

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

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

**Forest Lakes Fire District**

Reporting Ambulance Service

Address: 1522 Merzville Road - P.O. Box 1808

City: Forest Lakes Zip: 85931

**Report Fiscal Year**

From: July 01st 2013 To: June 30th 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: February 14, 2015

Print Name and Title: Roxie Allen, Operations Assistant

Phone: 928-535-4644

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  
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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

**AMBULANCE SERVICE ENTITY:** Forest Lakes Fire District

**FOR THE PERIOD** FROM: July 01st 2013 TO: June 30th, 2014

**STATISTICAL SUPPORT DATA**

Line No.	<u>DESCRIPTION</u>	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:			68	68
2	Number of BLS Billable Transports:			21	21
3	Number of Loaded Billable Miles:			1,529	1,529
4	Waiting Time (Hr. & Min.):				-
5	Canceled (Non-Billable) Runs:				-

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

6	ALS Base Rate Revenue			\$ 76,122
7	BLS Base Rate Revenue			23,596
8	Mileage Charge Revenue			22,389
9	Waiting Charge Revenue			-
10	Medical Supplies Charge Revenue			3,052
11	Nurses Charge Revenue			-
12	Standby Charge Revenue (Attach Schedule)			-
13	<b>TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE</b>		(Post to Page 3, Line 1)	<b>\$ 125,159</b>

**SALARY AND WAGE EXPENSE DETAIL**

**GROSS WAGES:**

		\$	** No. of FTE's
14	Management	118,573	2.0
15	Paramedics and IEMTs	160,667	
16	Emergency Medical Technician (EMT)	83,433	
17	Other Personnel	44,782	
18	Payroll Taxes and Fringe Benefits - All Personnel	53,321	
19	<b>Total Wages, Taxes &amp; Benefits</b> (Sum Lines 14 through 18; Post to Page 3, Line 10)	<b>\$ 460,776</b>	

**SEE ATTACHED AUDITED FINANCIAL STATEMENTS**

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

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

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

**AMBULANCE SERVICE ENTITY:**

**Forest Lakes Fire District**

**FOR THE PERIOD**

**FROM:** July 1st, 2013

**TO:** June 30th, 2014

**SCHEDULE OF REVENUES AND EXPENSES**

Line No.	<u>DESCRIPTION</u>		
<b>Operating Revenues:</b>			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>125,159</u>
<u>Settlement Amounts:</u>			
2	AHCCCS .....		<u>2,553</u>
3	Medicare .....		<u>24,543</u>
4	Subscription Service .....	<b>SUPPORTIVE FUNDING</b>	<u>12,976</u>
5	Contractual .....		<u>          </u>
6	Other .....		<u>          </u>
7	Total	(Sum of Lines 2 through 6)	<u>40,072</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>85,087</u>
<b>Operating Expenses:</b>			
9	Bad Debt .....		\$ <u>16,885</u>
10	Total Salaries, Wages, and Employee-Related Expenses .....	(From: Page 2, Line 19)	<u>460,776</u>
11	Professional Services .....		<u>20,227</u>
12	Travel and Entertainment .....		<u>995</u>
13	Other General Administrative .....		<u>4,736</u>
14	Depreciation .....		<u>55,374</u>
15	Rent / Leasing .....		<u>5,400</u>
16	Building / Station .....		<u>3,937</u>
17	Vehicle Expense .....		<u>37,538</u>
18	Other Operating Expense .....		<u>3,728</u>
19	Cost of Medical Supplies Charged to Patients .....		<u>3,948</u>
20	Interest .....		<u>-</u>
21	Subscription Service Sales Expense .....		<u>2,310</u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>615,854</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(530,767)</u>
24	Subscription Contract Sales .....		<u>          </u>
25	Other Operating Revenue .....		<u>          </u>
26	Local Supportive Funding .....		<u>          </u>
27	Other Non-Operating Income (Attach Schedule) .....		<u>          </u>
28	Other Non-Operating Expense (Attach Schedule) .....		<u>          </u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>          </u>
<b>Provision for Income Taxes:</b>			
30	Federal Income Tax .....		<u>          </u>
31	State Income Tax .....		<u>          </u>
32	Total Income Tax .....	(Line 30, plus Line 31)	<u>          </u>
33	<b>Ambulance Service Net Income (Loss)</b>	(Line 29, minus Line 32)	<u>          </u>

**SEE ATTACHED AUDITED FINANCIAL STATEMENTS**

# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Forest Lakes Fire District

FOR THE PERIOD FROM: July 01st 2013 TO: June 30th 2014

**BALANCE SHEET**

Current audited financial statements may be submitted in lieu of these pages.

**ASSETS**

CURRENT ASSETS

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

**LIABILITIES & EQUITY**

CURRENT LIABILITIES

13	Accounts Payable .....	\$		
14	Current Portion of Notes Payable .....			
15	Current Portion of Long-Term Debt .....			
16	Deferred Subscription Income .....			
17	Accrued Expenses and Other .....			
18	_____			
19	_____			
20	<b>TOTAL CURRENT LIABILITIES</b>			\$ <u>                    </u>
21	NOTES PAYABLE .....			
22	LONG-TERM DEBT, OTHER .....			
23	<b>TOTAL LONG-TERM DEBT</b>			

EQUITY & OTHER CREDITS

Paid-In Capital:

24	Common Stock .....			
25	Paid-In Capital in Excess of Par Value .....			
26	Contributed Capital .....			
27	Retained Earnings .....			
28	_____			-
29	_____			-
30	Fund Balance .....			-
31	<b>TOTAL EQUITY</b>			
32	<b>TOTAL LIABILITIES &amp; EQUITY</b>			\$ <u>                    </u>

**SEE ATTACHED AUDITED FINANCIAL STATEMENTS**

# AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Forest Lakes Fire District

FOR THE PERIOD FROM: July 01st 2013 TO: June 30th 2014

**STATEMENT OF CASH FLOWS**

Current audited financial statements may be submitted in lieu of these pages.

**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 .....	\$ _____	

**SEE ATTACHED AUDITED FINANCIAL STATEMENTS**



# Forest Lakes Fire District

P.O. BOX 1808 • Forest Lakes, AZ 85931  
Phone (928) 535-4644 • Fax (928) 535-5448



February 2, 2015

Accounting Professionals, PC  
16841 N. 31<sup>st</sup> Avenue, Suite 161  
Phoenix, AZ 85053

We are providing this letter in connection with your attestation engagement on Forest Lakes Fire District *Compliance with Specified Requirements* under Arizona Revised Statute Title 48 § 805.02(G) for the year ended June 30, 2014. We confirm that we are responsible for *Compliance with Specified Requirements* under Arizona Revised Statute Title 48 § 805.02(G) and internal controls over such compliance. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 2, 2015, the following representations made to you during your attestation engagement:

- 1) The District has not incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at June 30, 2014 in the district general fund except for those liabilities as prescribed in Arizona Revised Statute Title 48 § 805(B)(2), 806 and 807.
- 2) The District has complied with the budgetary, financial and debt limitation provisions of Arizona Revised Statute Title § 805.02(F).

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the Independent Accountants' Report on *Compliance with Specified Requirements* applicable to Arizona Fire Districts under Title 48 § 805.02(G).

Signature:   
**John Hennessey**

Title: Chairman of the Board

Signature:   
**David Rodriguez**

Title: Fire Chief



# Forest Lakes Fire District

P.O. BOX 1808 • Forest Lakes, AZ 85931  
Phone (928) 535-4644 • Fax (928) 535-5448



February 2, 2015

Accounting Professionals, LLC

16841 North 31<sup>st</sup> Avenue, Suite 161

Phoenix, Arizona 85053

We are providing this letter in connection with your audit of the basic financial statement of the Forest Lakes Fire District as of June 30, 2014 and for the year then ended, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations the government-wide financial statements and major funds of the Forest Lakes Fire District in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the basic financial statements of financial position and results of operations in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 2, 2015 the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 30, 2014, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the elected body and other relevant committees or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
5. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements; accordingly, there are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
7. The Forest Lakes Fire District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. Management has confirmed the useful lives of buildings for purposes of estimating depreciation.
8. The following have been properly recorded or disclosed, if any, in the financial statements:
  - a. Related-party transactions, including sales or charges for services provided, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Forest Lakes Fire District is contingently liable.
  - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
9. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 (FAS-5), *Accounting for Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FAS-5.
10. The Forest Lakes Fire District has satisfactory title to all owned assets. There are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
11. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We represent to you the following regarding the financial statements for the Forest Lakes Fire District:
  - a. All funds and activities are properly classified.
  - b. All net assets component and fund balance reserves and designations have been properly reported.

- c. All revenues within the statement of activities have been properly classified as program revenues or general revenues.
  - d. All interfund and intra-entity transactions and balances have been properly classified and reported.
  - e. Special items and extraordinary items have been properly classified and reported.
  - f. Deposit and investment risks have been properly and fully disclosed.
  - g. All required supplementary information is measured and presented within the prescribed guidelines.
  - h. With regard to investments and other instruments reported at fair value, if any:
    - (1) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    - (2) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    - (3) The disclosures related to fair values are complete, adequate, and in conformity with GAAP.
    - (4) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
15. We are not aware of any pending or threatened litigation and claims, nor have we engaged an attorney for purposes of defending claims or potential litigation against the District.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



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(Roxie Allen, Administrator)



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(David Rodriguez, Fire Chief)



**Forest Lakes Fire District  
Financial Statements  
June 30, 2014**

**Forest Lakes Fire District  
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June 30, 2014**

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ACCOUNTING PROFESSIONALS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Governing Board of the  
Forest Lakes Fire District  
Forest Lakes, Arizona

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Forest Lakes Fire District (the District), as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

**Management 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 and of each major fund of the Forest Lakes Fire District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity 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 Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedules on page 28, 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 will also issue our report on consideration of the 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 at a future date. 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 the 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 the District's internal control over financial reporting and compliance.

*Accounting Professionals, LLC*

Phoenix, Arizona  
February 2, 2015



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Required Supplementary Information)

**Forest Lakes Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2014**

As management of the Forest Lakes Fire District (the District), we offer readers of these 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 designed to focus on the significant financial issues and activities of the District as well as to identify any significant changes in the District's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative. The discussion and analysis that follows will reflect the most recent fiscal year with both current year events and comparisons to the preceding fiscal year.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$1,666,974 (net position). Of this amount, \$519,700 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens, creditors and further the purpose of the District. The remaining balance of \$1,147,274 is invested in capital assets.
- The District's total net position increased by \$34,485.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$501,022, an increase of \$53,840 from the prior year. Of this amount, \$501,022 or 100%, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$501,022, or 66% percent of total general fund expenditures for the fiscal year.
- The District –
  - i) Has one fire station staffed with part-time employees and reserve firefighter/EMT/paramedics and other personnel whom are on-call paid personnel or are volunteers;
  - ii) Received a total of \$86,785 in state and federal grant monies and generated \$90,934 in charges for services.
  - iii) Maintains, and follows, a consistent program to upgrade equipment and facilities.
- During the year, \$12,435 was spent to acquire new capital assets. The District received \$30,000 in donations to cover the cost of acquisition, installation and initial maintenance of a Power-LOAD system, which hydraulically lifts patients in and out of the ambulance. This asset is designed to increase department efficiency and reduce potential staff injuries.
- The District strives to provide the best possible service while minimizing tax rates. Property tax revenues reported in the General Fund decreased \$(73,131) or (12)% from the prior year due to a slight decreases in property valuations.

**Overview of the Financial Statements**

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

**Forest Lakes Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2014**

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar in format to a financial statement of 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 assets. Over time, increases and 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 activities* presents information showing how the government's net position changed the most 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.

**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 on 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.

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 one individual government fund, the *General Fund*, the District's major fund. Information is presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance. There were no non-major governmental funds.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund 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 comparing the District's budget to actual revenues and expenditures for the general fund.

**Forest Lakes Fire District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2014**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$1,666,974 as of June 30, 2014. The District's net position increased by \$34,485 for the fiscal year ended June 30, 2014.

However, the largest portion (\$1,147,274 or 69%) reflects the District's investment in capital assets (e.g. 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.

**Forest Lakes Fire District's Net Position**

	Governmental Activities	
	2014	2013
Cash and cash equivalents	\$ 448,986	\$ 428,787
Other assets	95,131	53,428
Capital assets, net	1,147,274	1,167,379
Total assets	1,691,391	1,649,594
Liabilities	24,417	17,105
Net Position		
Invested in capital assets	1,147,274	1,167,379
Unrestricted	519,700	465,110
Total Net Position	\$ 1,666,974	\$ 1,632,489

**Forest Lakes Fire District  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2014**

**Governmental Activities** – Governmental activities increased the District's net position by \$34,485. Factors which led to this increase of net position, and a summary of the changes in net position, are as follows:

- Fees for services, specifically ambulance and fire calls in which the District is entitled to charge fees, decreased due to decreased call volume during the year.
- Property tax revenues decreased due to a slight decrease in the District's assessment rate.

**Forest Lakes Fire District's Changes in Net Position**

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues:		
Charges for services	\$ 113,768	\$ 117,163
Operating grants and contributions	93,850	48,271
General revenues:		
Property Taxes	529,059	602,190
County aid	92,470	117,337
Investment earnings	3,993	3,621
Total revenues	833,140	888,582
Expenses:		
Public safety - Emergency Services	798,655	778,392
Total expenses	798,655	778,392
Increase (decrease) in net position	34,485	110,190
Net position - beginning	1,632,489	1,522,299
Net position - ending	\$ 1,666,974	\$ 1,632,489

The cost of all governmental activities for the year ended June 30, 2014 was \$798,655. Fire District Assistance Taxes (County Aid) provided funding of \$92,470. Additional revenue was realized from interest in the amount of \$3,993. Ambulance and other program service revenues, and related charges, provided funding of \$90,934, net.

**Forest Lakes Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2014**

**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, the unreserved fund balance 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 operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$501,022. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66% of total General Fund expenditures.

At June 30, 2014, the governmental funds of the District reported a combined fund balance of \$501,022, an increase over the prior year of \$53,840.

**Budgetary Highlights**

During the current year, the District did not have any amendments to the originally adopted budget.

**Budgetary Comparison - General Fund**

Revenues were less than the budgeted amounts primarily because charges for grant revenue were about \$200,000 less than the District originally had expected to receive. However, this was offset by expenditures being held in check to compensate for the lack of funding. As actual operation expenditures were \$277,487 less than budgeted expenditure, the District was able to comply with its budgetary objectives.

**Capital Asset and Debt Administration**

**Capital Assets** - The District's investment in capital assets for its governmental type activities as of June 30, 2014, totaled \$1,147,274 (net of accumulated depreciation). These assets include buildings, improvements, apparatus and general equipment.

Major capital asset transactions during the year include the following:

- Purchase of a Stryker Power-LOAD system for the ambulance for \$22,834.
- Purchase of summer loop fire hydrants for \$12,435.

**Forest Lakes Fire District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2014**

**Long-term Debt**

As of June 30, 2014, the District had no debt obligations.

**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 valuation of properties within the District. The District's assessment rate is \$3.25 for both the current and next fiscal year in order to continue to provide quality public safety services for the Forest Lakes and the surrounding community.

**Request for Information**

This report is designed to provide an overview of District finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Roxie Allen at (928) 535-4644 or the following address: Forest Lakes Fire District, PO Box 1808, Forest Lakes, Arizona 85931.

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# **BASIC FINANCIAL STATEMENTS**

**Forest Lakes Fire District**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 448,986
Accounts receivable, net	82,014
Taxes receivable	13,117
Capital assets:	
Non-depreciable	765,845
Depreciable, net	<u>381,429</u>
Total assets	<u>1,691,391</u>
<b>LIABILITIES</b>	
Accounts payable	9,596
Accrued payroll and related liabilities	<u>14,821</u>
Total liabilities	<u>24,417</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,147,274
Unrestricted	<u>519,700</u>
Total net position	<u>\$ 1,666,974</u>

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

**Forest Lakes Fire District  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency services	\$ 559,950
Community services	3,332
Administrative and support services	179,999
Depreciation	55,374
Interest on long-term debt	<u>-</u>
Total program expenses	<u>798,655</u>
<b>PROGRAM REVENUES</b>	
Charges for services, net	91,384
Operating grants and contributions	93,850
Capital grants and contributions	<u>22,384</u>
Total program revenues	<u>207,618</u>
Net program expenses	<u>591,037</u>
<b>GENERAL REVENUES</b>	
Property taxes	529,059
County aid	92,470
Investment earnings	<u>3,993</u>
Total general revenues	<u>625,522</u>
Increase in net position	34,485
Net position - beginning	<u>1,632,489</u>
Net position - ending	<u>\$ 1,666,974</u>

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

**Forest Lakes Fire District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 448,986	\$ 448,986
Accounts receivable, net	82,014	82,014
Taxes receivable	<u>13,117</u>	<u>13,117</u>
 Total assets	 <u>\$ 544,117</u>	 <u>\$ 544,117</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 9,596	\$ 9,596
Accrued payroll and related liabilities	<u>14,821</u>	<u>14,821</u>
 Total liabilities	 24,417	 24,417
Deferred inflows of resources:		
Deferred revenues	9,718	9,718
Deferred taxes	<u>8,960</u>	<u>8,960</u>
 Total deferred inflows	 18,678	 18,678
Fund balances:		
	-	-
Unassigned:		
General fund	<u>501,022</u>	<u>501,022</u>
 Total fund balances	 <u>501,022</u>	 <u>501,022</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 544,117</u>	 <u>\$ 544,117</u>

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

**Forest Lakes Fire District**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2014**

Fund balances - total governmental funds	\$ 501,022
Amounts reported for governmental activities in the Statement of Net Assets 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.	1,147,274
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.	<u>18,678</u>
Net position of governmental activities	<u>\$ 1,666,974</u>

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

**Forest Lakes Fire District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Property taxes	\$ 529,820	\$ 529,820
Fire district assistance taxes	92,470	92,470
Charges for services	89,423	89,423
Intergovernmental	86,785	86,785
Other revenue	7,065	7,065
Interest income	<u>3,993</u>	<u>3,993</u>
Total revenues	<u>809,556</u>	<u>809,556</u>
<b>EXPENDITURES</b>		
Current:		
Public safety, fire protection:		
Emergency services	559,950	559,950
Community services	3,332	3,332
Administrative and support services	179,999	179,999
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	<u>12,435</u>	<u>12,435</u>
Total expenditures	<u>755,716</u>	<u>755,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,840</u>	<u>53,840</u>
<b>OTHER FINANCING SOURCES / (USES)</b>		
Total other financing sources / (uses)	<u>-</u>	<u>-</u>
Net changes in fund balances	53,840	53,840
Fund balances - beginning	<u>447,182</u>	<u>447,182</u>
Fund balances - ending	<u>\$ 501,022</u>	<u>\$ 501,022</u>

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

**Forest 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	\$	53,840
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.		12,435
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.		(55,374)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the amount by which revenues reported in the statement of activities exceeded those amounts received and reported as current financial resources in the governmental funds.		23,584
Change in net position of governmental activities	\$	<u>34,485</u>

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

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

**A. Reporting Entity**

The District, established in 1976, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

User fees, licenses, and interest 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. 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.

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

**D. Cash and Cash Equivalents**

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

It is the District's policy to invest all temporary cash surpluses. As of June 30, 2014 the District was holding \$448,986 on deposit with the Coconino County Treasurer's investment pool. The investment pool is considered a cash equivalent. For additional information regarding cash and cash equivalents see Financial Note 2 - Cash and Cash Equivalents.

**E. Receivables and payables**

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 \$20,756, which represents 20% of the current program service receivables balance.

The District levies real property taxes on or before the third Monday in August. Such levies 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 receivable as the District has a subordinated lien on all properties subject to the tax.

**F. Prepaid items**

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

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**G. Capital assets**

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, construction in progress and infrastructure assets (e.g., radio equipment), are reported in the government-wide financial statements. Capital assets, other than infrastructure, 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 of governmental activities is included as part of the capitalized value of the assets constructed.

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

<u>Type of asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	20 - 40
Furniture, vehicles and equipment	\$5,000	3 - 20

**H. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused personal leave and vacation. 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.

**I. Deferred outflows and inflows of resources**

Pursuant to GASB Statements No. 63 and 65, the District recognized deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of fund balance or net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of fund balance or net position by the government that is applicable to a future reporting period.

**J. 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 the balance sheet.

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**K. Fund equity**

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

**Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

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

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

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

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

**L. 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.

**M. 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.

**N. Budgetary accounting**

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to spend more than the budgeted revenues plus the prior year's carry-over of unrestricted cash. The limitation is applied to the total of the combined funds.

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

As of June 30, 2014 the District had \$448,986 and on deposit with the Coconino County Treasurer's investment pool (CCTIP) in its governmental fund. The Coconino County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the CCTIP is included in the Comprehensive Annual Financial Report of Coconino County. The fair value of each participant's position in the CCTIP approximates the value of the participant's shares in the pool.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Coconino County Treasurer's investment pool is an external investment pool with no regulatory oversight. The CCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2014 the CCTIP had not received a credit quality rating from a national rating agency.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all investments are held in safekeeping by Coconino County in the District's name.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk. As of June 30, 2014 the District held all monies in the Coconino County Treasurer's investment pool.

**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:

	General Fund
Taxes	\$ 13,117
Program services	102,770
Gross receivables	115,887
Less: allowance for uncollectibles	(20,756)
Net total receivables	\$ 95,131

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report *deferred revenues* in connection with receivables that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental unavailable deferred revenues are reported as revenues for government-wide presentation as they are considered earned and measurable. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned deferred revenues remain deferred for purposes of government-wide reporting. As of June 30, 2014, deferred revenue consisted of the following:

	<u>Unavailable</u>
General Fund	
Deferred ambulance revenues	\$ 9,718
Deferred tax revenues	8,960
Total deferred revenue	\$ 18,678

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Land, not depreciated	\$ 717,362	\$ -	\$ -	\$ 717,362
Construction in progress, not depreciated	48,483	-	-	48,483
Buildings and improvements	270,050	-	-	270,050
Vehicles	774,275	-	-	774,275
Equipment	442,721	35,269	-	477,990
Total capital assets	2,252,891	35,269	-	2,288,160
Less accumulated depreciation	(1,085,512)	(55,374)	-	(1,140,886)
Total capital assets, net	\$ 1,167,379	\$ (20,105)	\$ -	\$ 1,147,274

Depreciation expense for the period was \$55,374, all depreciation was expensed to public safety function.

**NOTE 6 - NET REVENUE**

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

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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

	Governmental Activities
Gross program charges for services	\$ 134,691
Contractual adjustments, uncompensated services and bad debt	(55,431)
Net program service revenues	\$ 79,260

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

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**A. Inter-governmental agreements and indemnifications**

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

**B. Risk management**

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

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District contributes to the following plan 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.

**Forest Lakes Fire District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**Deferred compensation plan**

The District has established a defined contribution deferred compensation plan for all paid employees in order to provide for retirement benefits. Contributions to the plan are administered by a third-party, The Innes Associates, Ltd. The minimum salary reduction contribution provided under the plan is 7.5% of all wages paid to a firefighter or employee. The District was not required to and did not make any contributions to the plan for the year ended June 30, 2014. 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 are not included as a fund of the District.

**NOTE 9 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of issuance, February 2, 2015.

The implementation of the amendment to the Arizona Constitution known as the Arizona Property Tax Assessed Valuation Amendment (passed as Proposition 117 in the November, 2012 election), initially effective during fiscal year 2014-2015, results in an estimated 7% decrease in collectible property tax revenues. Management does not feel that this projected reduction in revenue will limit the fire protection and emergency medical services that the District provides. The future impact of this statutory change is unknown, but considered material.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**(Other than Management's Discussion and Analysis)**

**Forest Lakes Fire District**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended June 30, 2014**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 525,991	\$ 529,820	\$ 3,829
Fire district assistance taxes	105,198	92,470	(12,728)
Charges for services	115,000	89,423	(25,577)
Intergovernmental	287,014	86,785	(200,229)
Other revenue	-	7,065	7,065
Interest income	<u>-</u>	<u>3,993</u>	<u>3,993</u>
 Total revenues	 <u>1,033,203</u>	 <u>809,556</u>	 <u>(223,647)</u>
<b>EXPENDITURES</b>			
Current:			
Wages and benefits	509,447	491,255	18,192
Operations	270,792	252,026	18,766
Debt service:			
Principal	-	-	-
Interest expense	-	-	-
Capital outlay	<u>252,964</u>	<u>12,435</u>	<u>240,529</u>
 Total expenditures	 <u>1,033,203</u>	 <u>755,716</u>	 <u>277,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>53,840</u>	<u>53,840</u>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Transfers in	-	-	-
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources/(uses)	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balances	 -	 53,840	 53,840
Fund balance - beginning	<u>447,182</u>	<u>447,182</u>	<u>-</u>
Fund balance - ending	<u>\$ 447,182</u>	<u>\$ 501,022</u>	<u>\$ 53,840</u>

**Note 1 - Budgetary Basis of Accounting**

The District prepares its annual budget on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. A budgetary comparison schedule for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budgetary basis.

**Forest Lakes Fire District**

**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***

**June 30, 2014**

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and on Compliance and Other Matters Based on an Audit of Financial Statements  
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ACCOUNTING PROFESSIONALS, LLC  
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 Governing Board of  
Forest Lakes Fire District  
Forest Lakes, Arizona

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Forest Lakes Fire 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 only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting Professionals, LLC*

Phoenix, Arizona  
February 2, 2015

**Forest Lakes Fire District**

**INDEPENDENT AUDITORS' COMMUNICATION TO  
THOSE CHARGED WITH GOVERNANCE**

**June 30, 2014**

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ACCOUNTING PROFESSIONALS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' COMMUNICATION TO  
THOSE CHARGED WITH GOVERNANCE**

To the Governing Board of  
Forest Lakes Fire District  
Forest Lakes, Arizona

We have audited the basic financial statements of Forest Lakes Fire District (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated February 2, 2015. Professional standards require that we advise you of the following matters relating to our audit.

**OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

As communicated in our engagement letter dated May 30, 2014, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management, with our assistance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Furthermore, in accordance with *Government Auditing Standards*, we have issued our report dated February 2, 2015 on the District's internal control over financial reporting and on compliance and other matters.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, as we are not aware of any other documents containing the District's audited financial statements, we have not performed any additional procedures in accordance with such standards.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **PLANNED SCOPE AND TIMING OF THE AUDIT**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

## **COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE**

The engagement team, others in our firm, as appropriate, our firm, and any related firms have complied with all relevant ethical requirements regarding independence. As part of or nonattest services related to preparing the financial statements, management was responsible for validating the completeness and accuracy of the financial statements, and all entries to present the financial statements in conformity with generally accepted accounting principles. Management performed their responsibility accordingly and approved the financial statements on February 2, 2015.

## **QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in the significant accounting policies or their application during the year ended June 30, 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the aforementioned estimates and determined that they are reasonable in relation to the basic financial statements as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Capital Assets – The District's investment in capital assets is not just material to the financial statements, but is key to demonstrating the District's commitment to provide quality services to the community;

#### *Significant Difficulties Encountered during the Audit*

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. However, we did not identify any uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule (AJE 2014) of journal entries summarizes misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management. Attached schedule GW 2014 is for government-wide journal entries (prepared by us and approved by management, as part of converting the financial statements from the modified accrual basis to the full accrual government-wide presentation).

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which were included in the letter from management dated February 2, 2015.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing, accounting and financial reporting matters. Based on management's representations, and consistent with our understanding of the District's activities, there were such consultations with Angela Bertram, CPA regarding auditing, accounting and financial reporting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

### **Restriction on Use**

This report is intended solely for the information and use of the Governing Board, Management, Coconino County and the State of Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

*Accounting Professionals, LLC*

February 2, 2015

**Forest Lakes Fire District**

Year End: June 30, 2014

**Adjusting Journal Entries**

Date: 7/1/2013 To 6/30/2014

Prepared	1st Review	2nd Review	Non-Tech

AJE 2014

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence
CJE 001	6/30/2014	1221 Allowance for doubtful acct.	1221 GF	3050		13,408.00	
CJE 001	6/30/2014	2211 Deferred Revenue - Ambulance	2211 GF	3050	13,408.00		
To adjust allowance and deferred revenue for Ambulance AR.							
CJE 002	6/30/2014	1200 Accounts Receivable:1210 Taxes Receiv;	1200 GF	3020		1,030.00	
CJE 002	6/30/2014	2210 Deferred Revenue	2210 GF	3020	1,030.00		
To adjust property tax AR & deferred revenue							
CJE 003	6/30/2014	1212 Fire receivable	1212 GF	3040	48,149.00		
CJE 003	6/30/2014	3000 Revenues:3015 GRANTS - State	3015 GF	3040		48,149.00	
To record Grant Revenue received July 2014.							
					<b>62,587.00</b>	<b>62,587.00</b>	
<b>Net Income (Loss)</b>			<b>34,485.00</b>				

**Forest Lakes Fire District**

Year End: June 30, 2014

Government-Wide Entries

Date: 7/1/2013 To 6/30/2014

Prepared	1st Review	2nd Review	Non-Tech
KG 2/2/2015			

GW 2014

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence
GW 001	6/30/2014	Equipment	GW-1722 GW		22,834.00		
GW 001	6/30/2014	Other Revenue	GW-4800 GW			22,834.00	
		To record Stryker Loader - Donated Asset					
GW 002	6/30/2014	Equipment	GW-1722 GW		12,435.00		
GW 002	6/30/2014	Accumulated depreciation	GW-1728 GW			55,374.00	
GW 002	6/30/2014	Capital outlay	GW-8000 GW			12,435.00	
GW 002	6/30/2014	Depreciation	GW-8050 GW		55,374.00		
		To record current additions to PP&E					
GW 003	6/30/2014	Deferred revenue	GW-2310 GW		1,511.00		
GW 003	6/30/2014	Deferred taxes	GW-2410 GW			761.00	
GW 003	6/30/2014	GW Property taxes	GW-4110 GW		761.00		
GW 003	6/30/2014	GW-Ambulance service	GW-4210 GW			1,511.00	
		To eliminate deferred revenue changes at the GW level					
					<b>92,915.00</b>	<b>92,915.00</b>	
<b>Net Income (Loss)</b>			<b>34,485.00</b>				



**ACCOUNTING PROFESSIONALS, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT  
ON COMPLIANCE WITH SPECIFIED REQUIREMENTS  
APPLICABLE TO ARIZONA FIRE DISTRICTS AS REQUIRED  
UNDER ARIZONA REVISED STATUTE TITLE 48 § 805.02(G)**

To the Governing Board of the  
Forest Lakes Fire District  
Forest Lakes, Arizona

Arizona Revised Statute, Title 48 § 805.02 relates to the budgetary and financial requirements for fire districts. This statute concerns the specific compliance requirements regarding budget adoption, issuance of warrants, expenditure limitation, line of credit, and debt and liability limits. The governing board and management are responsible for the District's compliance with such requirements.

Our responsibility, under A.R.S. § 805.02(G), is to certify the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated February 2, 2015, that Forest Lakes Fire District (the District) complied with those requirements. The following is our opinion, based on the relevant attestation standards, as to the Districts' compliance.

**Opinion, Compliance and Other Matters**

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, attestation standards established by the American Institute of Certified Public Accountants, and Arizona Revised Statute, Title 48 § 805.02(G). Such standards require the examination of evidence concerning the District's compliance with the aforementioned requirements, on a test basis. Additionally, our examination and performing such other procedures as we considered necessary in the circumstances, so that our examination provides a reasonable basis for our opinion.

Our opinion does not provide a legal determination of the District's compliance with the specified requirements.

It is our opinion that Forest Lakes Fire District complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2014.

**Purpose of this Report**

This report is intended solely for the information of and use of management, the Governing Board, Coconino County and the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting Professionals, LLC*

Phoenix, Arizona  
February 2, 2015

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