                                   |   | <u>61,113</u>         |
| 15                                 | Rent / Leasing .....                                 |   | <u>          </u>     |
| 16                                 | Building / Station .....                             |   | <u>67,985</u>         |
| 17                                 | Vehicle Expense .....                                |   | <u>49,266</u>         |
| 18                                 | Other Operating Expense .....                        |   | <u>36,794</u>         |
| 19                                 | Cost of Medical Supplies Charged to Patients .....   |   | <u>46,759</u>         |
| 20                                 | Interest .....                                       |   | <u>846</u>            |
| 21                                 | Subscription Service Sales Expense .....             |   | <u>          </u>     |
| 22                                 | Total Operating Expense                              | (Sum of Lines 9 through 21)                 | <u>4,575,816</u>      |
| 23                                 | Total Operating Income or (Loss)                     | (Line 8 minus Line 22)                      | \$ <u>(3,722,937)</u> |
| 24                                 | Subscription Contract Sales .....                    |   | <u>          </u>     |
| 25                                 | Other Operating Revenue .....                        |   | <u>          </u>     |
| 26                                 | Local Supportive Funding .....                       |   | <u>3,963,538</u>      |
| 27                                 | Other Non-Operating Income (Attach Schedule) .....   |   | <u>          </u>     |
| 28                                 | Other Non-Operating Expense (Attach Schedule) .....  |   | <u>          </u>     |
| 29                                 | NET INCOME or (LOSS) Before Income Taxes             | (Sum of Lines 23 through 27, minus Line 28) | \$ <u>240,601</u>     |
| <b>Provision for Income Taxes:</b> |  |   |                       |
| 30                                 | Federal Income Tax .....                             |   | <u>          </u>     |
| 31                                 | State Income Tax .....                               |   | <u>          </u>     |
| 32                                 | Total Income Tax                                     | (Line 30, plus Line 31)                     | <u>          </u>     |
| 33                                 | <b>Ambulance Service Net Income (Loss)</b>           | (Line 29, minus Line 32)                    | <u>240,601</u>        |

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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Fry Fire District

FOR THE PERIOD FROM: July 1, 2013 TO: June 30, 2014

SEE FINANCIAL STATEMENTS

**BALANCE SHEET**

**ASSETS**

CURRENT ASSETS

|   |   |    |  |    |
|---|---|----|--|----|
| 1 | Cash .....                                  | \$ |  |    |
| 2 | Accounts Receivable .....                   |    |  |    |
| 3 | Less: Allowance for Doubtful Accounts ..... |    |  |    |
| 4 | Inventory .....                             |    |  |    |
| 5 | Prepaid Expe: .....                         |    |  |    |
| 6 | Other Current Assets .....                  |    |  |    |
| 7 | <b>TOTAL CURRENT ASSETS</b>                 |    |  | \$ |

|    |                                      |  |  |  |
|----|--------------------------------------|--|--|--|
| 9  | PROPERTY & EQUIPMENT .....           |  |  |  |
| 10 | Less: Accumulated Depreciation ..... |  |  |  |

|    |                                |  |  |  |
|----|--------------------------------|--|--|--|
| 11 | OTHER NON CURRENT ASSETS ..... |  |  |  |
|----|--------------------------------|--|--|--|

|    |              |  |  |    |
|----|--------------|--|--|----|
| 12 | TOTAL ASSETS |  |  | \$ |
|----|--------------|--|--|----|

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**LIABILITIES & EQUITY**

CURRENT LIABILITIES

|    |   |    |  |    |
|----|---|----|--|----|
| 13 | Accounts Payable .....                  | \$ |  |    |
| 14 | Current Portion of Notes Payable .....  |    |  |    |
| 15 | Current Portion of Long-Term Debt ..... |    |  |    |
| 16 | Deferred Subscription Income .....      |    |  |    |
| 17 | Accrued Expenses and Other .....        |    |  |    |
| 18 | .....                                   |    |  |    |
| 19 | .....                                   |    |  |    |
| 20 | <b>TOTAL CURRENT LIABILITIES</b>        |    |  | \$ |

|    |                             |  |  |  |
|----|-----------------------------|--|--|--|
| 21 | NOTES PAYABLE .....         |  |  |  |
| 22 | LONG-TERM DEBT, OTHER ..... |  |  |  |
| 23 | <b>TOTAL LONG-TERM DEBT</b> |  |  |  |

EQUITY & OTHER CREDITS

Paid-In Capital:

|    |  |  |  |   |
|----|--|--|--|---|
| 24 | Common Stock .....                           |  |  |   |
| 25 | Paid-In Capital in Excess of Par Value ..... |  |  |   |
| 26 | Contributed Capital .....                    |  |  |   |
| 27 | Retained Earnings .....                      |  |  |   |
| 28 | .....  |  |  | - |
| 29 | .....  |  |  | - |
| 30 | Fund Balance .....                           |  |  | - |
| 31 | <b>TOTAL EQUITY</b>                          |  |  |   |

|    |                            |  |  |    |
|----|----------------------------|--|--|----|
| 32 | TOTAL LIABILITIES & EQUITY |  |  | \$ |
|----|----------------------------|--|--|----|

# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY:

Fry Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

**STATEMENT OF CASH FLOWS**

SEE FINANCIAL STATEMENTS

**OPERATING ACTIVITIES:**

|  |  |          |
|--|--|----------|
| 1  | Net (loss) Income .....                                | \$ _____ |
| <i>Adjustments to Reconcile Net Income to Net Cash</i>   |  |          |
| <i>Provided by Operating Activities:</i> Note: a increase in these accounts improves cash flow |  |          |
| 2  | Depreciation Expense .....                             | _____    |
| 3  | Deferred Income Tax .....                              | _____    |
| 4  | Loss (gain) on Disposal of Property & Equipment .....  | _____    |
| <i>(Increase) Decrease in:</i> Note: a decrease in these accounts improves cash flow           |  |          |
| 5  | Accounts Receivable .....                              | _____    |
| 6  | Inventories .....                                      | _____    |
| 7  | Prepaid Expenses .....                                 | _____    |
| <i>Increase (Decrease) in:</i> Note: a increase in these accounts improves cash flow           |  |          |
| 8  | Accounts Payable .....                                 | _____    |
| 9  | Accrued Expenses .....                                 | _____    |
| 10   | Deferred Subscription Income .....                     | _____    |
| 11   | NET CASH PROVIDED (Used) BY OPERATING ACTIVITIES ..... | \$ _____ |

**INVESTING ACTIVITIES:**

|    |  |       |
|----|--|-------|
| 12 | Purchases of Property & Equipment .....                | _____ |
| 13 | Proceeds from Disposal of Property & Equipment .....   | _____ |
| 14 | Purchases of Investments .....                         | _____ |
| 15 | Proceeds from Disposal of Investments .....            | _____ |
| 16 | Loans Made .....                                       | _____ |
| 17 | Collections on Loans .....                             | _____ |
| 18 | Other .....  | _____ |
| 19 | NET CASH PROVIDED (Used) BY INVESTING ACTIVITIES ..... | _____ |

**FINANCING ACTIVITIES:**

|                        |  |          |
|------------------------|--|----------|
| <i>New Borrowings:</i> |  |          |
| 20                     | Long-Term .....  | _____    |
| 21                     | Short-Term .....                                       | _____    |
| <i>Debt Reduction:</i> |  |          |
| 22                     | Long-Term .....  | _____    |
| 23                     | Short-Term .....                                       | _____    |
| 24                     | Capital Contributions .....                            | _____    |
| 25                     | Dividends Paid .....                                   | \$ _____ |
| 26                     | NET CASH PROVIDED (Used) BY FINANCING ACTIVITIES ..... | _____    |
| 27                     | NET INCREASE (Decrease) IN CASH .....                  | _____    |
| 28                     | CASH AT BEGINNING OF YEAR .....                        | _____    |
| 29                     | CASH AT END OF YEAR .....                              | _____    |

**SUPPLEMENTAL DISCLOSURES:**

|   |  |          |
|---|--|----------|
| <i>Non-cash Investing and Financing Transactions:</i> |  |          |
| 30  | _____  | _____    |
| 31  | _____  | _____    |
| 32  | _____  | _____    |
| 33  | Interest Paid (Net of Amounts Capitalized) ..... | _____    |
| 34  | Income Taxes Paid .....                          | \$ _____ |

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**Fry Fire District**  
**Financial Statements**  
**June 30, 2014**

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 **Heidenreich & Heidenreich, CPAs, PLLC**

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# Heidenreich & Heidenreich, CPAs, PLLC

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Phoenix, AZ 85044

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## INDEPENDENT AUDITOR'S REPORT

To the District Board  
Fry Fire District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Fry Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified 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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, the aggregate remaining fund information of the Fry Fire District, as of June 30, 2014, and the respective changes in financial position-modified cash basis, thereof for the year then ended in accordance with the basis of accounting as 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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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### **Disclaimer of Opinion on Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fry Fire District basic financial statements. The management's discussion and analysis on pages 5 to 8, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2015, on our consideration of the Fry 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 Fry Fire District's internal control over financial reporting and compliance.

*Heidenreich & Heidenreich CPAs PLLC*

Heidenreich & Heidenreich, CPAs, PLLC  
Phoenix, AZ  
January 2, 2015

## FRY FIRE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fry Fire District, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

#### Financial Highlights

- The assets of the Fry Fire District exceeded its liabilities at the close of the most recent fiscal year by \$4,175,227 (*net assets*). Of this amount, \$2,400,368 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$142,014.
- The District: (1) has 49 full-time employees and 1 part-time employee; (2) participated in the Public Safety Personnel Retirement System (PSPRS); (3) obtained grants to supplement the existing budget; and, (4) continued upgrading the equipment and facilities.
- During the fiscal year, the District provided training for employees and introduced various education and community service programs.
- The District strives to provide the best possible service while minimizing the tax rate. The District's main objective is to have enough personnel on line to assist our citizens at their time of need, while still recognizing the current state of our economy and trying to stay within a budget that will meet our needs without jeopardizing our citizens.
- The District integrated personnel and equipment with Sierra Vista Fire Department in an effort to minimize costs and maximize services provided to all citizens in the community, regardless of jurisdictional boundaries.

#### Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

#### Required Financial Statements

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The balance sheet and statement of net assets present information on all of the District's assets and liabilities. The "Adjustments" column displays the changes needed to adjust the line items in the balance sheet to the line items in the statement of 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. Net assets increase when revenues exceed expenses.

Increases to assets, without a corresponding increase to liabilities, result in increased net assets, which indicates an improved financial position.

The governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are also presented together in the same financial statement. This statement presents information showing how a government's net assets changed during the fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its ad valorem taxes, ambulance revenues and mutual-aid agreements.

The District is the trustee, or *fiduciary*, for certain funds held on behalf of the Fry Fire District. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

The District has elected to report the budgetary comparison information in the basic financial statements. This schedule provides data on the District's operations and compares actual amounts with budgeted amounts.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Financial Analysis**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one measure of financial health or financial position. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Statement of Net Assets.

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|  | June 30, 2014       | June 30, 2013       |
|--|---------------------|---------------------|
| Current and other assets                           | \$ 2,400,368        | \$ 2,293,515        |
| Capital asset                                      | 1,774,859           | 2,023,726           |
| Total assets                                       | <u>4,175,227</u>    | <u>4,317,241</u>    |
| <br>   |                     |                     |
| Current and other liabilities                      | -                   | -                   |
| Total liabilities                                  | <u>-</u>            | <u>-</u>            |
| <br>   |                     |                     |
| Net assets:  |                     |                     |
| Invested in capital assets,<br>net of related debt | 1,774,859           | 2,023,726           |
| Unrestricted                                       | 2,400,368           | 2,293,515           |
| Total net assets                                   | <u>\$ 4,175,227</u> | <u>\$ 4,317,241</u> |

In the past, the largest portion of the District's net assets reflect its investment in capital assets (e.g. vehicles, equipment, buildings, etc.). The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. In the current fiscal year, the increase in cash is comparable to the increase in unrestricted net assets. There are no restricted net assets and the unrestricted net assets are available for future operations. The District plans to use a significant portion of the unrestricted net assets for major improvements to the fire station and for purchasing vehicles and equipment. There is no planned foreseeable major expense that the District is considering in the upcoming fiscal year.

As noted in the following table, the operating expenses and non-operating revenues decreased, while the operating revenues increased over the prior year. The primary reason for the increase in operating revenues is due to an increase in our fire protection contract revenue from the fires our personnel responded to. Most of the decrease in operating expenses is for the decrease in salaries and overtime costs, which is due to lower staffing levels throughout most of the year. The primary reason for the decrease in non-operating revenues is due to a decrease to sale of assets, investment earnings and lower tax revenue due to lower assessed valuation.

|   | June 30, 2014       | June 30, 2013       |
|---|---------------------|---------------------|
| Operating revenues                              | \$ 1,309,183        | \$ 1,289,493        |
| Operating expenses                              | <u>5,477,159</u>    | <u>5,575,194</u>    |
| Loss from operations                            | <u>(4,167,976)</u>  | <u>(4,285,701)</u>  |
|   |                     |                     |
| Net nonoperating revenues                       |                     |                     |
| Property taxes and fire district assistance tax | 3,963,538           | 4,052,739           |
| Fire insurance premium tax                      | 39,538              | 34,654              |
| Investment earnings                             | 9,912               | 14,141              |
| Miscellaneous                                   | 12,974              | 44,451              |
| Net nonoperating revenues                       | <u>4,025,962</u>    | <u>4,145,985</u>    |
|   |                     |                     |
| Changes in net assets                           | (142,014)           | (139,716)           |
|   |                     |                     |
| Net assets, beginning of year                   | 4,317,241           | 4,456,957           |
| Net assets, end of year                         | <u>\$ 4,175,227</u> | <u>\$ 4,317,241</u> |

The expenditure budget adopted prior to the beginning of the fiscal year was not amended during the year. Over the years, the District has expended less than budgeted, resulting in a carryover of funds available to apply against current and future expenditures. The District minimizes the tax rate by utilizing monies collected in prior years while reserving a portion of the funds for major purchases.

#### **Capital Assets and Debt Administration**

The District's investment in capital assets amounts to \$1,774,859 net of accumulated depreciation, as of June 30, 2014 which is an decrease of \$248,867 over the prior year. Capital assets include emergency vehicles, buildings, improvements other than buildings, equipment and furniture. During the current fiscal year, the major additions include a Battalion Chief vehicle, cylinder/piston repair to engine on E1, a new roof on Station 2, new septic system and leach field at Station 2 and a new cutter and saw for the engine.

#### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Administrative Manager, Fry Fire District, 4817 S. Apache Ave., Sierra Vista, AZ 85650.

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FRY FIRE DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT  
OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2014

|  | General<br>Fund           | Capital<br>Projects<br>Fund | Total                     | Adjustments<br>(Note 6)      | Statement<br>of Net Assets |
|--|---------------------------|-----------------------------|---------------------------|------------------------------|----------------------------|
| <b>ASSETS</b>                                      |                           |                             |                           |                              |                            |
| Cash and investments                               | \$1,286,903               | \$1,104,088                 | \$2,390,991               | \$ -                         | \$ 2,390,991               |
| Due from other funds                               | 0                         |                             | 0                         |                              | 0                          |
| Due from other government                          | 9,377                     |                             | 9,377                     |                              | 9,377                      |
| Capital assets:                                    |                           |                             |                           |                              |                            |
| Land   |                           |                             |                           | 158,423                      | 158,423                    |
| Property & Equipment, net                          |                           |                             |                           | 1,616,436                    | 1,616,436                  |
| <b>Total assets</b>                                | <b><u>\$1,296,280</u></b> | <b><u>\$1,104,088</u></b>   | <b><u>\$2,400,368</u></b> | <b><u>\$ 1,774,859</u></b>   | <b><u>\$ 4,175,227</u></b> |
| <b>LIABILITIES</b>                                 |                           |                             |                           |                              |                            |
| Accounts payable                                   | \$ -                      | \$ -                        | \$ -                      | \$ -                         | \$ -                       |
| Payroll liabilities                                | -                         |                             | -                         |                              | -                          |
| <b>Total liabilities</b>                           | <b>-</b>                  | <b>-</b>                    | <b>-</b>                  | <b>-</b>                     | <b>-</b>                   |
| <b>FUND BALANCES/NET ASSETS</b>                    |                           |                             |                           |                              |                            |
| Fund balances:                                     |                           |                             |                           |                              |                            |
| Assigned for leave                                 | 458,782                   |                             | 458,782                   | (458,782)                    | -                          |
| Assigned for capital                               |                           | 1,104,088                   | 1,104,088                 | (1,104,088)                  | -                          |
| Unassigned   | 837,498                   |                             | 837,498                   | (837,498)                    | -                          |
| <b>Total fund balances</b>                         | <b><u>1,296,280</u></b>   | <b><u>1,104,088</u></b>     | <b><u>2,400,368</u></b>   | <b><u>(2,400,368)</u></b>    | <b><u>-</u></b>            |
| <b>Total liabilities and<br/>fund balances</b>     | <b><u>\$1,296,280</u></b> | <b><u>\$1,104,088</u></b>   | <b><u>\$2,400,368</u></b> | <b><u>\$ (2,400,368)</u></b> |                            |
| Net assets:  |                           |                             |                           |                              |                            |
| Invested in capital assets,<br>net of related debt |                           |                             |                           | 1,774,859                    | 1,774,859                  |
| Unrestricted                                       |                           |                             |                           | 2,400,368                    | 2,400,368                  |
| <b>Total net assets</b>                            |                           |                             |                           | <b><u>\$ 4,175,227</u></b>   | <b><u>\$ 4,175,227</u></b> |

See accompanying notes to financial statements.

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FRY FIRE DISTRICT  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES AND STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2014

|   | General<br>Fund  | Capital<br>Projects Fund | Total            | Adjustments<br>(Note 7) | Statement<br>of Activities |
|---|------------------|--------------------------|------------------|-------------------------|----------------------------|
| <b>EXPENDITURES/EXPENSES:</b>           |                  |                          |                  |                         |                            |
| Fire protection and emergency services: |                  |                          |                  |                         |                            |
| Salaries and wages                      | \$ 3,301,755     | \$ -                     | \$ 3,301,755     | \$ -                    | \$ 3,301,755               |
| Employee benefits                       | 1,240,809        |                          | 1,240,809        |                         | 1,240,809                  |
| Administration                          | 74,749           |                          | 74,749           |                         | 74,749                     |
| Professional services                   | 49,720           |                          | 49,720           |                         | 49,720                     |
| Utilities and communication             | 76,334           |                          | 76,334           |                         | 76,334                     |
| Insurance                               | 40,882           |                          | 40,882           |                         | 40,882                     |
| Repairs and maintenance                 | 111,274          |                          | 111,274          |                         | 111,274                    |
| Interest                                | 846              |                          | 846              |                         | 846                        |
| Ambulance expense                       | 16,943           |                          | 16,943           |                         | 16,943                     |
| Fuel                                    | 62,038           |                          | 62,038           |                         | 62,038                     |
| Small tools & equipment                 | 66,174           | 28,636                   | 94,810           |                         | 94,810                     |
| Training                                | 37,172           |                          | 37,172           |                         | 37,172                     |
| Uniforms                                | 26,881           |                          | 26,881           |                         | 26,881                     |
| Capital outlay                          | 61,752           | 32,327                   | 94,079           | 248,867                 | 342,946                    |
| Total expenditures/<br>expenses         | <u>5,167,329</u> | <u>60,963</u>            | <u>5,228,292</u> | <u>248,867</u>          | <u>5,477,159</u>           |
| <b>PROGRAM REVENUES:</b>                |                  |                          |                  |                         |                            |
| Charges for services                    | 185,578          |                          | 185,578          |                         | 185,578                    |
| Contracted services                     | 295,181          |                          | 295,181          |                         | 295,181                    |
| Ambulance revenues                      | 812,878          |                          | 812,878          |                         | 812,878                    |
| Operating grants                        | -                |                          | -                |                         | -                          |
| Capital grants                          | 15,546           |                          | 15,546           |                         | 15,546                     |
| Total program revenues                  | <u>1,309,183</u> | <u>-</u>                 | <u>1,309,183</u> | <u>-</u>                | <u>1,309,183</u>           |
| Net program expense                     |                  |                          |                  |                         | <u>4,167,976</u>           |
| <b>GENERAL REVENUES:</b>                |                  |                          |                  |                         |                            |
| Property taxes                          | 3,567,332        |                          | 3,567,332        |                         | 3,567,332                  |
| Fire district assistance tax            | 396,206          |                          | 396,206          |                         | 396,206                    |
| Fire insurance premium tax              | 39,538           |                          | 39,538           |                         | 39,538                     |
| Interest                                | 4,610            | 5,302                    | 9,912            |                         | 9,912                      |
| Contributions                           | 50               |                          | 50               |                         | 50                         |
| Other income                            | 12,924           |                          | 12,924           |                         | 12,924                     |
| Sale of assets                          | -                |                          | -                | -                       | -                          |
| Transfers - internal activities         | -                | -                        | -                | -                       | -                          |
| Total general revenues<br>and transfers | <u>4,020,660</u> | <u>5,302</u>             | <u>4,025,962</u> | <u>-</u>                | <u>4,025,962</u>           |

See accompanying notes to financial statements.

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FRY FIRE DISTRICT  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES AND STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2014

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Total</u>        | <u>Adjustments<br/>(Note 7)</u> | <u>Statement<br/>of Activities</u> |
|---|-------------------------|----------------------------------|---------------------|---------------------------------|------------------------------------|
| Excess of revenues and transfers in over expenditures and transfers out | 162,514                 | (55,661)                         | 106,853             | (106,853)                       | -                                  |
| Change in net assets  |                         |                                  |                     | (142,014)                       | (142,014)                          |
| Fund balances/net assets:   |                         |                                  |                     |                                 |                                    |
| Beginning of the year   | 1,133,766               | 1,159,749                        | 2,293,515           | 2,023,726                       | 4,317,241                          |
| End of the year   | <u>\$ 1,296,280</u>     | <u>\$ 1,104,088</u>              | <u>\$ 2,400,368</u> | <u>\$ 1,774,859</u>             | <u>\$ 4,175,227</u>                |

See accompanying notes to financial statements.

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FRY FIRE DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2014

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Budget Variance        |
|---|-------------------|-------------------|---------------------|------------------------|
|   | Original          | Final             |                     | Positive<br>(Negative) |
| Beginning budgetary fund balance        | \$ 1,133,766      | \$ 1,133,766      | \$ 1,133,766        | \$ -                   |
| Resources (inflows):                    |                   |                   |                     |                        |
| Property taxes                          | 3,575,010         | 3,575,010         | 3,567,332           | (7,678)                |
| Fire district assistance tax            | 400,000           | 400,000           | 396,206             | (3,794)                |
| Fire insurance premium tax              | -                 | -                 | 39,538              | 39,538                 |
| Ambulance revenues                      | 865,000           | 865,000           | 812,878             | (52,122)               |
| Charges for services                    | -                 | -                 | 185,578             | 185,578                |
| Contracted services                     | 295,400           | 295,400           | 295,181             | (219)                  |
| Contributions                           | -                 | -                 | 50                  | 50                     |
| Grants                                  | 475,000           | 475,000           | 15,546              | (459,454)              |
| Interest                                | 12,000            | 12,000            | 4,610               | (7,390)                |
| Other income                            | 62,000            | 62,000            | 12,924              | (49,076)               |
| Sale of assets                          | 9,000             | 9,000             | -                   | (9,000)                |
| Transfers - internal activities         | -                 | -                 | -                   | -                      |
|   | <u>5,693,410</u>  | <u>5,693,410</u>  | <u>5,329,843</u>    | <u>(363,567)</u>       |
| Amounts available for appropriation     |                   |                   |                     |                        |
| Charges to appropriations (outflows):   |                   |                   |                     |                        |
| Fire protection and emergency services: |                   |                   |                     |                        |
| Salaries and wages                      | 3,422,824         | 3,422,824         | 3,301,755           | (121,069)              |
| Employee benefits                       | 1,340,213         | 1,340,213         | 1,240,809           | (99,404)               |
| Administration                          | 125,285           | 125,285           | 74,749              | (50,535)               |
| Professional services                   | 29,000            | 29,000            | 49,720              | 20,720                 |
| Utilities and communication             | 128,176           | 128,176           | 76,334              | (51,842)               |
| Insurance                               | 45,000            | 45,000            | 40,882              | (4,118)                |
| Repairs and maintenance                 | 95,664            | 95,664            | 111,274             | 15,610                 |
| Interest                                | -                 | -                 | 846                 | 846                    |
| Ambulance expense                       | 12,500            | 12,500            | 16,943              | 4,443                  |
| Fuel                                    | 70,858            | 70,858            | 62,038              | (8,820)                |
| Small tools & equipment                 | 113,550           | 113,550           | 66,174              | (47,376)               |
| Training                                | 79,533            | 79,533            | 37,172              | (42,361)               |
| Uniforms                                | 40,868            | 40,868            | 26,881              | (13,987)               |
| Capital outlay                          | 475,000           | 475,000           | 61,752              | (413,248)              |
|   | <u>5,978,471</u>  | <u>5,978,471</u>  | <u>5,167,329</u>    | <u>(811,142)</u>       |
| Total charges to appropriations         |                   |                   |                     |                        |
| Ending budgetary fund balance           | <u>\$ 848,705</u> | <u>\$ 848,705</u> | <u>\$ 1,296,280</u> | <u>\$ 447,575</u>      |

See accompanying notes to financial statements.

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FRY FIRE DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
 FIDUCIARY FUND  
 JUNE 30, 2014

|  | Alternate Pension<br>and Benefit Plan |
|--|---------------------------------------|
| <b>ASSETS</b>  |                                       |
| Cash   | \$ 10,130                             |
| Due from other government                                | 56                                    |
| Total Assets   | \$ 10,186                             |
| <br><b>LIABILITIES AND NET ASSETS</b>                    |                                       |
| Due to other fund  | \$ -                                  |
| Held in trust for pension benefits<br>and other purposes | 10,186                                |
| Total Liabilities and Net Assets                         | \$ 10,186                             |

See accompanying notes to financial statements.

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FRY FIRE DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
 FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

|                                  | Alternate Pension<br>and Benefit Plan |
|----------------------------------|---------------------------------------|
| <b>ADDITIONS</b>                 |                                       |
| Investment earnings:             |                                       |
| Interest                         | \$ 50                                 |
| Total additions                  | 50                                    |
| <b>DEDUCTIONS</b>                |                                       |
| Pension refunds                  | 0                                     |
| Pension distributions            | 750                                   |
| Total deductions                 | 750                                   |
| Change in net assets             | (700)                                 |
| Net assets-beginning of the year | 10,886                                |
| Net assets-end of the year       | \$ 10,186                             |

See accompanying notes to financial statements.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

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

The Fry Fire District (District) was organized in Cochise County, Arizona in 1965 pursuant to Title 48 of the Arizona Revised Statutes. The District provides fire protection and rescue services.

The financial statements of the District have been prepared using the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including potential component units within the reporting entity is the governing body's ability to exercise oversight responsibility. The Firefighters' Relief and Pension Fund is a component unit of the District because of the significance of its operational and financial relationships with the District.

Basis of Presentation

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The District's funds, which are included in this report, are as follows:

1. General Fund – This fund is established to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – This fund is established to account for the purchase of major capital additions which are not financed by other funds.
3. Fiduciary Fund – This fund is established to account for the accumulation of resources to be used for annuity payments from the Firefighters' Relief and Pension Fund.

The District is engaged in a single governmental program, therefore the government-wide and fund financial statements are combined.

Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

*Government-wide Financial Statements:* The statement of net assets and statement of activities display information about the reporting government as a whole. It includes all funds of the reporting entity except for the fiduciary fund. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. They are also financed by program revenue such as charges for services.

The government-wide statements are prepared using the modified cash basis of accounting. Under the modified cash basis of accounting, expenditures are recorded when paid and revenues are recognized when they are received. The cash basis has modifications for recording liabilities for payroll withholdings and depreciation. Notes 6 and 7 include a reconciliation and brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

*Fund Financial Statements:* The fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for using a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. The governmental fund includes the general fund and capital projects fund. The general fund is the primary operating fund of the District and is always classified as a major fund. The only other governmental fund is the capital projects fund and it is also classified as a major fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund and Capital Projects Fund are maintained on the modified cash basis of accounting. Under the modified cash basis of accounting, expenditures are recorded when paid and revenues are recognized when they are received. The cash basis has modifications for recording liabilities for payroll withholdings as well as amounts due from other governments.

The Firefighters' Relief and Pension Fund is reported in the Fiduciary Fund. This fund was created pursuant to Arizona Revised Statutes §9-981, Article 3. The Fiduciary fund is also accounted for using the modified cash basis of accounting. District contributions are recognized in the period the contributions are paid.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgetary Data

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget for the general fund. The District is required to approve and submit their budget to the County Treasurer's Office no later than August 1st.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period in which the transactions were executed.

Cash and Investments

The District considers amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District to be cash and cash equivalents.

State statutes authorize the District 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 association insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. Investments are carried at cost, which approximates fair value. Investments in these pools are classified as a cash equivalent. The District has not adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed other than what is in the Arizona Revised Statutes.

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate varying amounts as determined by management and contracts with the employees. The policy regarding sick pay allows employees to accumulate hours for which they may be compensated upon retirement for the first 240 hours at a rate of 100% and any additional hours at a rate of 25%. This is only available after 20 years of service. The policy regarding vacation requires the employees to use one half of their accrued vacation each year. Any unused vacation is paid upon termination. Employees may sell back up to one quarter of their total accrued vacation each year. The District has established a leave reserve fund to be able to pay for those employees that sell back their time.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences – Continued

Additionally, employees that are eligible for PSPRS benefits have an option on their sick leave hours. The employee can request terminal leave for the remaining sick leave hours instead of receiving 25% of their sick leave in a lump sum payment. The terminal leave request must be approved by the Fire Chief and the funds must be available in the District's leave reserve fund. Once approved, the percentage payout is based on years of service and overall work history where the established range is 30-70% of the sick leave balance. This option would be paid out biweekly.

Capital Assets

Capital Assets, which include property, equipment and vehicles, are reported in the general fund in the government-wide financial statements. Purchased or constructed assets are recorded at cost, except those assets for which historical costs were not available and estimated costs were used. Donated capital assets are recorded at fair market value on the date received. The threshold for capital assets is equipment that has a useful life greater than three years and costs more than \$3,000.

The costs of normal repair and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

|                         |               |
|-------------------------|---------------|
| Buildings               | 25 – 40 years |
| Building improvements   | 7 – 20 years  |
| Computer equipment      | 5 years       |
| Station equipment       | 5 – 25 years  |
| Machinery and equipment | 3 – 15 years  |
| Vehicles                | 5 – 15 years  |

No depreciation is taken on land or construction in progress.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equity and Other Credits

In the government-wide financial statements, net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

In the fund financial statements, governmental fund equity may be classified in the following five categories:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* – The restricted fund balance category is amounts that can be used only for specific purposes because of constitutional provisions, enabling legislation or externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

*Committed* – The committed fund balance category is amounts that can be only used for specific purposes because of a formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – The assigned fund balance category is amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equity and Other Credits - Continued

*Unassigned* – The unassigned fund balance category is the residual classification for the general fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 2 – DEPOSITS AND INVESTMENTS**

*Deposits* – Amounts classified as deposits on June 30, 2014, are described below:

|  | Bank<br>Balance | Carrying<br>Amount |
|--|-----------------|--------------------|
| General Fund                               |                 |                    |
| Cash on hand                               | \$ -            | \$ 590             |
| Deposits with financial institutions       | 352,458         | 352,458            |
| Cochise County Treasurer's Investment Pool | 1,041,653       | 933,855            |
|  | \$ 1,394,111    | \$ 1,286,903       |
| Capital Projects Fund                      |                 |                    |
| Cochise County Treasurer's Investment Pool | \$ 1,104,088    | \$ 1,104,088       |
| Fiduciary Fund                             |                 |                    |
| Cochise County Treasurer's Investment Pool | \$ 10,318       | \$ 10,130          |

The Cochise County Treasurer invests the cash in a pool under policy guidelines established by the Cochise 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 CCTIP is included in the Comprehensive Annual Financial Report of Cochise County. The fair value of each participant's position in the CCTIP approximates the value of the participant's shares in the pool.

*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. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes. The Cochise County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The CCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2014, the CCTIP had not received a credit quality rating from a national rating agency.

Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk* – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to us. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to \$250,000 for all interest-bearing accounts and another \$250,000 for all demand deposit accounts in a given financial institution. Deposits in excess of insured amounts shall be collateralized by approved securities. The District does not have a formal policy related to custodial credit risk. As of June 30, 2014, the District exceeds the FDIC limit in the General Fund by \$102,458.

*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.

*Concentration of credit risk* – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

*Foreign currency risk* – Arizona Revised Statutes do not allow foreign investments.

*Investments* – The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

**NOTE 3 – CAPITAL PROJECTS FUND**

The Capital Projects Fund was authorized by the board to provide funds from each year's General Fund budget for the replacement, acquisition or construction of major equipment or facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 4 – CAPITAL ASSETS**

The summary of changes in capital assets is as follows:

|                                 | Balance<br>6/30/2013 | Additions           | Deletions   | Balance<br>6/30/2014 |
|---------------------------------|----------------------|---------------------|-------------|----------------------|
| <i>Governmental activities:</i> |                      |                     |             |                      |
| Land                            | \$ 158,423           | \$ -                | \$ -        | \$ 158,423           |
| Buildings                       | 1,157,873            | 45,215              |             | 1,203,088            |
| Equipment                       | 4,220,050            | 48,864              |             | 4,268,914            |
|                                 | <u>5,536,346</u>     | <u>94,079</u>       | <u>-</u>    | <u>5,630,425</u>     |
| <br>Accumulated depreciation:   |                      |                     |             |                      |
| Buildings                       | (788,209)            | (48,486)            |             | (836,695)            |
| Equipment                       | (2,724,411)          | (294,460)           |             | (3,018,871)          |
|                                 | <u>(3,512,620)</u>   | <u>(342,946)</u>    | <u>-</u>    | <u>(3,855,566)</u>   |
| Total capital assets, net       | <u>\$ 2,023,726</u>  | <u>\$ (248,867)</u> | <u>\$ -</u> | <u>\$ 1,774,859</u>  |

Depreciation expense is charged to the general government.

**NOTE 5 – PROPERTY TAXES**

Taxes are levied and collected by the Cochise County Treasurer. Property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second is due in March of the following year. Property tax revenues are recognized when they are received by the District.

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Fry Fire District  
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**NOTE 6 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

|   |                     |
|---|---------------------|
| Total Government Fund Balances  | \$ 2,400,368        |
| Amounts reported for governmental activities in the statement of net assets are different because:                      |                     |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 1,774,859           |
| Net assets of governmental activities   | <u>\$ 4,175,227</u> |

**NOTE 7 – RECONCILIATION OF THE CHANGES IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

|   |                     |
|---|---------------------|
| Net change in fund balances - total government funds  | \$ 106,853          |
| Amounts reported for governmental activities in the statement of activities are different because:  |                     |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets: |                     |
| Capital assets purchases  | 94,079              |
| Depreciation expense  | <u>(342,946)</u>    |
| Change in net assets of governmental activities   | <u>\$ (142,014)</u> |

**NOTE 8 – FIREFIGHTERS' RELIEF AND PENSION FUND**

*Plan description* - The Fry Fire District Firefighters' Relief and Pension Fund (Fiduciary Fund) is a single employer fund that administers the District's defined contribution pension plan for reserve firefighters only. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account is to be determined. The participants of this plan are eligible to receive benefits up to \$200 a month after serving twenty-five years or after reaching age 60 and completion of twenty years of service. As of June 30, 2014, one individual is receiving benefits.

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Notes to Financial Statements  
June 30, 2014

**NOTE 8 – FIREFIGHTERS’ RELIEF AND PENSION FUND (Continued)**

*Funding policy* - Under Arizona Revised Statutes Section 9-951, all employees eligible under this plan are required to contribute 5% of their salary to the plan. Additionally, the District is required to match the amount contributed by the employee. There were no employee and employer contributions as of June 30, 2014 since there were no reserve firefighters this year.

**NOTE 9 – RETIREMENT PLANS**

Public Safety Personnel Retirement System

*Plan description* - On July 1, 1977, the District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. Under provisions of the PSPRS, employee’s coverage begins immediately upon commencement of covered employment.

PSPRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for PSPRS. The report may be obtained by writing to PSPRS, 1020 East Missouri Avenue, Phoenix, Arizona 85014.

*Funding policy* - For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members’ annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2014, was 28.43% of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.39% of covered payroll. The Arizona State Legislature establishes and may amend active plan members’ and the District’s contribution rates.

*Annual pension cost* – The District’s annual and required contributions for the year ended June 30, 2014, were \$747,447. The District’s currently available actuarial valuation was for the year ended June 30, 2014. Information related to this valuation follows.

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June 30, 2014

**NOTE 9 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System - continued

|                               |  |
|-------------------------------|--|
| Actuarial valuation date      | 6/30/2014  |
| Actuarial cost method         | Entry Age Normal   |
| Actuarial assumptions:        |  |
| Investment rate of return     | 7.85%  |
| Projected salary increases    | 4.00% - 8.00%  |
| Payroll growth                | 4.00%  |
| Amortization method           | Level percent of pay closed  |
| Remaining amortization period | 22 years for underfunded<br>20 years for overfunded  |
| Asset valuation method        | 7 year smoothed market value   |
| Permanent Benefit Increases   | Members Retired on or before July 1, 2011:<br>2% compounded on average. Members<br>Retired on or after August 1, 2011: 0.5%<br>compounded on average. Since all current<br>retirees receive the same dollar amount,<br>approximation techniques were used to<br>develop the assumed PBI for each member. |

*Trend Information* - Information for the three most recent actuarial valuations follows.

| PSPRS                   | Year<br>Ending<br>June 30 | Annual<br>Pension/<br>OPEB Cost | Percent<br>Contributed | Net<br>Pension/OPEB<br>Obligation |
|-------------------------|---------------------------|---------------------------------|------------------------|-----------------------------------|
| <i>Pension</i>          | 2014                      | \$ 848,267                      | 100%                   | \$ -                              |
|                         | 2013                      | 753,369                         | 100%                   | -                                 |
|                         | 2012                      | 596,080                         | 100%                   | -                                 |
| <i>Health Insurance</i> | 2014                      | 37,057                          | 100%                   | -                                 |
|                         | 2013                      | 36,540                          | 100%                   | -                                 |
|                         | 2012                      | 34,479                          | 100%                   | -                                 |

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 9 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System - continued

*Schedule of funding progress - Excluding Health Insurance Subsidy Beginning June 30, 2008*

Pension - Excluding Health Insurance Subsidy Beginning June 30, 2008

| Valuation<br>Ending<br>June 30 | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|
| 2014                           | \$ 8,249,952                                | \$ 19,304,681                                     | \$ 11,054,729                        | 42.7%                    | \$ 2,595,863              | 425.9%   |
| 2013                           | 8,753,406                                   | 16,662,264  | 7,908,858                            | 52.5%                    | 2,582,032                 | 306.3%   |
| 2012                           | 8,390,244                                   | 16,034,086  | 7,643,842                            | 52.3%                    | 2,824,535                 | 270.6%   |

*Health Insurance Subsidy*

| Valuation<br>Ending<br>June 30 | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|
| 2014                           | \$ 307,622                                  | \$ 495,270  | \$ 187,648                           | 62.1%                    | \$ 2,595,863              | 7.2%   |
| 2013                           | -   | 478,465   | 478,465                              | 0.0%                     | 2,582,032                 | 18.5%  |
| 2012                           | -   | 469,040   | 469,040                              | 0.0%                     | 2,824,535                 | 16.6%  |

Deferred Compensation Plan

The District offers the full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan. The District and full-time administrative personnel are required to contribute 5% to the plan. The District's contribution as of June 30, 2014 is \$19,678.

Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 10 – OPERATING LEASE**

The District has two antenna collocation lease agreements with Alamosa Properties, LP for use of the District's towers. The current agreement is effective for five years ending June 30, 2009 with the option of renewing for five additional periods of five years. If Alamosa Properties, LP chooses to renew this agreement, the annual rent will increase by 15% on each renewal term. This agreement has been renewed. The future minimum rental payments for 2011 – 2014 will be \$34,500 per year. Total rental income for the year ended June 30, 2014, was \$34,500.

**NOTE 11 – COMMITMENTS**

The District has a line of credit with JP Morgan Chase for \$900,000. The District did not have a balance as of June 30, 2014.

On February 22, 2013, the District entered into an agreement with PHI AIR Medical, LLC to provide one paramedic for a 24 hour shift per week for \$4,178.57 per month. PHI AIR has the option to add a second paramedic at the same rate. This is a five year agreement with the option to extend for two consecutive terms of three years each.

**NOTE 12 – RISK MANAGEMENT**

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District maintains commercial liability insurance to cover losses. Any settled claims resulting from these risks have not exceeded commercial insurance in any of the last three years. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Consequently, no provision has been made in the financial statements for possible losses of this nature.

**NOTE 13 – CONTINGENCIES**

The District is involved in litigation with the Copper Queen Community Hospital regarding claims alleging: declaratory and injunctive relief against conflicts of interest and violations of Arizona statutes, regulations and protocols governing emergency medical transportation; intentional interference with prospective business relations; trade defamation, state antitrust violations/restraint of trade, and federal antitrust violations. This claim has been submitted to the District insurance carrier and the District is moving for this to be dismissed. The District cannot reasonably estimate the liability therefore no accrual has been made.

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Fry Fire District  
Notes to Financial Statements  
June 30, 2014

**NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 2, 2015, the date which the financial statements were available to be issued.

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

To the District Board  
Fry Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements the governmental activities, each major fund, and the aggregate remaining fund information of Fry Fire District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fry Fire District's basic financial statements, and have issued our report thereon dated January 2, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fry Fire 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fry Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

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

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Heidenreich & Heidenreich CPAs PLLC*

Heidenreich & Heidenreich, CPAs, PLLC

Phoenix, AZ  
January 2, 2015

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARIZONA REVISED STATUTES SECTION 48

Governing Board and Management  
Fry Fire District  
Sierra Vista, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Fry Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that Fry 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 Fry Fire District and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

*Heidenreich & Heidenreich CPAs PLLC*

Phoenix, Arizona  
January 2, 2015

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