

SUPERSTITION FIRE & MEDICAL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2014



SUPERSTITION FIRE & MEDICAL DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
REPORT ON AUDIT OF FINANCIAL STATEMENTS	
Independent Auditors' Report	1
Management Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	36
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	38
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Non-Major Funds	39
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	42



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Superstition Fire & Medical District, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the remaining fund information of Superstition Fire & Medical District, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Superstition Fire & Medical District, Arizona'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.

Auditors' 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 of material misstatement.

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

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

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

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 the Superstition Fire & Medical District, Arizona, 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.

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 – general fund, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Superstition Fire & Medical District, Arizona's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Superstition Fire & Medical District, Arizona'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 Superstition Fire & Medical District, Arizona's internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
December 12, 2014

This page intentionally left blank.



Superstition Fire & Medical District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2014

The following discussion and analysis of the Superstition Fire & Medical District's financial performance presents management's overview of the District's financial activities for the fiscal year (FY) that ended June 30, 2014. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Superstition Fire & Medical District provides fire, rescue, prevention and emergency medical services to homes, property, and persons residing within the District's boundaries, as well as services to locations and persons outside the District through mutual aid agreements and contracts.

Results of Operations

- The Governing Board, the District's Senior Leadership Team, and Local 2260 unanimously approved changing the District's name to Superstition Fire & Medical District (SFMD) at the October 2013 Board meeting. The change was deemed important to be more representative of the region and all communities the District serves. The addition of "Medical" in the name more accurately reflects the fact that District personnel provide vital medical treatment in addition to fire suppression protection.
- The District was reaccredited by the Commission of Fire Accreditation International (CFAI) for the third time. The District was the first fire district in the state of Arizona to receive accreditation. The accreditation process determines the community risk and safety needs, develops community-specific Standards of Cover, evaluates the performance of the District, and establishes a method for achieving continuous organizational improvement.
- The District received the Best of the Best Award from CopperPoint Mutual Insurance Company, the state of Arizona's workmen's compensation insurance agency.
- The District was recognized as a Premier Emergency Medical Services (EMS) agency by the Arizona Department of Health Services (AZDHS).

- The community of Apache Junction was awarded the Heart Safe Community Award due in large part to the District's Save Hearts in Arizona Registry & Education (SHARE) program, the cardiopulmonary resuscitation (CPR)/automated external defibrillator (AED) classes provided by the District, and the awareness, focus, and survivability success the District's emergency medical services providers have demonstrated in providing sudden cardiac arrest treatment.
- The District entered into a multi-year lease agreement with the Apache Junction Unified School District to lease approximately 20,000 square feet of the Thunder Mountain Middle School in July 2013. The District then hired Core Construction to renovate the leased space for the purpose of establishing the SFMD Regional Training Center (RTC). The RTC is used by the District for training and meeting purposes.
- The District entered into an advertising agreement with Mountain Vista Medical Center to provide advertising on the District's fire vehicles. The agreement generated \$86,229 in revenue that was used to offset operating expenses in FY13/14.
- The Governing Board approved the contract with Nationwide Retirement Services to replace Security Benefit as the District's 457 Deferred Compensation Plan provider.
- The District handled 8,080 Total Emergency Response calls:
 - 6,018 Rescue and Emergency Medical Service incidents
 - 123 Fire calls
 - 2 Overpressure/Rupture/Explosion calls
 - 36 Hazardous Condition incidents (no fire)
 - 743 Service calls
 - 508 Good Intent calls
 - 138 False Alarm / False calls
 - 512 Special incident type calls
- The District's received three (3) grants during FY13/14:
 - The District co-participated in the FEMA Regional Wildland Radio grant with Queen Valley Fire District in fall 2013. The grant's cost was shared 80% by FEMA and 20% by the District: The grant provided:
 - Fifty-nine (59) Bendix P25 compliant digital/analog portable radios and related peripheral equipment
 - Sixteen (16) Bendix P25 compliant digital/analog dash mounted mobile radios and related peripheral equipment
 - FEMA Fire Prevention and Public Safety Smoke Alarm grant in spring 2014. The grant's cost was shared 80% by FEMA and 20% by the District. The grant provided:
 - 500 10 year sealed lithium battery operated smoke alarms
 - 20 9-volt / 6 battery packs
 - 20 hearing impaired smoke alarms with strobe light
 - 1 packet educational materials
 - Pinal county Emergency Response Fund (ERF) grant in spring 2014. The grant covered 100% of the cost of approximately \$16,000 in equipment to respond to hazardous material spills and accidents.

- The Prevention Department continued its efforts in public education with emphasis on fire and water safety. The annual 'Fire Prevention Week', 'April Pool's Day', 'Swim to Survive', and 'Senior Safety Program' events were held, as were on-duty crew presentations at elementary schools where fire safety messages were shared and emphasized.
- In addition to fire and water safety, the District staff continued its support and participation in the following public service activities throughout the year:
 - Breast Cancer Awareness – support research for the cure of breast cancer.
 - Stuff the Backpack – provide school supplies for school age youth.
 - Child Passenger Safety Program / National Car Seat Safety Club – emphasize the importance of proper use of child car seats.
 - Explorer Cadet Program – provide young men and women an opportunity to learn about fire service and prepare the youth to become quality candidates for potential service to the Fire Service profession.
 - 10th Annual Fire Prevention Celebration – provide the public with fire prevention information.
 - Habitat for Humanity – build safe, affordable housing for needy families.
 - Adopt a Family for Christmas Program – provide a needy family with gifts and supplies for the holiday.
 - Smoke Alarm Program – provide free smoke alarms and/or batteries, and assist in their installation, to District residents whose homes do not have smoke alarms.
 - Juvenile Fire Setter Program – remediate juveniles who have been caught starting fires.
 - After-the-Fire Program – assist fire victims with basic needs after they have experienced a fire in their home.
- The following District staff were selected or volunteered to serve in a variety of public service organizations:
 - Pinal County United Way Board – Fire Chief Paul Bourgeois
 - Pinal County Fire Chief's Association President – Assistant Chief Dave Montgomery
 - Drowning Prevention Coalition of Arizona (DPCA) Advisory Council – Tina Gerola, Fire Inspector – Civilian
- The District hosted the 2nd Annual Pinal County Leadership Academy, the valley-wide educational program to develop future leaders in public safety.
- The District added the following staff positions, either through new hires or through restructuring of job responsibilities:
 - Assistant Chief – Administrative Services (new position replacing HR Director)
 - Fleet & Facilities Support Specialist (new position)
 - Administrative Assistant II (replacing Receptionist)
- The District aggressively implemented the Social Media Project where District events and news are shared with the public via Facebook, Twitter, You Tube, and Flickr.

- The District served on 4 major wildland fire deployments that generated \$235,981 in reimbursement from the state of Arizona or the federal government, including:
 - Aspen fire
 - Deployment to California involving 771 man-hours.
 - ANF August Cover fire
 - Deployment to California involving 331 man-hours
 - ONC Staging fire
 - Deployment to California involving 119 man-hours
 - Corral Complex fire
 - Deployment to California involving 1,190 man-hours

Overview of the Financial Statements

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

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

Fund Financial Statements

A fund is a grouping of related accounts that are 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.

Government-Wide Financial Statements

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

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

The *statement of changes in net position* 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.

Condensed Statement of Net Position

	2014	2013
Current and other assets	\$ 6,281,683	\$ 7,752,573
Capital assets	14,363,798	14,022,394
Total assets	20,645,481	21,774,967
Other liabilities	450,623	409,959
Long-term liabilities outstanding	8,889,124	9,063,365
Total liabilities	9,339,747	9,473,324
Net Position		
Net investment in capital assets	6,965,314	6,185,933
Restricted	69,512	83,925
Unrestricted	4,270,908	6,031,785
Total net position	\$ 11,305,734	\$ 12,301,643

Government Activities

In FY13/14, the District derived \$10,635,027 in revenue from assessed property taxes and the Fire District Assistance Tax from the County. The District generated an additional \$643,903 in charges for services (Emergency Medical Services, Intergovernmental Agreements including State Land Fires, Outside Fleet Maintenance, and Building Plan Review fees), \$8,108 from interest, and \$33,668 in other miscellaneous revenue.

Financial Highlights

- The District purchased \$1,310,284 of capital assets during the year.
- The District's net position in all government funds decreased by \$995,909, an 8.1% decline when compared to the previous fiscal year.
- General fund operating revenues increased \$910,895 over the previous year due mainly to an increase in property tax revenues and charges for services of \$767,214 and \$136,138, respectively. Interest revenue decreased \$1,552 from the previous year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,350,181.

Condensed Statement of Changes in Net Position

	2014	2013
Program revenues		
Charges for services	\$ 557,707	\$ 435,866
Operating grants and contributions		
General revenues		
Taxes	10,951,218	10,174,050
Centrally assessed taxes	361,276	271,180
Capital grants and contributions	7,806	70,269
Investment and other income	146,342	57,337
Total revenues	12,024,349	11,008,702
Program expenses		
Administration	\$ 959,801	1,037,282
Technical Services	648,495	579,327
Communication Services	575,014	571,225
Emergency Services	10,037,402	10,130,391
Community Services	433,631	465,209
Interest on debt/debt issuance costs	365,915	382,219
Total expenses	\$ 13,020,258	\$ 13,165,653
Increase in net position	(995,909)	(2,156,951)
Net position - beginning of year	12,301,643	14,458,594
Net position - end of year	\$ 11,305,734	\$ 12,301,643

General Fund Budgetary Highlights

For FY13/14, a general analysis of the General Fund non-GAAP Budgetary Basis comparison of Revenues, Expenditures, and Changes in Fund Balance report follows:

- The District’s overall General Fund spending was \$2,573,478 less than budgeted.
- Taxes receivable increased \$26,419 from the prior fiscal year.
- Administrative Services Division actual expenditures were \$2,353,323 less than budgeted.
- Technical Services Division actual expenditures were \$68,278 less than budgeted.
- Communications Services Division actual expenditures were \$1,572 less than budgeted.
- Emergency Services Division actual expenditures were \$132,393 less than budgeted.
- Technology and Community Services Division actual expenditures were \$17,912 less than budgeted.

Capital Asset and Debt Administration

Capital Assets

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

For the fiscal year that ended June 30, 2014, the District purchased the following capital assets:

- Four (4) new staff vehicles.
- Self-Contained Breathing Apparatus (SCBA) compressor to fill the SCBA bottles for firefighters use.
- SCBA TSI Universal Fit Tester that is used to test the SCBA masks to ensure they seal properly to protect the firefighter from smoke related to a fire.
- Tyler Technologies integrated management information software system that encompasses accounting, time / attendance, payroll, and human resources functions.
- Fleet Maintenance Records Management & Inventory System.
- One (1) Lifepak15 heart monitor and battery charger.
- Five (5) Motorola APX7000E dual-band portable hand-held radios as part of the strategic plan to replace all older radios by the end of FY17/18.
- Twelve (12) helmet cameras that are worn by the Captains and Battalion Safety Officers (BSOs) for videos of the outside and inside of the fire for tactical and training purposes.

Long-Term Debt

At the end of the current fiscal year, the District had GADA Bond debt outstanding of \$7,095,000. All of the debt is backed by the full faith and credit of the District.

Factors Affecting Future Results

The District remains subject to general economic conditions affecting property tax values. In recent years, the net assessed valuation (NAV) of properties within the District has decreased dramatically, down approximately 43% from the highest values experienced in FY08/09.

However, recent home values and home sales have shown signs of improvement. According to numerous home price indices, home values in the greater Phoenix metropolitan area have been increasing since 2011. It is important to remember that the NAV lags approximately 36 months, so the NAV for the FY14/15 will reflect assessed home values in the 2011/2012 period.

In addition to the economy's impact on the housing market and the corresponding NAV, recent legislative changes will provide challenges for the District even in periods of rising property values. Proposition 117, passed by the Arizona legislature in November 2012, limits the annual increase of real property used to calculate property taxes to 5.0% over the prior year's value, and mandates that property taxes be levied on the lower of the limited property value (LCV) or full cash value (FCV). Proposition 117 takes effect in 2015.

On the expenditure side, the District has taken aggressive steps to manage costs. Increases in employee benefit costs have been experienced in recent years. However, health insurance premiums for FY13/14 were held constant and for FY14/15 increased only 2.9%. The District is evaluating the risks and benefits of transitioning to a self-administered health insurance policy in a future fiscal year.

The District will continue to implement an aggressive cost control policy while providing the highest quality fire and emergency medical services to our district and surrounding communities.

Contacting the District

This financial report is designed to provide information for anyone with an interest in an overview of the District's finances. Any questions regarding this report or requests for additional information may be directed to the Superstition Fire & Medical District at 565 North Idaho Road in Apache Junction, Arizona 85119-4014.



SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,671,336
Receivables (net of no allowance for uncollectibles)	428,663
Prepays	72,236
Restricted cash and cash equivalents	64,630
Investment in joint venture	44,818
Capital assets	
Capital assets, not being depreciated	1,241,806
Capital assets, being depreciated, net	<u>13,121,992</u>
Total assets	<u>20,645,481</u>
 LIABILITIES	
Accounts payable	27,357
Accrued payroll and employee benefits	423,266
Current portion of:	
Lease payable	19,210
Compensated absences	648,287
Loan payable	405,000
Long-term portion of:	
Compensated absences	842,353
Loan payable	<u>6,974,274</u>
Total liabilities	<u>9,339,747</u>
 NET POSITION	
Net investment in capital assets	6,965,314
Restricted for:	
Debt service	69,512
Unrestricted	<u>4,270,908</u>
Total net position	<u>\$ 11,305,734</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
Administration	\$ 959,801	\$ -	\$ -	\$ -
Technical Services	648,495	-	-	-
Communication Services	575,014	-	-	-
Emergency Services	10,037,402	551,760	-	7,806
Community Services	433,631	5,947	-	-
Interest on debt	365,915	-	-	-
Total governmental activities	<u>\$ 13,020,258</u>	<u>\$ 557,707</u>	<u>\$ -</u>	<u>\$ 7,806</u>

General revenues

Property taxes
Centrally assessed taxes
Investment earnings
Other income

Total general revenues

Change in net position

Net position-beginning

Net position-ending

Net (Expense)
Revenue and
Changes in Net Position

Total
Governmental
Activities

\$ (959,801)
(648,495)
(575,014)
(9,477,836)
(427,684)
(365,915)
(12,454,745)

10,951,218
361,276
21,677
124,665

11,458,836

(995,909)

12,301,643

\$ 11,305,734

SUPERSTITION FIRE & MEDICAL DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2014

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,683,914	\$ 2,932,557	\$ 54,865	\$ 5,671,336
Receivables			-	
Property taxes	353,502	-	25,811	379,313
Accounts receivable	49,350	-	-	49,350
Prepays	34,565	37,671	-	72,236
Restricted cash and cash equivalents	-	-	64,630	64,630
	<u>\$ 3,121,331</u>	<u>\$ 2,970,228</u>	<u>\$ 145,306</u>	<u>\$ 6,236,865</u>
Total assets				
LIABILITIES				
Accounts payable	\$ 27,357	\$ -	\$ -	\$ 27,357
Accrued wages and benefits	423,266	-	-	423,266
	<u>450,623</u>	<u>-</u>	<u>-</u>	<u>450,623</u>
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	285,962	-	20,929	306,891
	<u>285,962</u>	<u>-</u>	<u>20,929</u>	<u>306,891</u>
FUND BALANCES				
Nonspendable	34,565	-	-	34,565
Restricted for debt retirement	-	-	69,512	69,512
Committed	-	2,970,228	2,914	2,973,142
Assigned	-	-	51,951	51,951
Unassigned	2,350,181	-	-	2,350,181
	<u>2,384,746</u>	<u>2,970,228</u>	<u>124,377</u>	<u>5,479,351</u>
Total fund balances				
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,121,331</u>	<u>\$ 2,970,228</u>	<u>\$ 145,306</u>	<u>\$ 6,236,865</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2014

Fund balance - total governmental funds balance sheet		\$ 5,479,351
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture		44,818
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	23,236,487	
Less accumulated depreciation	<u>(8,872,689)</u>	14,363,798
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position		306,891
Long-term liabilities, including notes payable and their related costs, are not due and payable in the current period and therefore are not reported in the funds.		
Lease payable	(19,210)	
Compensated absences	(1,490,640)	
Notes payable	<u>(7,379,274)</u>	<u>(8,889,124)</u>
Net position of governmental activities - statement of net position		<u>\$ 11,305,734</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,891,695	\$ -	\$ 740,452	\$ 10,632,147
Centrally assessed taxes	343,332	-	-	343,332
County aid	400,000	-	-	400,000
Charges for services	643,903	-	-	643,903
Interest revenues	8,108	9,726	3,843	21,677
Other income	33,668	381	45,117	79,166
Total revenues	<u>11,320,706</u>	<u>10,107</u>	<u>789,412</u>	<u>12,120,225</u>
EXPENDITURES				
Current				
Administration	1,123,925	-	-	1,123,925
Technical Services	630,960	-	-	630,960
Communication Services	248,678	-	-	248,678
Emergency Services	8,911,744	-	-	8,911,744
Community Services	425,827	-	40,463	466,290
Capital outlay	-	421,546	990,340	1,411,886
Debt service				
Principal	-	19,369	390,000	409,369
Interest and fiscal charges	-	273	365,915	366,188
Total expenditures	<u>11,341,134</u>	<u>441,188</u>	<u>1,786,718</u>	<u>13,569,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,428)</u>	<u>(431,081)</u>	<u>(997,306)</u>	<u>(1,448,815)</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	103	-	-	103
Transfers out	-	-	(103)	(103)
Total other financing sources and uses	<u>103</u>	<u>-</u>	<u>(103)</u>	<u>-</u>
Net change in fund balances	(20,325)	(431,081)	(997,409)	(1,448,815)
Fund balances - beginning of year	<u>2,405,071</u>	<u>3,401,309</u>	<u>1,121,786</u>	<u>6,928,166</u>
Fund balances - end of year	<u>\$ 2,384,746</u>	<u>\$ 2,970,228</u>	<u>\$ 124,377</u>	<u>\$ 5,479,351</u>

SUPERSTITION FIRE & MEDICAL 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		\$ (1,448,815)
Amounts reported for governmental activities in the statement of activities are different because:		
Equity interest reported at cost for the investment in the City of Mesa joint venture		246
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 1,310,284	
Less current year depreciation	<u>(968,880)</u>	341,404
Revenues received in the current year that were accrued in the statement of activities in prior years		
Special assessments		(62,985)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Amortization	28,443	
Leases payable	19,534	
Notes payable	<u>390,000</u>	<u>437,977</u>
Compensated absences 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.		
		<u>(263,736)</u>
Change in net position of governmental activities		<u>\$ (995,909)</u>

This page intentionally left blank.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures of the Superstition Fire & Medical District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Superstition Fire & Medical District (the District) was organized in 1955 pursuant to Title 48 of the Arizona Revised State Statutes (ARS) and is operated as a special purpose local government that is governed by an elected governing body.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential 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) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – 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 revenues as soon as eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – 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 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has one nonmajor fund for June 30, 2014.

The District reports the following major governmental funds:

General Fund – This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in other funds.

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

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Bond Proceeds Fund - This fund is used to account for the proceeds from the sale of voter approved bonds. Expenditures from this fund may only be used to pay for capital projects which were vote approved by the bond issue.

Debt Service Fund – This fund is used for the accumulation of resources and payment of principal and interest expenditures of debt issued by the District.

D. Budgeting and Budgetary Control

The District Board formally adopts an annual budget for all operating funds which is submitted to the county treasurer and county board of supervisors. The budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Investments

The District reports all investments at fair value in the statement of net position.

G. Restricted Cash

Certain proceeds of the District's long-term debt, as well as certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because they are maintained in separate deposit accounts and their use is limited by applicable debt covenants.

H. 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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Receivables and Payables (Continued)

Property taxes are levied by the District and collected by the Pinal County and Maricopa County Treasurers. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise. The District also levies various personal property taxes during the year which are due at the same time as real property taxes.

I. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture 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 of \$5,000 or more and an estimated useful life equal to or exceeding two years. Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed. Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	27.5 - 40
Equipment	7
Fire Trucks	10
Automobiles	5
Office Equipment	5

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balances – Governmental Funds

Fund Balances

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 following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in Nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board or any official or body to which the District Board delegates authority may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

L. Compensated Absences

The District's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. Hours earned in excess of the annual allowable accumulations are paid out on the final paycheck of the fiscal year when approved by the Board. Any accrued amounts are paid at a maximum rate of sixty percent upon retirement from the District, with no payment for accrued sick leave upon resignation or termination. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the carrying amount of the District's deposits totaled \$5,671,336 and the amount on deposit with the Pinal County Treasurer's Office was \$5,735,682. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,241,806	\$ -	\$ -	\$ 1,241,806
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,241,806	-	-	1,241,806
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	11,574,672	944,896	-	12,519,568
Vehicles and apparatus	7,149,262	167,372	-	7,316,634
Furniture and equipment	1,960,463	198,016	-	2,158,479
Total capital assets being depreciated	20,684,397	1,310,284	-	21,994,681
Less accumulated depreciation for:				
Buildings and improvements	(4,049,300)	(442,401)	-	(4,491,701)
Vehicles and apparatus	(2,994,352)	(371,280)	-	(3,365,632)
Furniture and equipment	(860,157)	(155,199)	-	(1,015,356)
Total accumulated depreciation	(7,903,809)	(968,880)	-	(8,872,689)
Total capital assets, being depreciated, net	12,780,588	341,404	-	13,121,992
Governmental activities capital assets, net	\$ 14,022,394	\$ 341,404	\$ -	\$ 14,363,798

Depreciation expense was charged to the various departments in the governmental activities as follows:

Governmental activities:	
Administrative	\$ 56,509
Technical Services	17,535
Communication Services	326,336
Emergency Services	568,268
Community Services	232
Total depreciation expense	\$ 968,880

NOTE 4 EMPLOYEE RETIREMENT PLANS

All full-time District employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Plan Description

Arizona State Retirement Plan - The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2200 or (800) 621-3778.

Arizona Public Safety Personnel Retirement System - 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 167 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The District contributes to the PSPRS plan for firefighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 3010 E. Camelback Rd., Suite 200, Phoenix, AZ 85016-4416 or by calling (602) 255-5575.

Funding Policy

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the years ended June 30, 2014, 2013 and 2012, active ASRS members and the District were each required by statute to contribute at the actuarially determined rates of 11.54, 11.14 and 10.74 percent (rates include 0.24 for long-term disability), respectively, of the member's annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2014, 2013, and 2012 were \$82,098, \$80,227, and \$65,879, respectively. The District contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement	Health Insurance	Long-term Disability	Total
2014	\$ 75,767	\$ 4,624	\$ 1,707	\$ 82,098
2013	73,818	4,681	1,728	80,227
2012	60,543	3,864	1,472	65,879

Agent plans – The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members' annual covered payroll, and the District was required to contribute at the actuarially determined rate of 17.76% for covered payroll totaling \$994,941 to the Plan for the firefighters.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Annual Pension Cost

The District's pension cost for the agent plan for the year ended June 30, 2014, and related information follows:

Contribution Rates:		<u>PSPRS - Fire</u>
District – retirement		16.86%
District – health insurance premium		0.90%
Plan members		7.65%
Annual pension cost		
Retirement	\$	994,941
Health insurance premium	\$	53,111
Pension contributions made		
Retirement	\$	994,941
Health insurance premium	\$	53,111
Actuarial valuation date		June 30, 2012
Actuarial cost method		Entry Age Normal
Actuarial assumptions:		
Investment rate of return		8.0%
Projected salary increases		5.0% - 9.0%
Includes inflation at cost-of-living adjustment		5.0%
Amortization method		Level Percent of-pay Closed
Remaining amortization period		24 years underfunded 20 years overfunded
Asset valuation method		7-year smoothed market
Post retirement benefit increases		Based on Income

Trend Information – Information for the PSPRS plan as of the most recent actuarial valuations follows:

Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS - Fire - Pension			
June 30, 2014	\$ 994,941	100.0%	-
June 30, 2013	917,907	100.0%	-
June 30, 2012	758,642	100.0%	-
PSPRS - Fire - Health Insurance			
June 30, 2014	\$ 53,111	100.0%	-
June 30, 2013	61,037	100.0%	-
June 30, 2012	64,261	100.0%	-

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Schedule of Funding Progress - An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations, June 30, 2012 reporting period, determines the rates for fiscal year 2014. For this valuation, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported; these benefits are disaggregated and reported separately.

Actuarial Accrued Liability

PSPRS – Pension Plan

Fire Pension

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll
June 30,	(a)	(AAL) (b)	(b-a)			((b-a)/c)
2012	\$ 19,848,608	\$ 24,934,476	\$ 5,085,868	79.6%	\$ 5,718,335	88.9%
2011	17,519,983	21,588,897	4,068,914	81.2%	5,194,183	78.3%
2010	15,857,754	18,779,135	2,921,381	84.4%	5,556,259	52.6%

PSPRS Fire Health Insurance Plan

Fire Health Insurance

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll
June 30,	(a)	(AAL) (b)	(b-a)			((b-a)/c)
2012	-	\$ 686,130	\$ 686,130	0.0%	\$ 5,718,335	12.00%
2011	-	713,725	713,725	0.0%	5,194,183	13.74%
2010	-	536,916	536,916	0.0%	5,556,259	9.66%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 4 EMPLOYEE RETIREMENT PLANS (Continued)

Annual Required Contribution:

PSPRS Fire Health Insurance Plan

No Health Insurance Subsidy payments were reported for valuation year 2012 for the Fire plan.

NOTE 5 LONG TERM DEBT

General Obligation Bonds

In 2006, the District entered into a loan agreement with the Greater Arizona Development Authority (GADA) to provide funds for construction and furnishings of new fire stations and training facilities, to expand and renovate existing fire stations and facilities, acquire interest in land for construction and expansion of facilities, to acquire firefighting, rescue and other life preserving equipment, and to pay all legal, engineering, architectural, accounting, financial consulting and other necessary costs in connection with these activities. Interest at the rate of 4.25 to 5% is payable semiannually on January 1 and July 1. The loan is being repaid by means of a secondary tax levied on all taxable property within the Superstition Fire & Medical District sufficient to pay principal, interest and administration costs. The funds are held in a separate County Treasurer account to be used for principal and interest payments.

The annual debt service requirements for this debt are as follows:

Fiscal year ending June 30,	Principal	Interest
2015	\$ 405,000	\$ 339,213
2016	425,000	320,056
2017	445,000	301,013
2018	465,000	279,375
2019	485,000	255,625
2020 - 2024	2,195,000	761,125
2025 - 2028	2,675,000	275,875
Total	<u>\$ 7,095,000</u>	<u>\$ 2,532,281</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 5 LONG TERM DEBT (Continued)

Changes in long-term debt as of June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 7,485,000	\$ -	\$ (390,000)	\$ 7,095,000	\$ 405,000
Premium on loan	312,717	-	(28,443)	284,274	-
Capital leases	38,744	-	(19,534)	19,210	19,210
Compensated absences	1,226,904	322,198	(58,462)	1,490,640	648,287
Governmental activities long-term liabilities	<u>\$ 9,063,365</u>	<u>\$ 322,198</u>	<u>\$ (496,439)</u>	<u>\$ 8,889,124</u>	<u>\$ 1,072,497</u>

NOTE 6 CAPITAL LEASES

The District has entered into lease agreements for capital purchases of \$58,926. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations:

A lease for a Sony camcorder and lens, payable to Kansas State Bank in the amount of \$6,402 is payable in 36 monthly installments in the amount of \$178 of principal and interest, with the final payment due May 15, 2015;

A lease for 15 Panasonic Toughbooks through CoActive Capital Partners, Inc. in the amount of \$52,524 is payable in three annual installments of \$17,508, with the final payment due October 11, 2014.

The following schedule presents future minimum lease payments as of June 30, 2014:

Year Ending, June 30	Principal
2015	\$ 19,299
Less interest	<u>(89)</u>
Present value of remaining payments	<u>\$ 19,210</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2014

NOTE 6 CAPITAL LEASES (Continued)

A portion of the equipment is included in furniture and equipment in capital assets being depreciated as follows:

Asset	Leased Asset
Equipment	\$ 5,599
Less accumulated depreciation	(3,590)
Total	\$ 2,009

NOTE 7 JOINT VENTURE

The District participates in a joint venture with five other governments for the operations and maintenance of a communications center. The City of Mesa operates the center which is funded by the participating members of the venture. Ownership of the center is distributed to the participants relative to their individual contributions. The District's share of the venture's capital cost for the fiscal year ended June 30, 2014 was \$246. The District retains equity ownership interest in the capital purchases. Upon resolution of the venture's governing board, members may be subject to a special assessment if the Board determines the special assessment is needed for disaster recovery or other reasons as stated in the governance agreement. Additional information on this joint venture may be obtained from the website at www.topazrwc.org.

NOTE 8 CREDIT LINE

The District has an approved line of credit for \$2 million with Wells Fargo Bank to ensure the District has sufficient short term cash flow to cover operating expenses between the two peak times of the fiscal year when the District receives the bulk of their revenues (November 1 and May 1). The line of credit must be renewed annually. There were no draws or payments associated with this loan during the fiscal year and no balance was outstanding at fiscal year-end.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

SUPERSTITION FIRE & MEDICAL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 9,886,855	\$ 9,886,855	\$ 9,891,695	\$ 4,840
Centrally assessed taxes	333,667	333,667	343,332	9,665
County aid	400,000	400,000	400,000	-
Charges for services	687,092	687,092	643,903	(43,189)
Interest revenues	20,000	20,000	8,108	(11,892)
Other income	23,500	23,500	33,668	10,168
Total revenues	11,351,114	11,351,114	11,320,706	(30,408)
EXPENDITURES				
Current				
Administration	3,477,248	3,477,248	1,123,925	2,353,323
Technical Services	699,238	699,238	630,960	68,278
Communication Services	250,250	250,250	248,678	1,572
Emergency Services	9,044,137	9,044,137	8,911,744	132,393
Community Services	443,739	443,739	425,827	17,912
Total expenditures	13,914,612	13,914,612	11,341,134	2,573,478
Excess (deficiency) of revenues over (under) expenditures	(2,563,498)	(2,563,498)	(20,428)	2,543,070
OTHER FINANCING SOURCES				
Transfers in	-	-	103	103
Transfers out	(13,780)	(13,780)	-	13,780
Total other financing sources	(13,780)	(13,780)	103	13,883
Net change in fund balances	(2,577,278)	(2,577,278)	(20,325)	2,556,953
Fund balance-beginning of year	2,577,278	2,577,278	2,405,071	(172,207)
Fund balance - end of year	\$ -	\$ -	\$ 2,384,746	\$ 2,384,746

SUPPLEMENTARY INFORMATION

SUPERSTITION FIRE & MEDICAL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

REVENUES	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
Investment income	\$ 20,000	\$ 20,000	\$ 9,726	\$ (10,274)
Other income	-	-	381	381
Total revenues	20,000	20,000	10,107	(10,274)
EXPENDITURES				
Administration	2,733,809	2,733,809	-	2,733,809
Capital outlay	687,500	687,500	421,546	265,954
Debt service				
Principal	-	-	19,369	(19,369)
Interest and fiscal charges	-	-	273	(273)
Total expenditures	3,421,309	3,421,309	441,188	2,980,121
Excess (deficiency) of revenues over (under) expenditures	(3,401,309)	(3,401,309)	(431,081)	2,969,847
Fund balance-beginning of year	3,401,309	3,401,309	3,401,309	-
Fund balance - end of year	\$ -	\$ -	\$ 2,970,228	\$ 2,969,847

SUPERSTITION FIRE & MEDICAL DISTRICT
NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Property Taxes	\$ 756,366	\$ 756,366	\$ 740,452	\$ (15,914)
Investment income	5,100	5,100	3,843	(1,257)
Other income	23,629	23,629	45,117	21,488
Total revenues	<u>761,466</u>	<u>761,466</u>	<u>789,412</u>	<u>4,317</u>
EXPENDITURES				
Current				
Community services	134,931	134,931	40,463	94,468
Capital outlay	991,119	991,119	990,340	779
Debt Service:				
Principal	760,000	760,000	390,000	370,000
Interest and other charges	635,181	635,181	365,915	269,266
Total expenditures	<u>2,521,231</u>	<u>2,521,231</u>	<u>1,786,718</u>	<u>734,513</u>
Excess (deficiency) of revenues over (under) expenditures	(1,759,765)	(1,759,765)	(997,306)	738,830
OTHER FINANCING SOURCES				
Transfers in	13,780	13,780	-	(13,780)
Transfers out	(103)	(103)	(103)	-
Total other financing sources	<u>13,677</u>	<u>13,677</u>	<u>(103)</u>	<u>(13,780)</u>
Net change in fund balances	(1,746,088)	(1,746,088)	(997,409)	725,050
Fund balance - beginning of year	<u>1,675,675</u>	<u>1,675,675</u>	<u>1,121,786</u>	<u>(553,889)</u>
Fund balance - end of year	<u>\$ (70,413)</u>	<u>\$ (70,413)</u>	<u>\$ 124,377</u>	<u>\$ 171,161</u>

This page intentionally left blank.

COMPLIANCE SECTION



HENRY & HORNE, LLP
Certified Public Accountants

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

To the Board of Directors
Superstition Fire & Medical District
Apache Junction, Arizona

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 the Superstition Fire & Medical District, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Superstition Fire & Medical District's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Superstition Fire & Medical District, Arizona'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 Superstition Fire & Medical District, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Superstition Fire & Medical District, Arizona'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.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Henry + Horne LLP

Casa Grande, Arizona
December 12, 2014