

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

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

Heber-Overgaard Fire District
Reporting Ambulance Service

Address: 6198 Hardscrabble Rd.

City: Pine Zip: 85544

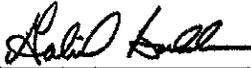
Report Fiscal Year

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:  Date: December 31, 2014

Print Name and Title: Gabriel Buldra, Finance Director

Phone: 480.422.9777

Mail to:
Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Heber-Overgaard Fire District

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

STATISTICAL SUPPORT DATA

Line No.	<u>DESCRIPTION</u>	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:	-	-	363	363
2	Number of BLS Billable Transports:	-	-	46	46
3	Number of Loaded Billable Miles:	-	-	15,768	15,768
4	Waiting Time (Hr. & Min.):				-
5	Canceled (Non-Billable) Runs:				-

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue			\$	414,813
7	BLS Base Rate Revenue				54,380
8	Mileage Charge Revenue				221,823
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
11	Nurses Charge Revenue				-
12	Standby Charge Revenue (Attach Schedule)				-
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE			(Post to Page 3, Line 1) \$	691,016

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

		\$	** No. of FTE's
14	Management	181,596	3.7
15	Paramedics and IEMTs	297,697	15.9
16	Emergency Medical Technician (EMT)	198,464	13.9
17	Other Personnel	52,921	1.4
18	Payroll Taxes and Fringe Benefits - All Personnel	231,834	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	\$ 962,512	35

* 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.

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AMBULANCE REVENUE AND COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Heber-Overgaard Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

SCHEDULE OF REVENUES AND EXPENSES

Line No.	<u>DESCRIPTION</u>		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>691,016</u>
<u>Settlement Amounts:</u>			
2	AHCCCS		<u>46,147</u>
3	Medicare		<u>178,363</u>
4	Subscription Service		<u> </u>
5	Contractual		<u> </u>
6	Other		<u> </u>
7	Total	(Sum of Lines 2 through 6)	<u>224,510</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>466,506</u>
Operating Expenses:			
9	Bad Debt		\$ <u>116,348</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>962,512</u>
11	Professional Services		<u>15,215</u>
12	Travel and Entertainment		<u> </u>
13	Other General Administrative		<u>3,399</u>
14	Depreciation		<u>73,605</u>
15	Rent / Leasing		<u> </u>
16	Building / Station		<u>15,695</u>
17	Vehicle Expense		<u>24,077</u>
18	Other Operating Expense		<u>86,282</u>
19	Cost of Medical Supplies Charged to Patients		<u> </u>
20	Interest		<u> </u>
21	Subscription Service Sales Expense		<u> </u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>1,297,133</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(830,627)</u>
24	Subscription Contract Sales		<u> </u>
25	Other Operating Revenue		<u> </u>
26	Local Supportive Funding		<u> </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>(830,627)</u>
Provision for Income Taxes:			
30	Federal Income Tax		<u>n/a</u>
31	State Income Tax		<u>n/a</u>
32	Total Income Tax	(Line 30, plus Line 31)	<u>n/a</u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u>(830,627)</u>

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Heber-Overgaard Fire District

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

BALANCE SHEET See Attached Audited Financials

ASSETS

CURRENT ASSETS

1	Cash	\$		
2	Accounts Receivable			
3	Less: Allowance for Doubtful Accounts			
4	Inventory			
5	Prepaid Exper			
6	Other Current Assets			
7	TOTAL CURRENT ASSETS			\$ <u> </u>
9	PROPERTY & EQUIPMENT			
10	Less: Accumulated Depreciation			
11	OTHER NON CURRENT ASSETS			
12	TOTAL ASSETS			\$ <u> </u>

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	TOTAL CURRENT LIABILITIES			\$ <u> </u>
21	NOTES PAYABLE			
22	LONG-TERM DEBT, OTHER			
23	TOTAL LONG-TERM DEBT			_____

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	TOTAL EQUITY			_____
32	TOTAL LIABILITIES & EQUITY			\$ <u> </u>

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY:

Heber-Overgaard Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

STATEMENT OF CASH FLOWS

See Attached Audited Financials

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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**HEBER-OVERGAARD FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014**

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Heber-Overgaard Fire District
Overgaard, AZ

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heber-Overgaard Fire District of Overgaard, AZ, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heber-Overgaard Fire District of Overgaard, AZ, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-11 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brian Richards, CPA

Snowflake, AZ
September 30, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS **FISCAL YEAR ENDED JUNE 30, 2014**

INTRODUCTION

The Management of the Heber-Overgaard Fire District (District) presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. The assets of the Heber-Overgaard Fire District exceeded its liabilities at the close of the most recent fiscal year by \$2,844,779.
2. Property tax collections were lower than the previous fiscal year by \$143,745.
3. The District realized a 7.97% decrease in assessed valuations over the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements.

The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long term debt). They are intended to provide a broad overview in a manner similar to a private sector business. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

Statement of Net Position - The *Statement of Net Position (page 14)* presents information of all the assets and liabilities of the District, with the difference between the two being reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities - The *Statement of Activities (page 15)* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements.

The Fund Financial Statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District. Because the focus of

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Governmental funds - continued

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the financial position of a government entity. In the case of the Heber-Overgaard Fire District, assets exceeded liabilities by \$2,844,779 at the close of the 2014 fiscal year.

The largest portion of net assets of the District \$2,085,174 reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any depreciation expense charged to public safety. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending.

The remaining balance of unrestricted net assets \$759,605 is available for continuation of services as well as the investment and maintenance of capital assets.

The following table reflects the condensed Statement of Net Position:

Heber-Overgaard Fire District
Condensed Statement of Net Position
As of June 30, 2014

	District Activities Fiscal Year 2014
Cash and Investments	\$ 767,325
Other Assets	167,713
Capital Assets	2,085,174
Total Assets	<u>3,020,212</u>
Other Liabilities	76,133
Long Term Liabilities	99,300
Total Liabilities	<u>175,433</u>
Net Assets:	
Investments in Capital Assets, net of debt	2,085,174
Unrestricted	<u>759,605</u>
Total Net Position	<u>\$ 2,844,779</u>

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GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

Governmental Activities.

The net position of the District from governmental activities decreased from \$3,109,690 to \$2,844,779 a change of 8.52%. Key elements of these activities are as follows:

- Depreciation on capital assets exceeded acquisition of new assets.
- Tax revenues were significantly lower than the previous fiscal year.

The following table reflects the Condensed Statement of Activities:

Heber-Overgaard Fire District Condensed Statement of Activities For the Year Ended June 30, 2014	
	Governmental Activities Fiscal Year 2014
Program Revenues:	
Charge for Services	\$ 447,002
General Revenues:	
Property Taxes	1,302,187
Fire District Assistance Tax	88,371
Investment Earnings	4,774
Total Revenues	<u>1,842,334</u>
Expenses	
Public Safety, fire protection:	
Emergency services	1,708,190
Administrative and support services	213,975
Depreciation	<u>185,080</u>
Total Expenses	<u>2,107,245</u>
Increase/(Decrease) in net Position	(264,911)
Beginning Net Position	<u>3,109,690</u>
Ending Net Position	<u>\$ 2,844,779</u>

DISTRICT FUNDS FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with fund related legal requirements.

As of June 30, 2014, the governmental funds of the District reported combined fund balances of \$788,954, which is a decrease of \$139,708 compared to the prior period. This decrease was due to expenditures exceeding revenues.

General Fund. The General Fund accounts for all the resources retained by the District not accounted for in any other fund. At the end of the year, the unrestricted fund balance was \$429,304.

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DISTRICT FUNDS FINANCIAL ANALYSIS - continued

Capital Fund. The Capital Fund accounts for all values associated with fixed assets and financing obligations for the payment for those assets.

The following statement provides the detail of the District fund balances:

Heber-Overgaard Fire District
Governmental Funds – Fund Balances
 As of June 30, 2014

Major Funds	Fiscal Year June 30, 2014	
	Amount	%
General Fund	\$ 429,304	54.41
Capital Fund	359,650	45.59
Total Fund	\$ 788,954	100.00

BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

- Ambulance revenues were lower due to utilization.
- Fire District assistance taxes were lower than budget by \$13,171.

Heber-Overgaard Fire District
Condensed Budget to Actual
 As of June 30, 2014

	General Fund		
	Budget	Actual	Variance with budget
Total Revenues	\$ 1,852,454	\$ 1,833,421	\$ (19,033)
Total Expenses	2,202,954	1,975,296	227,658
Revenue over expenditures	(350,500)	(141,875)	208,625
Net Change in Fund Balance	\$ (350,500)	\$ (159,700)	\$ 145,300

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets.

As of June 30, 2014, the investment in capital assets for governmental activities amounts to \$2,085,174 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment

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CAPITAL ASSET AND DEBT ADMINISTRATION - continued

Heber-Overgaard Fire District
Capital Assets as of June 30, 2014
 (net of depreciation)

	Fiscal Year 2014
Land and Buildings	\$ 1,281,740
Equipment	441,152
Vehicles	1,660,243
Accumulated Depreciation	<u>(1,297,961)</u>
Net Capital Assets	<u>\$ 2,085,174</u>

Long Term Debt.

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$99,300. This amount is made up of compensated absences. The District estimates only \$24,825 due within the following fiscal year.

The following table shows the District's Outstanding Debt:

Heber-Overgaard Fire District
Long-Term Debt
 As of June 30, 2014

	District Activities Fiscal Year 2014
Compensated absences	<u>\$ 99,300</u>
Total governmental liabilities	<u>\$ 99,300</u>

Additional information can be found in the notes to the Financial Statements that follow.

ECONOMIC FACTORS AND FY2014 BUDGET/TAX RATE

As property values have continued to decline, tax revenues to the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while provided the highest level of service to the community. Despite aggressive management of expenditures costs continue to rise, such as, employee benefits included pension contribution rates have continued to rise.

For fiscal year 2014, the District adopted a rate increase to \$1.8556. This rate increase was necessary to not only continue to fund operations, but in response to an additional 7.97% decrease in assessed valuations. The District has continued to maintain the operational needs of the District through vigilant management of expenses and exploration of non-tax revenue sources.

FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 2061 Lumber Valley Rd, Heber-Overgaard, AZ 85933, 928-535-4346.

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BASIC FINANCIAL STATEMENTS

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Heber-Overgaard Fire District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 767,325
Accounts receivable, (net of allowance for uncollectables)	98,052
Prepays	18,901
Taxes Receivable	50,760
Capital assets:	
Non-depreciable	31,906
Depreciable (net)	2,053,268
Total Assets	3,020,212
 Liabilities	
Accounts payable	6,211
Accrued payroll and related liabilities	69,922
Long-term liabilities:	
Due within one year	24,825
Due in more than one year	74,475
Total Liabilities	175,433
 Net Position	
Net investment in capital assets	2,085,174
Unrestricted	759,605
Total Net Position	\$ 2,844,779

Heber-Overgaard Fire District
Statement of Activities
June 30, 2014

	<u>Governmental Activities</u>
Expenses	
Public safety, fire protection:	
Emergency services	\$ 1,708,190
Administrative and support services	213,975
Depreciation	<u>185,080</u>
Total program expenses	<u>2,107,245</u>
 Program Revenues	
Charges for services	<u>447,002</u>
Total program revenues	<u>447,002</u>
Net program expenses	<u>1,660,243</u>
 General Revenues	
Property taxes	1,302,187
Centrally assessed taxes	88,371
Investment earnings	<u>4,774</u>
Total general revenues	<u>1,395,332</u>
Increase in net position	(264,911)
Net position - beginning	<u>3,109,690</u>
Net position - ending	<u>\$ 2,844,779</u>

The notes to the financial statements are an integral part of this statement.

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Heber-Overgaard Fire District
 Balance Sheet
 Governmental Funds
 June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 407,675	\$ 359,650	\$ 767,325
Accounts receivable, net	98,052	-	98,052
Prepays	18,901	-	18,901
Taxes Receivable	50,760	-	50,760
Total assets	<u>\$ 575,388</u>	<u>\$ 359,650</u>	<u>935,038</u>
<u>Liabilities</u>			
Accounts payable	6,211	-	6,211
Accrued payroll and related liabilities	69,922	-	69,922
Total liabilities	<u>76,133</u>	<u>-</u>	<u>76,133</u>
<u>Deferred Inflow of Resources</u>			
Unavailable revenue - property taxes	38,024	-	38,024
Unavailable revenue - ambulance service	31,927	-	31,927
Total deferred inflow of resources	<u>69,951</u>	<u>-</u>	<u>69,951</u>
<u>Fund Balances</u>			
Nonspendable (prepays)	\$ 18,901	\$ -	\$ 18,901
Committed	-	359,650	359,650
Assigned	-	-	-
Unassigned:	410,403	-	410,403
Total fund balances	<u>429,304</u>	<u>359,650</u>	<u>788,954</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 575,388</u>	<u>\$ 359,650</u>	<u>\$ 935,038</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances above	788,954
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,085,174
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	69,951
Long term liabilities, are not due and payable in the current period, and, therefore, are not reported in the funds.	<u>(99,300)</u>
Net assets of governmental activities	<u>\$ 2,844,779</u>

Heber-Overgaard Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property taxes	\$ 1,295,441	\$ -	\$ 1,295,441
Fire district assistance taxes	88,371	-	88,371
Intergovernmental	116,346	-	116,346
Charges for services	318,215	-	318,215
Interest income	2,607	2,167	4,774
Other revenue	12,441	-	12,441
Total revenues	<u>1,833,421</u>	<u>2,167</u>	<u>1,835,588</u>
<u>Expenditures</u>			
Current:			
Public safety, fire protection:			
Emergency services	1,701,934	-	1,701,934
Administrative and support services	213,975	-	213,975
Capital outlay	59,387	-	59,387
Total expenditures	<u>1,975,296</u>	<u>-</u>	<u>1,975,296</u>
Excess of revenues over expenditures	<u>(141,875)</u>	<u>2,167</u>	<u>(139,708)</u>
<u>Other financing sources (uses)</u>			
Transfers in	-	17,825	17,825
Transfers (out)	<u>(17,825)</u>	<u>-</u>	<u>(17,825)</u>
Total other financing sources (uses)	<u>(17,825)</u>	<u>17,825</u>	<u>-</u>
Net change in fund balances	(159,700)	19,992	(139,708)
Fund balance - beginning	<u>589,004</u>	<u>339,658</u>	<u>928,662</u>
Fund balance - ending	<u>\$ 429,304</u>	<u>\$ 359,650</u>	<u>\$ 788,954</u>

Heber-Overgaard Fire District
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities
 are different because:

Net change in fund balances - total governmental funds \$ (139,708)

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those
 assets is allocated over their estimated useful lives as
 depreciation expense.

Expenditures for capital assets	\$	59,387	
Less current year depreciation		<u>(185,080)</u>	
	\$	(125,693)	(125,693)

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues
 in the governmental funds. This is the amount by which
 revenues reported in the statement of activities exceeded
 those amounts received and reported as current financial
 resources in the governmental funds. 6,746

Some expenses reported in the statement of activities do not
 require the use of current financial resources and therefore
 are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences (6,256)

Change in net position of governmental activities \$ (264,911)

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Heber-Overgaard Fire District
Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

Assets	<u>Firefighters' Alternative Pension and Benefit Fund</u>
Cash and cash equivalents	\$ 45,159
Investments, fair value	29,886
Total Assets	<u>\$ 75,045</u>
Net Position	
Held in trust for pension benefits	<u>\$ 75,045</u>

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Heber-Overgaard Fire District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Firefighters' Alternative Pension and Benefit Fund
Additions	
Premium tax	\$ 79
Investment earnings	234
Unrealized Gains	3,977
Total additions	4,290
Deductions	
Fees and administration	2,125
Total deductions	2,125
Change in net position	2,165
Net position - beginning	72,880
Net position - ending	\$ 75,045

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Heber-Overgaard Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

A. Reporting Entity

The District, established in 1973 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component unites are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the non-fiduciary activities of the District.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to actual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

The District reports the following major governmental funds:

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

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The District also reports one *Fiduciary Fund*, the Firefighters' Alternative Pension and Benefit Fund, which is used to account for the accumulation of resources to be used for annuity payments and benefits resulting from premium tax contributions received by the District. Fiduciary funds are accounted for on an economic resources measurement focus and accrual basis of accounting. District contributions are recognized in the period the contributions are due.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

E. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding, if any, at the end of the fiscal year are referred to as "advances to/from other funds".

All program service receivables are shown net of an allowance for uncollectibles. The amount of the estimated uncollectible program service receivables at June 30, 2014, was \$65,628, which represents 46% of the current program service receivables balance.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Receivables and payables – continued

The District levies real property taxes on or before the third Monday in August, such levies, collected by Navajo County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectible on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Restricted assets

The District has no restricted assets.

H. Capital assets

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life in excess of one year.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$3,000	2-40
Improvements, other than building	\$3,000	2-40
Furniture, vehicles and equipment	\$3,000	5-20

I. Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that arises only under modified accrual basis of accounting, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet.

J. Compensated absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

K. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets and balance sheet.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund equity

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Non-spendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) eternally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District's General Fund that includes amounts not contained in other classifications.

M. Intergovernmental grants and aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

N. Use of estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

O. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of its tax levy outstanding and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 2 – CASH AND INVESTMENTS

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

A. District's Cash and Cash Equivalents Deposits

As of June 30, 2014 the District had \$634,740 on deposit with the Navajo County Treasurer's (County) investment pool (NCTIP). The NCTIP is an external investment pool with no regulatory oversight. The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission. The Navajo County Treasurer invests the cash in a pool under policy guidelines established by 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 NCTIP is included in the Comprehensive Annual Financial Report of Navajo County. The fair value of each participant's position in the NCTIP approximates the value of the participant's shares in the pool.

Custodial Credit Risk – Deposits – In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2014, the District's carrying amount of demand deposits was \$132,485 and the bank balance was \$132,312. The Federal Deposit Insurance Corporation protects these amounts against loss. The District maintained \$100 in cash on hand.

B. Firefighters' Alternative Pension and Benefit Fund's Cash and Investments (Pension Fund)

The District's Pension Fund has an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment policy that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, professional investment managers, The Innes Associates, LTD, are employed by the District to manage the Pension Funds' assets. All Pension Fund assets are held by LPL Financial.

Cash – As of June 30, 2014 the Pension Fund had \$45,159 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

Investments – As of June 30, 2014, the Pension Fund had investments with a fair market value of \$29,886. During the fiscal year ending June 30, 2014 the fair market value of the Pension Fund's investments decreased by \$4,114 or 12 percent. The investment objective is long term growth. As such, the investment strategy is to have approximately 80 percent of the assets held in equity based securities, 15 percent earmarked for fixed income securities and 5 percent held as cash.

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.

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. As of June 30, 2014 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have formal policy for custodial credit. However, all investments are held in safekeeping by external custodians in the district's name and are fully insured by the Securities Investor Protection Corporation (SIPC).

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 2 – CASH AND INVESTMENTS – continued

B. Firefighters' Alternative Pension and Benefit Fund's Cash and Investments (Pension Fund) - continued

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk. As of June 30, 2014 the Pension Plans investments were held in the following mutual funds:

<u>Mutual Fund</u>	Fair Market <u>Value</u>	Average Weighted <u>Maturity in Years</u>
Conestoga Funds Small Cap Fund	\$ 561	Less than 1 Year
Dodge and Cox Funds Intl Stk Fund	3,440	Less than 1 Year
Dodge and Cox Funds Income Fund	4,130	Less than 1 Year
Dodge and Cox Funds Stock Fund	7,684	Less than 1 Year
Fidelity Hi Income	1,428	Less than 1 Year
Fidelity Secs Fund Blue Chip Growth	6,822	Less than 1 Year
Fidelity Secs Real Estate Fund	1,498	Less than 1 Year
Primecap Odyssey Aggressive Growth	3,663	Less than 1 Year
Tocqueville Delafield Fund	<u>660</u>	Less than 1 Year
 Total Investments fair market value	 \$ 29,886	

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2014 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>
Taxes	\$ 50,760
Program services	<u>163,679</u>
Gross receivables	214,439
 Less: allowance for uncollectibles	 <u>(65,627)</u>
 Net total receivables	 <u>\$ 148,812</u>

Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 4 – UNAVAILABLE REVENUE

Governmental funds report unavailable revenues in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2014 unavailable revenue consisted of the following:

General fund unavailable ambulance revenues	\$ 31,927
General fund unavailable property taxes	<u>38,024</u>
Total unavailable revenues	<u>\$ 69,951</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Land, not depreciated	\$ 31,906	\$ -	\$ -	\$ 31,906
Buildings and equipment	1,249,834	-	-	1,249,834
Vehicles and apparatus	1,660,243	-	-	1,660,243
Equipment	381,765	59,387	-	441,152
Total capital assets	3,323,748	59,387	-	3,383,135
Less accumulated depreciation	(1,112,881)	(185,080)	-	(1,297,961)
Total capital assets, net	\$ 2,210,867	\$ (125,693)	\$ -	\$ 2,085,174

Depreciation expense for the period was \$185,080. Depreciation expense was charged to public safety-fire protection function.

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 93,044	\$ 12,564	\$ (6,308)	\$ 99,300	\$ 24,825
Total governmental liabilities	\$ 93,044	\$ 12,564	\$ (6,308)	\$ 99,300	\$ 24,825

A. Compensated absences

All eligible employees of the District are provided vacation, sick and compensatory leave based on the amounts stated in policy as determined by their years of service. Upon separation from the District, unused accrued vacation, and compensatory leave is paid to eligible employees.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 7 – NET REVENUE

The District provides emergency medical and transportation services within the same geographic boundaries as it provides fire prevention and suppression services and outside those boundaries subject to certain limitations. Charges for such emergency medical and transportation services are recognized as service revenues. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provision for bad debt and uncompensated care.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2014 are as follows:

	Governmental <u>Activities</u>
Gross program service revenues/charges	\$ 678,743
Less:	
Contractual adjustments and uncompensated services	<u>360,528</u>
Net program service revenues	<u>\$ 318,215</u>

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these third-party payers not cover the entire amount of the services rendered, any remaining amounts are adjusted as uncompensated services with the remaining amounts necessary to support the program funded through tax revenues.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Inter-governmental agreements and indemnifications

The District is party to a variety of inter-governmental 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.

B. Risk management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. 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. The District has not incurred claims in excess of insurance coverage in any of the last three fiscal years. No provision has been made in the financial statements for possible losses of this nature.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

A. Arizona State Retirement System

Plan Description: The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System according to the provision of ARS Title 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2014, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.3% for retirement, and .24% for long-term disability, for the members' annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2014, 2013, and 2012 were \$19,680, \$19,996 and, \$17,062, respectively, which were equal to the required contributions for the years then ended.

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

B. Public Safety Personnel Retirement System

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

Funding Policy: For the year ended June 30, 2013, PSPRS members were required by statute to contribute 10.35% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 11.65%.

Annual Pension Cost: For the year ended June 30, 2013, the date of the most recent actuarial valuation, the District's annual pension cost of \$92,332 for PSPRS was equal to the District's required and actual contributions. The District's actuarial assumptions for the pension fire personnel for the year ended June 30, 2013, the most recent available actuarial valuation, and related information follow.

PSPRS actuarial information for the year ended June 30, 2013:

Contribution Rates:	
Plan members	10.35%
District	11.65%
Actuarial cost method	Projected Unit Credit
Investment rate of return	7.85%
Projected salary increases*	4.5%-8.5%
*Payroll growth at	4.5%

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS - continued

B. Public Safety Personnel Retirement System - continued

Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market

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

Fiscal Year Ended June 30,	Annual Pension Cost	Percent Contributed	Net Pension Obligation
2013	\$ 92,332	100%	-
2012	96,395	100%	-
2011	101,109	100%	-

Funding progress (excluding health insurance subsidy): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Liability as a % of Covered Payroll
2013	\$ 1,671,895	\$ 1,421,962	(249,933)	118%	\$ 792,211	-
2012	1,451,501	1,133,902	(317,599)	128%	823,664	-
2011	1,109,711	915,122	(194,589)	121%	796,458	-

Funding progress (post-retirement health insurance subsidy only): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Funding Liability (UAAL)	Funded Ratio	Annual Covered Payroll	Liability as a % of Covered Payroll
2013	\$ -	\$ 36,839	\$ 36,839	-	\$ 792,211	4.65%
2012	-	38,852	38,852	-	823,664	4.72%
2011	-	33,580	33,580	-	796,458	4.22%

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial costs methods as indicated for the plan. The District did not report a health insurance subsidy payment for the fiscal year ending June 30, 2013.

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Heber-Overgaard Fire District
Notes to the Financial Statements
June 30, 2014

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS - continued

C. Alternative Pension and Benefit Plan

The District has established an alternative pension and benefit plan for volunteer firefighters. Contributions to the plan are administered by a third-party, the Innes Associates, Ltd. However, during the year ended June 30, 2014 the District did not make any contributions to the plan.

D. Deferred compensation plans

The District has established a deferred compensation plan, in accordance with Internal Revenue Service Code Section 457, for all full time employees in order to provide for supplementary retirement benefits. The District does not contribute to the plan. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for the aforementioned plan is not included as a fund of the District.

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REQUIRED SUPPLEMENTARY INFORMATION

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Heber-Overgaard Fire District
Budget and Actual - General Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 1,290,912	\$ 1,290,912	\$ 1,295,441	\$ 4,529
Fire district assistance taxes	101,542	101,542	88,371	(13,171)
Intergovernmental	50,000	50,000	116,346	66,346
Charges for services	400,000	400,000	318,215	(81,785)
Interest income	5,000	5,000	2,607	(2,393)
Other revenue	5,000	5,000	12,441	7,441
Total revenues	<u>1,852,454</u>	<u>1,852,454</u>	<u>1,833,421</u>	<u>(19,033)</u>
<u>Expenditures</u>				
Current:				
Wages and benefits	1,934,954	1,934,954	1,701,934	233,020
Operations	222,500	222,500	213,975	8,525
Capital outlay	45,500	45,500	59,387	(13,887)
Total expenditures	<u>2,202,954</u>	<u>2,202,954</u>	<u>1,975,296</u>	<u>227,658</u>
Excess of revenues over expenditures	<u>(350,500)</u>	<u>(350,500)</u>	<u>(141,875)</u>	<u>208,625</u>
<u>Other financing sources (uses)</u>				
Transfers in	45,500	45,500	(17,825)	(63,325)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>45,500</u>	<u>45,500</u>	<u>(17,825)</u>	<u>63,325</u>
Net change in fund balances	(305,000)	(305,000)	(159,700)	145,300
Fund balance - beginning	<u>629,063</u>	<u>629,063</u>	<u>589,004</u>	<u>-</u>
Fund balance - ending	<u>\$ 324,063</u>	<u>\$ 324,063</u>	<u>\$ 429,304</u>	<u>\$ 105,241</u>

Note 1 - Budgetary Basis of Accounting

The District prepares its annual budget on a basis consistent with generally accepted accounting principles.

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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 Governing Board of the Heber-Overgaard Fire District
Overgaard, AZ

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Heber-Overgaard Fire District of Overgaard, AZ, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Heber-Overgaard Fire District of Overgaard, AZ's basic financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heber-Overgaard Fire District of Overgaard, AZ'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*.

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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.

Brian Richards, CPA

Snowflake, AZ

September 30, 2014

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