

AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

Sun Lakes Fire District
Reporting Ambulance Service

Address: 25020 S Alma School Road

City: Sun Lakes Zip: 85248

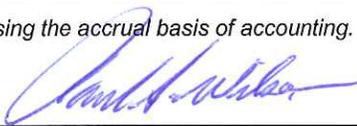
Report Fiscal Year

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: 12/29/2014

Print Name and Title: Paul S. Wilson Fire Chief

Phone: 480-895-9343

Mail to:
Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
Telephone: (602) 364-3150
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:			1,222	1,222
2	Number of BLS Billable Transports:			495	495
3	Number of Loaded Billable Miles:			14,194	14,194
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue			\$ 1,665,236
7	BLS Base Rate Revenue			673,144
8	Mileage Charge Revenue			275,941
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)	\$ 2,614,321

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:				** No. of FTE's
14	Management		\$ 146,751	2.0
15	Paramedics and IEMTs		\$ 398,862	6.0
16	Emergency Medical Technician (EMT)		\$ 427,809	6.0
17	Other Personnel		\$ 78,177	1.0
18	Payroll Taxes and Fringe Benefits - All Personnel		\$ 525,800	
19	Total Wages, Taxes & Benefits	(Sum Lines 14 through 18; Post to Page 3, Line 10)	\$ 1,577,399	15

* 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:

Sun Lakes 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>2,614,321</u>
<u>Settlement Amounts:</u>			
2	AHCCCS		<u>13,227</u>
3	Medicare		<u>1,624,953</u>
4	Subscription Service		<u> </u>
5	Contractual		<u> </u>
6	Other		<u>200,100</u>
7	Total	(Sum of Lines 2 through 6)	<u>1,838,280</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>776,040</u>
Operating Expenses:			
9	Bad Debt		\$ <u>26,063</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>1,577,399</u>
11	Professional Services		<u>99,817</u>
12	Travel and Entertainment		<u>10,750</u>
13	Other General Administrative		<u> </u>
14	Depreciation		<u>180,563</u>
15	Rent / Leasing		<u> </u>
16	Building / Station		<u>24,974</u>
17	Vehicle Expense		<u>27,541</u>
18	Other Operating Expense		<u>108,129</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>2,055,236</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(1,279,196)</u>
24	Subscription Contract Sales		<u> </u>
25	Other Operating Revenue		<u> </u>
26	Local Supportive Funding		<u>1,279,196</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> </u>
Provision for Income Taxes:			
30	Federal Income Tax		<u> </u>
31	State Income Tax		<u> </u>
32	Total Income Tax	(Line 30, plus Line 31)	<u> </u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u> </u>

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AMBULANCE REVENUE AND COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Sun Lakes Fire District

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

Other Operating Expense

Overage from other expenses (capital)	.....	<u>26,179</u>
Repairs & Maintenance - Operations	.....	<u>7,912</u>
Communications - Operations	.....	<u>227,779</u>
Training - Operations	.....	<u>46,640</u>
Other - Operations	.....	<u>9,589</u>
PPE & Minor Equipment	.....	<u>114,418</u>
Communications - Admin	<u>-</u>
Total		<u>432,517</u>
Allocation		<u>0</u>
Net to Pg 3 Line 18		<u>108,129</u>

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Sun Lakes 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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**Sun Lakes Fire District
Annual comparison**

	FY.13.14	FY 12.13	FY11.12	FY10.11	FY09.10
Professional Services	\$ 99,817	\$ 116,788	\$ 96,149	\$ 114,527	\$ 47,553
Travel and Entertainment	\$ 10,750	\$ 7,447	\$ 6,728	\$ 9,008	\$ 7,363
Other General Administrative	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ 180,563	\$ 180,563	\$ 206,374	\$ 201,993	\$ 180,146
Rent/Leasing	\$ -	\$ -	\$ -	\$ -	\$ -
Building/Station	\$ 24,974	\$ 30,594	\$ 26,617	\$ 28,566	\$ 22,541
Vehicle Expense	\$ 17,002	\$ 27,541	\$ 29,808	\$ 31,871	\$ 52,370
Other Operating Expense	\$ 108,129	\$ 125,780	\$ 110,920	\$ 102,334	\$ 122,573
	\$ 441,234	\$ 488,713	\$ 476,596	\$ 488,299	\$ 432,545

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Sun Lakes Fire District
 Ambulance Revenue and Cost Report
 Fire District and Small Rural Company

Prepared by: Gabriel Buldra
 Date: December 29, 2014
 Revenue

Total Calls - Other Personnel Allocation FY13,14	
1583 Non Billable Calls	48%
1717 Billable Calls	52%
3500 Total Calls*Estimate	

	Amount	# of Full Time Employees (FTE)		Salary	Allocation	Amount
Gross Wages	\$ 749,977					
Management	\$ 146,751	2	Management Team:	\$ 119,915	0.33	\$ 39,572
Paramedics and IEMTs	\$ 398,862	6	Deputy Chief	\$ 145,579	0.33	\$ 48,041
EMTs	\$ 427,809	6	Fire Chief	\$ 80,921	0.33	\$ 26,704
Other Personnel	\$ 78,177	1	Finance	\$ 43,625	0.33	\$ 14,396
Payroll Taxes and Fringe Benefits - All Personnel	\$ 525,800		Front Office	\$ 54,661	0.33	\$ 18,038
Total Wages, Taxes, and Benefits	\$ 1,577,400	15	HR			\$ 146,751
Bad Debt	\$ -		Other Personnel:			
Total Salaries Wages and Employee Related Expenses	\$ 1,577,400		Mechanic	\$ 73,161	0.52	\$ 38,066
Professional Services	\$ 99,817		EMS Coordinator	\$ 77,092	0.52	\$ 40,111
Travel and Entertainment	\$ 10,750				1.04	\$ 78,177
Other General Administrative	\$ -		Paramedics:			
Depreciation	\$ 180,563		Gonzales, Jaime	\$ 53,794	1	\$ 53,794 Medic/CEP
Rent/Leasing	\$ -		Barr, Ariel	\$ 48,776	1	\$ 48,776 Medic/CEP
Building/Station	\$ 24,974		Pennington, Michael	\$ 56,117	1	\$ 56,117 Medic/CEP
Vehicle Expense	\$ 27,541		Legarreta, Les	\$ 48,776	1	\$ 48,776 Medic/CEP
Other Operating Expense	\$ 108,129		Firefighter CEP Step 6	\$ 71,645	1	\$ 71,645
Cost of Medical Supplies Charged to Patients	\$ -		Firefighter CEP Step 6	\$ 71,645	1	\$ 71,645
Interest	\$ -					
Subscription Service Sales Expense	\$ -					
Total Operation Expense	\$ 2,029,172		Overtime Estimate		6	\$ 350,753
Total Operating Income or (Loss)	\$ (1,279,195)		Total			\$ 48,109
			EMTs:			\$ 398,862
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304 Medic/EMT
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304 Medic/EMT
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304 Medic/EMT
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304
			Firefighter/EMT Step 5	\$ 61,242	1	\$ 61,242
			Firefighter/EMT Step 5	\$ 61,242	1	\$ 61,242 Medic/EMT
			Overtime Estimate		6	\$ 379,700
			Total			\$ 427,809

Payroll Taxes & Fringe Benefits 0.5 \$ 1,051,600 \$ 525,800
 Overtime Actual Excess EMS \$ 96,218

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Sun Lakes Fire District
 Ambulance Revenue and Cost Report
 Fire District and Small Rural Company

Prepared by: Gabriel Buldra
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 Revenue

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3300 Total Calls*Estimate	

	Amount	# of Full Time Employees (FTE)		Salary	Allocation	Amount
Gross Wages	\$ 749,977					
Management	\$ 146,751	2	Management Team:	\$ 119,915	0.33	\$ 39,572
Paramedics and IEMTs	\$ 398,862	6	Deputy Chief	\$ 145,579	0.33	\$ 48,041
EMTs	\$ 427,809	6	Fire Chief	\$ 80,921	0.33	\$ 26,704
Other Personnel	\$ 78,177	1	Finance	\$ 43,625	0.33	\$ 14,396
Payroll Taxes and Fringe Benefits - All Personnel	\$ 525,800		Front Office	\$ 54,661	0.33	\$ 18,038
Total Wages, Taxes, and Benefits	\$ 1,577,400	15	HR		1.65	\$ 146,751
Bad Debt	\$ -		Other Personnel:			
Total Salaries Wages and Employee Related Expenses	\$ 1,577,400		Mechanic	\$ 73,161	0.52	\$ 38,066
Professional Services	\$ 99,817		EMS Coordinator	\$ 77,092	0.52	\$ 40,111
Travel and Entertainment	\$ 10,750				1.04	\$ 78,177
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Building/Station	\$ 24,974		Pennington, Michael	\$ 56,117	1	\$ 56,117
Vehicle Expense	\$ 27,541		Legarreta, Les	\$ 48,776	1	\$ 48,776
Other Operating Expense	\$ 108,129		Firefighter CEP Step 6	\$ 71,645	1	\$ 71,645
Cost of Medical Supplies Charged to Patients	\$ -		Firefighter CEP Step 6	\$ 71,645	1	\$ 71,645
Interest	\$ -					
Subscription Service Sales Expense	\$ -					
Total Operation Expense	\$ 2,029,172		Overtime Estimate			
Total Operating Income or (Loss)	\$ (1,279,195)		Total	\$ 350,753	6	\$ 350,753
				\$ 48,109		\$ 48,109
				\$ 398,862		\$ 398,862
			EMTs:			
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304
			Firefighter/EMT Step 6	\$ 64,304	1	\$ 64,304
			Firefighter/EMT Step 5	\$ 61,242	1	\$ 61,242
			Firefighter/EMT Step 5	\$ 61,242	1	\$ 61,242
			Overtime Estimate			
			Total	\$ 48,109	6	\$ 379,700
				\$ 427,809		\$ 427,809
			Payroll Taxes & Fringe Benefits			
			Overtime Actual Excess EMS	\$ 1,051,600	0.5	\$ 525,800

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SUN LAKES FIRE DISTRICT

**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*
FOR THE YEAR ENDED JUNE 30, 2014**

**SUN LAKES FIRE DISTRICT
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JUNE 30, 2014**

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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**

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Board of Directors
Sun Lakes 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 of the governmental activities, each major fund, and the aggregate remaining fund information of Sun Lakes Fire District (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, and have issued our report thereon dated December 16, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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

This report is intended 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.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
December 16, 2014

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**SUN LAKES FIRE DISTRICT
STATUS OF PRIOR YEAR FINDINGS OF NONCOMPLIANCE WITH
LAWS AND REGULATIONS AND INTERNAL CONTROL DEFICIENCIES
JUNE 30, 2014**

We have reviewed our prior report dated December 17, 2013 and the District had no internal control deficiencies or findings of noncompliance.

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**SUN LAKES FIRE DISTRICT
STATUS OF PRIOR YEAR FINDINGS OF NONCOMPLIANCE WITH
LAWS AND REGULATIONS AND INTERNAL CONTROL DEFICIENCIES
JUNE 30, 2014**

We have reviewed our prior report dated December 17, 2013 and the District had no internal control deficiencies or findings of noncompliance.

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Sun Lakes Fire District
Basic Financial Statements

Year ended June 30, 2014

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Independent Auditor's Report

Board of Directors
Sun Lakes Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sun Lakes Fire District (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 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 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 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, each major fund, and the aggregate remaining fund information of Sun Lakes Fire District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As described in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 3 through 12 and 33 through 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of Sun Lakes 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 Sun Lakes Fire District's internal control over financial reporting and compliance.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
December 16, 2014

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**Sun Lakes Fire District
Management's Discussion and Analysis
June 30, 2014**

As management of Sun Lakes Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. This discussion and analysis is intended to be an easily readable breakdown of the District's financial activities based on currently known facts, decisions, and conditions. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$3,059,874 (net position). Of this amount, \$259,730 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and further the purpose of the District.
- The District's total net position decreased by \$182,362 compared to the prior year's decrease of \$472,109. Revenues generally remained consistent with the prior year while expenses decreased \$282,944.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$938,902, an increase of \$147,215 from the prior year. Approximately 38% percent of this total amount, or \$359,157, is available for spending at the government's discretion (unassigned). The remaining fund balance is either non-spendable, legally restricted, or has been committed or assigned for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$359,157, or 5.2% percent of total general fund expenditures for the fiscal year.
- At the onset of budget preparation for the year ended June 30, 2014, the District's Board of Directors mandated that the District maintain adequate controls over the budgeting process to minimize any potential for increased burden on the District's taxpayers. The budget for the year ended June 30, 2014 accomplished this task. However, the tax levy rate changed from \$3.09 to \$3.19 per \$100 of secondary assessed valuation, generating an estimated fire district annual property tax of \$569, based on a median home value of \$178,500 in Sun Lakes zip code 85248, per the Maricopa County Assessor's Office. During the year ended June 30, 2014, actual fire district property tax revenues decreased by approximately 2.4% from \$6,001,115 to \$5,855,198 to support the public safety functions for the community.
- During the fiscal year, the District was awarded one operating grant to supplement the budget on behalf of the Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS); the Staffing for Adequate Fire and Emergency Response (SAFER) award in the amount of \$559,220 for grant period of FY12/13 to FY15/16. During the FY13/14 the district was awarded \$256,700.

Management's Discussion and Analysis - Continued

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: government-wide financial statements, fund financial statements, and notes to the basic 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 are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two 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 declining.

The statement of activities presents information showing how the District's net position 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 - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Management's Discussion and Analysis - Continued

Government-wide Financial Statements - 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three major governmental funds: the general fund, the capital projects fund, and the special revenue fund. Information for each fund is presented separately on the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. There are no non-major governmental funds.

The District adopts an annual appropriated budget for its general fund and the capital projects fund. A budgetary comparison statement for the general fund has been provided as part of supplementary information following the basic financial statements to demonstrate compliance with the budget.

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

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning a comparison of the District's budget to actual revenues.

As noted earlier, net position may serve over time as a useful indicator of the District's financial condition.

The following table contains a comparative analysis between the current and the prior fiscal year. The assets of the District exceeded liabilities by \$3,059,874 as of June 30, 2014. The District's net position decreased by \$182,362 for the fiscal year ended June 30, 2014.

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Management's Discussion and Analysis - Continued

Government-wide Financial Analysis

The largest portion of the District's net position are investments in capital assets (\$2,800,144 or 92%). Capital assets include land, buildings, machinery, and equipment. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At June 30, 2014, the District has accumulated \$283,151 in general revenue monies in the capital projects fund which are assigned for future capital projects.

The following table presents a comparative summary of the District's assets, liabilities and net position for the current and preceding fiscal years:

	Governmental Activities	
	2014	2013
Assets		
Cash and cash investments	\$ 757,444	\$ 919,041
Other assets	307,428	395,876
Capital assets	2,800,144	3,068,686
Total assets	3,865,016	4,383,603
Liabilities		
Accounts payable and		
Accrued payroll and related	61,926	443,055
Compensated absences	743,216	698,312
Total liabilities	805,142	1,141,367
Net position:		
Net investment in capital assets	2,800,144	3,068,686
Unrestricted	259,730	173,550
Total net position	\$ 3,059,874	\$ 3,242,236

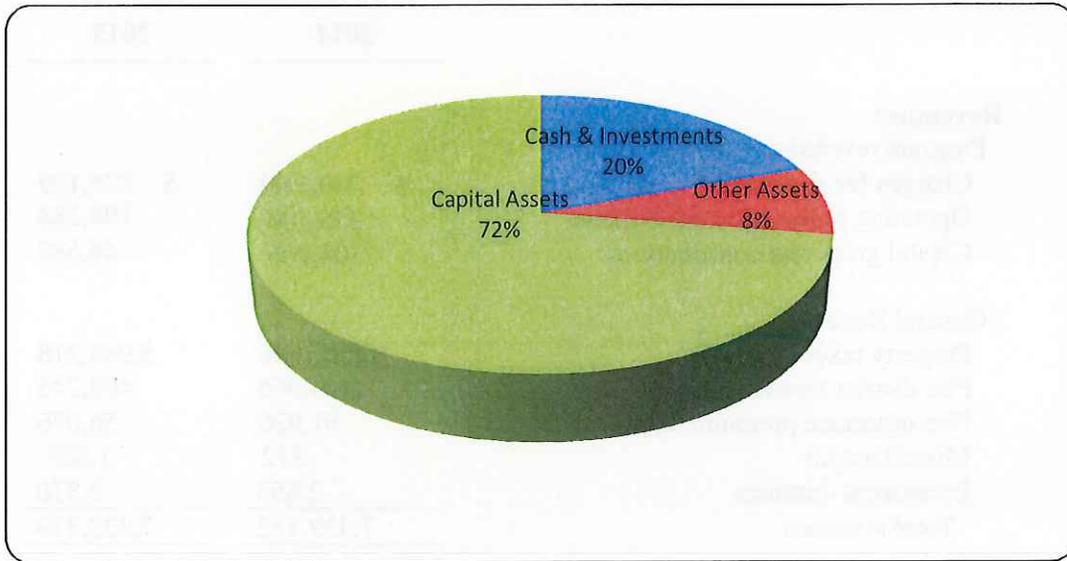
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Management's Discussion and Analysis - Continued

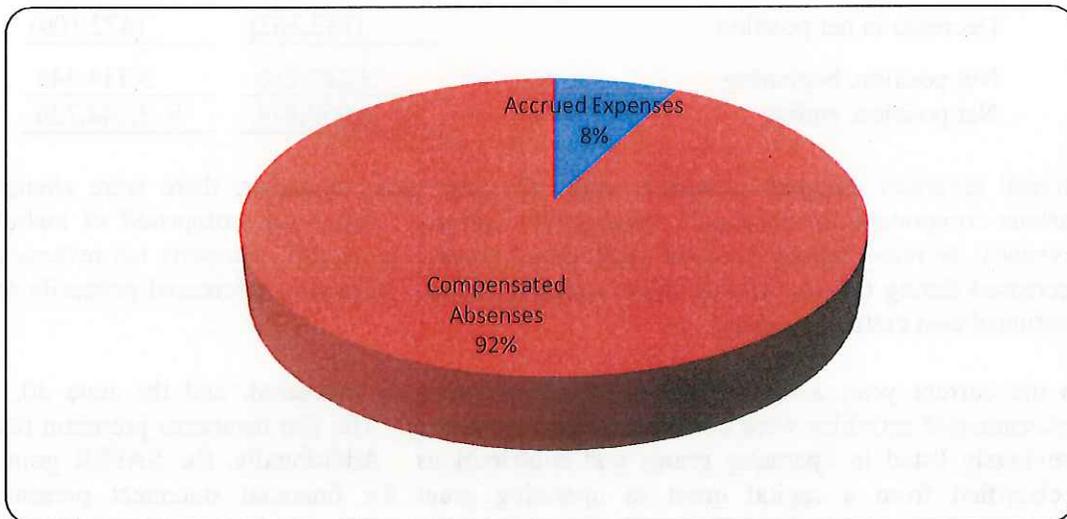
Government-wide Financial Analysis - Continued

The following charts highlight the significant assets and liabilities of the District:

Assets
June 30, 2014



Liabilities
June 30, 2014



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Management's Discussion and Analysis - Continued

Government-wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$182,362. The key elements of this decrease is as follows:

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 740,344	\$ 835,139
Operating grants and contributions	256,700	104,288
Capital grants and contributions	104,966	44,680
General Revenues:		
Property taxes	5,867,056	5,984,218
Fire district assistance tax	404,965	403,245
Fire insurance premium tax	61,926	56,076
Miscellaneous	372	1,863
Investment earnings	2,853	2,870
Total revenues	<u>7,439,182</u>	<u>7,432,379</u>
Expenses:		
Public safety	7,621,544	7,904,488
Total expenses	<u>7,621,544</u>	<u>7,904,488</u>
Decrease in net position	<u>(182,362)</u>	<u>(472,109)</u>
Net position, beginning	3,242,236	3,714,345
Net position, ending	<u>\$ 3,059,874</u>	<u>\$ 3,242,236</u>

Overall revenues remained consistent with the prior year; however, there were changes in various components of revenues. Charges for services, which are comprised of ambulance revenues, decreased during the year while grant revenue increased. Property tax revenues also decreased during the year due to lower assessed values. Expenses decreased primarily due to continued cost cutting measures.

In the current year, a reclassification of certain revenues occurred, and the June 30, 2013 governmental activities were corrected for comparability. The fire insurance premium tax was previously listed in operating grants and contributions. Additionally, the SAFER grant was reclassified from a capital grant to operating grant for financial statement presentation.

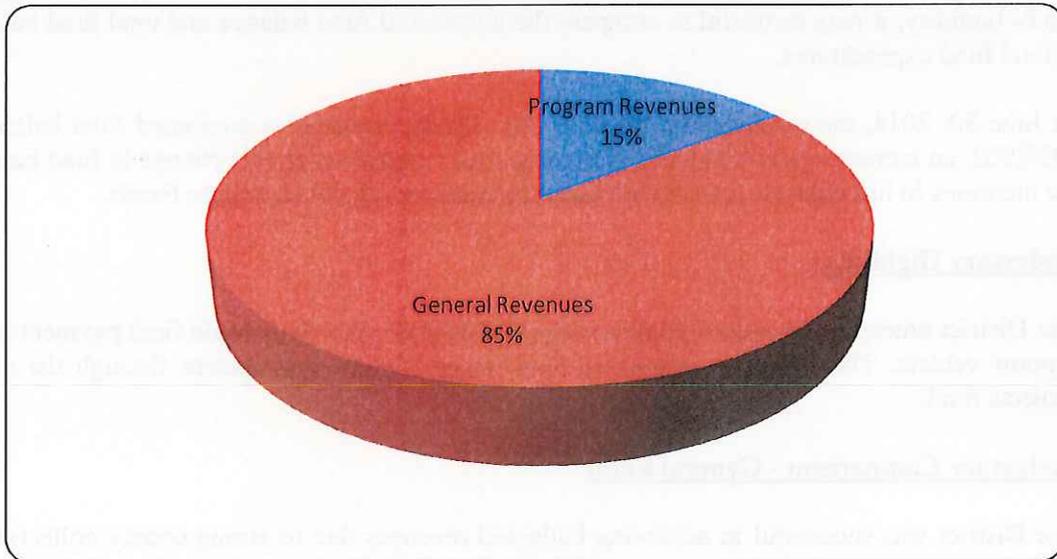
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Management's Discussion and Analysis - Continued

Government-wide Financial Analysis – Continued

The cost of all governmental activities for the year ended June 30, 2014 was \$7,621,544. Property taxes, fire district assistance taxes, and fire insurance premium taxes provided funding of \$5,867,056, \$404,965, and \$61,926 respectively. Additional revenue was realized from grants, contributions, miscellaneous and investment earnings in the amount of \$364,891. Ambulance revenues and related charges for services totaled \$740,344.

The following chart highlights the significant sources of revenues (see the statement of activities for reference):



Program revenues consist of charges for services and operating and capital grants. General revenues consist of property taxes, fire district assistance tax, fire insurance premium tax and investment earnings.

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Management's Discussion and Analysis - Continued

Financial Analysis of the District's Funds

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

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the District's financing requirements. Specifically, unreserved fund balances can be a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$359,157. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance and total fund balances to total fund expenditures.

At June 30, 2014, the governmental funds of the District reported a combined fund balance of \$938,902, an increase of \$147,215 from the prior year. Included in this change in fund balances are increases in fund balance in both the General Fund and Special Revenue Funds.

Budgetary Highlights

The District amended the capital projects budget during the year to include final payment of one support vehicle. The District continues to fund major capital acquisitions through the capital projects fund.

Budgetary Comparison - General Fund

The District was successful in achieving budgeted revenues due to strong county collections of property tax revenue and fire district assistance tax. Ambulance revenues were .06% less than original forecasted figures. Expenditures were greater than expected due to changes in staffing including; retirement of one Captain, assignment of two paramedics, hiring of one replacement firefighter and the funding of one recruit training officer to oversee the fire training academy. The staffing changes resulted in an increase of overtime and professional goods and services expenditures.

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Management's Discussion and Analysis - Continued

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2014, totaled \$2,800,144 (net of accumulated depreciation). These assets include buildings, improvements, apparatus and general equipment.

Major capital asset transactions during the year include the following:

- Acquisition of one ambulance with related equipment;
- Acquisition of ten SCBA cylinders;
- Replacement of evaporative coolers for apparatus bays at Station 232.

The District's threshold for capitalization was maintained at \$2,500, which is consistent with Article V, *Committees of the Board*, Board of Director's bylaws for capital improvements.

Subsequent to June 30, 2014, the District continued its practice of significant capital project funding to ensure the highest level of services to the public. Through careful planning and monitoring of the District's capital asset replacement schedule, the District has determined an annual funding requirement to provide for the timely replacement of a majority of the District's larger, and more expensive, apparatus and equipment. The capital projects budget, for the year ended June 30, 2014, was \$78,251, as determined by the District's capital asset replacement schedule.

Economic Factors and Next Year's Budgets and Rates

Arizona Revised Statutes limit the amount the District can assess to \$3.25 per \$100 of secondary assessed value. However, the District works hard to keep the tax rate as low as feasibly possible while providing quality public safety services. In fact, the District maintains an Insurance Services Office (ISO) grading of Class 2. This grading reduces the risk loss for property owners and helps keep fire insurance rates lower. During the year ended June 30, 2014, 84% of the District's actual revenues were derived from real property and Fire District Assistance taxes.

Arizona Senate Bill 1421; Fire District Secondary Tax Levy Limits requires Fire Districts to report the annual secondary tax levy to the Arizona Property Tax Oversight Commission. The law used the FY07/08 fire district tax levy amount as the benchmark for future tax levy limits. The current maximum allowable tax levy limit is an 8% increase per year.

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Management's Discussion and Analysis - Continued

Requests for Information

The District's financial statements are designed to present users with a general overview of the District's finances and demonstrate the District's accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Paul S. Wilson, Fire Chief, Sun Lakes Fire District 25020 South Alma School Road Sun Lakes Arizona, 85248. The phone number is (480) 895-9343.

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Basic Financial Statements

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**Sun Lakes Fire District
Statement of Net Position
June 30, 2014**

	Governmental Activities
Assets	
Cash and investments	\$ 727,681
Cash and investments, restricted	29,763
Accounts receivable, net	135,763
Taxes receivable	70,958
Prepaid expenses	100,707
Capital assets:	
Non-depreciable	129,985
Depreciable (net)	2,670,159
	3,865,016
Liabilities	
Accounts payable	29,039
Accrued payroll and related expenses	32,887
Compensated absences	743,216
	805,142
Net Position	
Net investment in capital assets	2,800,144
Unrestricted	259,730
	\$ 3,059,874
	3,059,874

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The accompanying notes are an integral
part of these financial statements.

**Sun Lakes Fire District
Statement of Activities
Year Ended June 30, 2014**

	Governmental Activities
Expenses:	
Public safety	\$ 6,233,582
Administrative and support services	1,056,514
Depreciation	331,448
Total program expenses	7,621,544
Program revenues:	
Charges for services	740,344
Operating grants and contributions	256,700
Capital grants and contributions	104,966
Total program revenues	1,102,010
Net program expenses	6,519,534
General revenues:	
Property taxes	5,867,056
Fire district assistance taxes	404,965
Fire insurance premium taxes	61,926
Miscellaneous	372
Investment earnings	2,853
Total general revenue	6,337,172
Decrease in net position	(182,362)
Net position - beginning of year	3,242,236
Net position - end of year	\$ 3,059,874

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part of these financial statements.

Sun Lakes Fire District
Balance Sheets - Governmental Funds
June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue Fund	
Assets:				
Cash and investments	\$ 362,207	\$ 365,474	\$ -	\$ 727,681
Cash and investments, restricted	29,763	-	-	29,763
Accounts receivable, net	135,763	-	-	135,763
Taxes receivable	70,958	-	-	70,958
Due from other funds	-	-	195,887	195,887
Prepaid expenses	100,707	-	-	100,707
Total assets	\$ 699,398	\$ 365,474	\$ 195,887	\$ 1,260,759
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 29,039	\$ -	\$ -	\$ 29,039
Accrued payroll and related	32,887	-	-	32,887
Due to other funds	113,564	82,323	-	195,887
Total liabilities	175,490	82,323	-	257,813
Deferred inflows of resources:				
Unavailable revenues	64,044	-	-	64,044
Total deferred inflows of resources	64,044	-	-	64,044
Fund balances:				
Nonspendable-prepaid expenses	100,707	-	-	100,707
Committed	-	-	195,887	195,887
Assigned-capital projects	-	283,151	-	283,151
Unassigned	359,157	-	-	359,157
Total fund balances	459,864	283,151	195,887	938,902
Total liabilities and fund balances	\$ 699,398	\$ 365,474	\$ 195,887	\$ 1,260,759

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**Sun Lakes Fire District
 Reconciliation of the Governmental Funds - Balance Sheet
 to the Statement of Net Position
 June 30, 2014**

Fund balances - Governmental Funds	\$	938,902
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,800,144
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Receivables which are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in governmental funds balance sheet.		64,044
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(743,216)
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Net position of governmental activities	\$	<u>3,059,874</u>
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The accompanying notes are an integral part of these financial statements.

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

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Revenue Fund	
Revenues:				
Taxes:				
Property taxes	\$ 5,855,198	\$ -	\$ -	\$ 5,855,198
Fire district assistance tax	404,965	-	-	404,965
Fire insurance premium tax	61,926	-	-	61,926
Intergovernmental	-	-	321,728	321,728
Charges for services	766,543	-	-	766,543
Licenses, permits and other fees	1,790	-	-	1,790
Contributions	-	-	39,938	39,938
Interest income	2,853	-	-	2,853
Other revenue	372	-	-	372
Total revenues	7,093,647	-	361,666	7,455,313
Expenditures:				
<i>Public safety-fire protection and emergency medical services:</i>				
Current:				
Emergency medical services	5,931,978	-	223,590	6,155,568
Administrative and support services	1,011,990	-	44,524	1,056,514
Capital outlays	-	26,179	69,837	96,016
Total expenditures	6,943,968	26,179	337,951	7,308,098
Net changes in fund balances	149,679	(26,179)	23,715	147,215
Fund balances, beginning of year	310,185	309,330	172,172	791,687
Fund balances, end of year	\$ 459,864	\$ 283,151	\$ 195,887	\$ 938,902

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The accompanying notes are an integral
part of these financial statements.

Sun Lakes 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

Net change in fund balances - total governmental funds	\$	147,215
 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 and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures. This is the amount by which capital outlays recorded exceeded losses on disposals in the current period.		62,906
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.		(331,448)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue 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.		(16,131)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.		(44,904)
Change in net position of governmental activities	<u>\$</u>	<u>(182,362)</u>

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The accompanying notes are an integral part of these financial statements.

Sun Lakes Fire District
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sun Lakes Fire District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2014, the District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues and expenses.

A. Reporting Entity

The District, established in 1975 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body. The District is a legally separate entity, fiscally independent of other state and local governments. The District has no discretely presented or blended component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to 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.

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Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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 accrual, and thus, have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 the District's fund that accounts for receipts and expenditures related to construction of property, plant and equipment;
- The *Special Revenue Fund* is the District's fund that accounts for receipts and expenditures related to grants, contributions and wildland service activity.

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

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. Internally dedicated resources are reported as general revenues rather than as program revenues which includes all taxes and investment earning.

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 Investments

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.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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 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 \$130,439, which represents 49% of the current program service receivables balance.

F. Property Tax Levies

Arizona Senate Bill 1421; Fire District Secondary Tax Levy Limits requires Fire Districts to report the annual secondary tax levy to the Arizona Property Tax Oversight Commission. The law used the FY2007/08 fire district tax levy amount as the benchmark for future tax levy limits. The current maximum allowable tax levy limit is an 8% increase per year. The law permits two override options of a general election; a temporary override, approved by a majority of the fire district taxpayers, allows annual levies that do not exceed the fire district statutory tax cap of \$3.25 per hundred dollars of assessed valuation, but eliminates the 8% per year growth limitation.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Maricopa 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 uncollectibles on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

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Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

G. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period; the period of availability for the District is 60 days. Governmental funds also report deferred inflows of resources in connection with resources that have been received, but not yet earned.

H. 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.

I. 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.

Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed.

Property 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	\$ 50,000	30-40
Improvements, other than buildings	\$ 2,500	30-40
Furniture, vehicles and equipment	\$ 2,500	3-15

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Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

J. Compensated Absences

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 in which there were none as of June 30, 2014.

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 position and balance sheet.

L. Fund Balance

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for specific purposes.

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Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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 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. Reclassifications

During 2014, certain corrections were made to classifications reported on the statement of activities and the statement of revenues, expenditures, and changes in fund balances – governmental funds. Balances reported for the year ended June 30, 2013 were reclassified for comparability purposes in the management's discussion and analysis.

P. 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 a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

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Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Q. Subsequent Events

Management has evaluated subsequent events through December 16, 2014, the date the financial statements were available to be issued, and no events were identified requiring accrual or disclosure.

Note 2 – Cash and Investments

Arizona Revised Statutes require all monies levied by the District to be collected and held by the County Treasurer's Office and included in the County's Local Government Investment Pool (LGIP). Monies received by the District as part of services, contributions or proceeds from the issuance of long-term debt can be deposited with the LGIP or with local financial institutions.

Credit risk - State law limits deposits and investments to the Arizona State Treasurer's Local Government Investment Pool (LGIP), interest bearing savings accounts and certificates of deposit. The State law limits the investment in certificates of deposit to those with maturity dates of one year or less, and limits deposits to the amount that is federally insured, or of pledged collateral.

Custodial credit risk - Deposits in the case of demand and time deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits - As of June 30, 2014, the District's carrying amount of deposits with the County Treasurer's LGIP was \$378,847, while demand and time deposits with local financial institutions totaled \$378,497 and the bank balance was \$378,621. In addition, the District has \$100 in cash on hand.

The District's deposits held by banks were insured by Federal Deposit Insurance Corporation up to \$250,000. Accordingly, \$128,621 of the District's bank balance was exposed to custodial credit risk as of June 30, 2014.

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Notes to Financial Statements - Continued

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:

Taxes	\$ 70,958
Program services	<u>266,202</u>
Gross receivables	337,160
Less allowance for uncollectibles	<u>(130,439)</u>
Net total receivables	<u>\$ 206,721</u>

Note 4 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Land, not depreciated	\$ 129,985	\$ -	\$ -	\$ 129,985
Apparatus in progress	192,556	-	(192,556)	-
Buildings and improvements	3,072,643	7,809	-	3,080,452
Vehicles and apparatus	1,610,998	192,556	(121,606)	1,681,948
Furniture and equipment	600,646	55,097	(222,582)	433,161
Total capital assets	<u>5,606,828</u>	<u>255,462</u>	<u>(536,744)</u>	<u>5,325,546</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,159,160)	(111,240)	-	(1,270,400)
Vehicles and apparatus	(925,198)	(143,703)	121,606	(947,295)
Furniture and equipment	(453,784)	(76,505)	222,582	(307,707)
Total accumulated Depreciation	<u>(2,538,142)</u>	<u>(331,448)</u>	<u>344,188</u>	<u>(2,525,402)</u>
Total capital assets, net	<u>\$3,068,686</u>	<u>(\$75,986)</u>	<u>(\$192,556)</u>	<u>\$2,800,144</u>

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Notes to Financial Statements - Continued

Note 5 – Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Compensated absences	\$ 698,312	\$ 460,531	\$ (415,627)	\$ 743,216	\$ 23,574

All full-time employees of the District are allotted vacation leave on their anniversary date based on the amount stated in policy determined by their years of service. Maximum accrual of vacation shall be 286 hours for administrative personnel, and 400 hours for emergency response personnel as of the last payday in June. Any carry-over of vacation accrual in excess of these maximums shall become void on the last day of the pay period in June. Upon separation from the District, accrued vacation is paid out.

Additionally, full-time employees receive an allotment of sick leave hours on their anniversary date, to be used throughout the year. Part-time employees who regularly work at least 20 hours per week receive prorated sick leave. Any unused allotments are accrued and carried forward to subsequent years. Upon voluntary termination or retirement, personnel who have sick leave accrual shall be compensated at 50% of the excess hours, or elect to have the 50% rolled into the employee's Post Employment Health Plan (PEHP). In the event of the death of an employee, the beneficiary designated by the employee to receive retirement benefits shall be paid deceased employee sick leave separation pay at a rate of 50% of the excess hours.

Note 6 – Tax and Revenue Anticipation Line of Credit

On behalf of the District, the Maricopa County Treasurer's Office established a line of credit in the amount of \$1,200,000, with a local financial institution. Interest is calculated at approximately 61% of the current Prime Rate. The line of credit can only be drawn on by the County Treasurer to pay District warrants issued prior to the collection of the property tax levy in the current year. Pursuant to Arizona Revised Statute §11-604.01.5 the balance on the line of credit may not exceed 45% of the district's "nonrestricted operating revenues" of the preceding year. The line of credit is paid by the County Treasurer as cash is available. As of June 30, 2014, there was no balance outstanding on the line of credit.

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Notes to Financial Statements - Continued

Note 7 – Net Revenue

The District provides emergency medical transportation services within the same geographic region as it provides fire prevention and suppression services. Charges for such emergency medical 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, provisions 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:

	<u>Governmental Activities</u>
Gross program revenues/charges	\$ 2,614,361
Contractual adjustments and uncompensated services	(1,890,964)
Net program service revenues	<u>\$ 723,397</u>

The District relies on payments from third-party payers, such as Medicare and private insurance carriers, to support the emergency medical transportation services provided. Should these third-party payers not cover the entire amount of the services rendered, such differences are adjusted as uncompensated services with the remaining amounts necessary to support the program subsidized with tax revenues for district residents. Should these third-party payers not cover the entire amount of services rendered for non-district residents, these individuals are personally responsible for the remaining balance.

Note 8 – Commitments and Contingencies

A. Inter-governmental Agreements and Indemnifications

The District has a cancelable agreement with the City of Phoenix for computer-aided dispatching and mobile digital communications equipment. The agreement renews each year unless cancelled by one or both parties at least three months prior to the first of July for the upcoming year. Should the District not renew the contract, substantial costs would be incurred to construct the necessary dispatching and communications infrastructure. The annual expense under this agreement for the year ended June 30, 2014 was \$199,796. Additionally, the District is responsible for repairs and maintenance expenses related to equipment used in their District. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Notes to Financial Statements - Continued

Note 8 – Commitments and Contingencies - Continued

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 may 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. Additionally, the District has received a Certificate of Necessity from the Arizona Department of Health Services to provide ambulance services within the District's boundaries. Should the certificate be terminated, the District would be unable to provide the extended ambulance services currently provided within the community.

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. No provision has been made in the financial statements for possible losses of this nature.

C. Supplemental Benefit Plan

In accordance with ARS 38-961 "Supplemental Benefits Plan" the District hereby establishes a Supplemental Benefits Plan for public safety officers, employees in the Public Safety Retirement System, effective September 25, 2012 until September 2014. The public safety employee must be receiving workers' compensation benefits pursuant to A.R.S. Title 23, Chapter 6. The District Supplemental Benefits Plan will pay the employee, for eligible workers compensation injuries, the difference between the workers' compensation payment and the employee's base salary (not including FLSA, Overtime or Holiday pay,) so that the employee will receive approximately the identical base pre-injury salary, less the amount of taxes the employee was paying. The District shall offer the Supplemental Benefits Plan for an initial six-month period. The District may determine if the plan shall be extended, on an individual basis, an additional six months, for a maximum of one year.

Note 9 – Employee Retirement Systems and Post Employment Plans

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

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Notes to Financial Statements - Continued

Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

A. Arizona State Retirement System

Plan Description: The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple employer defined benefit long-term disability plan, all of which the *Arizona State Retirement System* (ASRS) administers. The ASRS (through its Retirement Fund) provides retirement (i.e., pension) death, and survivor benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. State statute establishes benefits. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes its financial statements and required supplementary information. The most recent report is available on their Web site (www.azasrs.gov) or may be obtained by writing the Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85012-3910 or by calling (602) 240-2000 or 1-800-621-3778.

Funding Policy: The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates.

For the year ended June 30, 2014, statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement and .24 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent for long-term disability). The District's contributions to ASRS for the years ended June 30, 2014, 2013 and 2012 were \$66,787, \$78,779 and \$87,098, respectively, which were equal to the required contributions for the year.

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 to 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 Arizona Revised Statute Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite #200, Phoenix, Arizona 85016, (602) 255-5575.

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Notes to Financial Statements - Continued

Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

Funding Policy: For the year ended June 30, 2014, PSPRS members were required, by statute, to contribute 10.35% of their annual covered compensation. The District was required to contribute at the actuarially determined rate of 16.35% plus the health insurance premium portion of the contribution rate was actuarially set at 0.79% for a total employer contribution rate of 17.14% of covered payroll.

Contributions from other entities: Proceeds from the annual tax collected by the State of Arizona on fire insurance premiums are contributed to PSPRS and reallocated to participants based on actuarial estimates. For the year ended June 30, 2014, the amount credited to the District's plan, included in the annual pension cost described below, totaled \$61,926.

Annual Pension Cost (APC): For the year ended June 30, 2014, the District's annual pension cost of \$558,896 for PSPRS was equal to the District's required and actual contributions.

The District's actuarial assumptions are based on the most recent available actuarial valuation. For the year ended June 30, 2014, the actuarial valuation and related information are as follows:

Contribution rates:

Plan members	10.35%
District	17.14%
Actuarial cost method	Entry Age Normal
Investment rate of return	7.85%
Projected salary increases *	4.0% - 8.0%
* Includes inflation at	4.0%
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value

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Notes to Financial Statements - Continued

Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

Pension			
Year ended June 30,	Annual Pension Costs	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2014	\$ 558,896	100%	\$ -
2013	510,113	100%	-
2012	442,890	100%	-

Health Insurance			
Year ended June 30,	Annual Pension Costs	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2014	\$ 27,005	100%	\$ -
2013	24,833	100%	-
2012	26,416	100%	-

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

Pension						
Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2014	\$12,827,047	\$17,126,918	\$4,299,871	75%	\$3,520,423	122%
2013	12,122,885	15,182,117	3,059,232	80%	3,533,109	87%
2012	11,089,307	13,590,130	2,500,823	82%	3,100,519	81%

Health Insurance						
Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2014	\$ 306,398	\$ 347,090	\$ 40,692	88%	\$3,520,423	1%
2013	-	338,427	338,427	-%	3,533,109	10%
2012	-	327,383	327,383	-%	3,100,519	11%

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Notes to Financial Statements - Continued

Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

C. Deferred Compensation and Post-employment Health Plans

The District has established a defined contribution deferred compensation plan for all employees to provide supplementary retirement benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). Contributions for the year ended June 30, 2014 totaled \$174,356.

The District has established a defined contribution deferred compensation plan for all employees to provide post-employment health benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). The plan provides for post-employment reimbursement of qualifying medical care expenses for the benefit of employees and their dependents. Contributions for the year ended June 30, 2014 totaled \$239,704.

In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for either of the aforementioned plans, are not included as a fund of the District.

	2014	2013	2012	2011	2010	2009
Contributions	\$174,356	\$174,356	\$174,356	\$174,356	\$174,356	\$174,356
Post-employment health	\$239,704	\$239,704	\$239,704	\$239,704	\$239,704	\$239,704
Total	\$414,060	\$414,060	\$414,060	\$414,060	\$414,060	\$414,060

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Required Supplementary Information

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Sun Lakes Fire District
Required Supplementary Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2014

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
Revenues:			
Property taxes	\$ 5,894,108	\$ 5,855,198	\$ (38,910)
Fire district assistance tax	400,000	404,965	4,965
Fire insurance premium tax	-	61,926	61,926
Charges for services	765,000	766,543	1,543
Licenses, permits and other fees	1,000	1,790	790
Interest income	2,000	2,853	853
Other revenue	3,000	372	(2,628)
Total revenues	<u>7,065,108</u>	<u>7,093,647</u>	<u>28,539</u>
Expenditures:			
Current:			
Wages and benefits	6,205,330	6,076,090	129,240
Operations	919,879	867,878	52,001
Total expenditures	<u>7,125,209</u>	<u>6,943,968</u>	<u>181,241</u>
Excess (deficiency) of revenues over (under) expenditures	(60,101)	149,679	209,780
Other financing sources (uses):			
Transfers in	496,479	-	(496,479)
Transfers out	(436,378)	-	436,378
Total other financing sources (uses)	<u>60,101</u>	<u>-</u>	<u>(60,101)</u>
Net changes in fund balance	-	149,679	149,679
Fund balances, beginning of year	-	310,185	310,185
Fund balances, end of year	<u>\$ -</u>	<u>\$ 459,864</u>	<u>\$ 459,864</u>

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The accompanying report
is an integral
part of this schedule.

**Sun Lakes Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2014**

Note 1 – Budgetary Requirements and Basis of Accounting

Arizona Revised Statutes requires certain fire districts to prepare and submit annual budgets to the applicable county board of supervisors and treasurer. The district budget must be prepared in a manner consistent with the annual financial statements. Accordingly, the District's budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles.