

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

Arizona Department of Health Services  
Annual Ambulance Financial Report

PICTURE ROCKS FIRE DISTRICT  
Reporting Ambulance Service

Address: 12121 W Picture Rocks Rd

City: TUCSON Zip: 85743

**Report Fiscal Year**

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

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

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

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

Authorized Signature:  Date: February 26, 2015

Print Name and Title: I. BRETT LANE

Phone: 520-682-7878

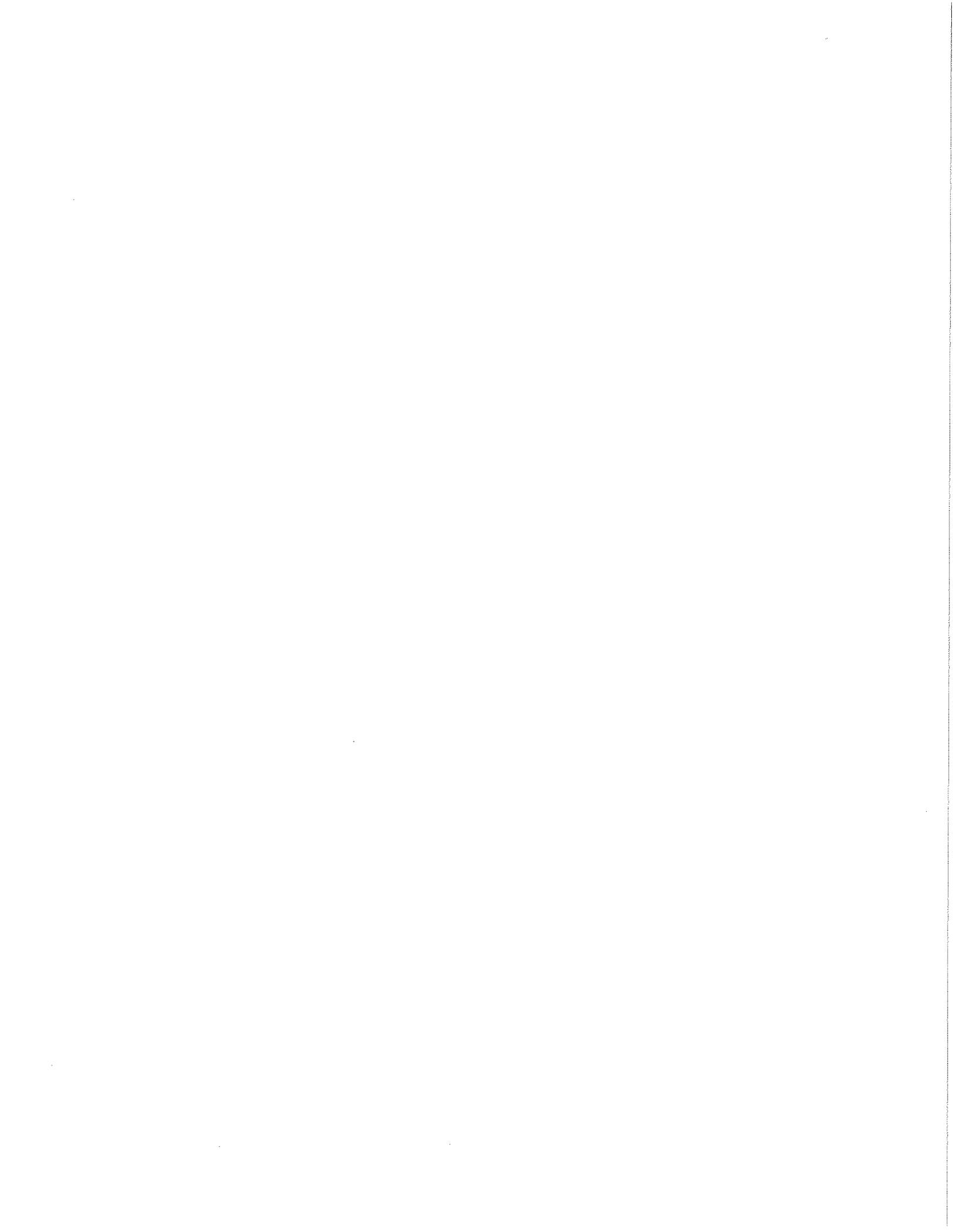
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Bureau of Emergency Medical Services  
Certificate of Necessity and Rates Section  
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Phoenix, AZ 85007-3248  
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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: PICTURE ROCKS FIRE DISTRICT

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

**STATISTICAL SUPPORT DATA**

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:	-	-	553	553
2	Number of BLS Billable Transports:			73	73
3	Number of Loaded Billable Miles:			10,722	10,722
4	Waiting Time (Hr. & Min.):				-
5	Canceled (Non-Billable) Runs:				18

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

6	ALS Base Rate Revenue				\$ 719,912
7	BLS Base Rate Revenue				95,034
8	Mileage Charge Revenue				187,220
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
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>\$ 1,002,166</b>

**SALARY AND WAGE EXPENSE DETAIL**

GROSS WAGES:		** No. of FTE's
14	Management	\$ 179,366      1.6
15	Paramedics and IEMTs	\$ 323,842      9.1
16	Emergency Medical Technician (EMT)	\$ 483,056      13.3
17	Other Personnel	\$ 7,770      0.1
18	Payroll Taxes and Fringe Benefits - All Personnel	\$ 366,919
19	<b>Total Wages, Taxes &amp; Benefits</b> (Sum Lines 14 through 18; Post to Page 3, Line 10)	<b>\$ 1,360,953</b>

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

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

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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

**AMBULANCE SERVICE ENTITY:**

PICTURE ROCKS FIRE DISTRICT

**FOR THE PERIOD**

**FROM:** July 1, 2013

**TO:** June 30, 2014

**SCHEDULE OF REVENUES AND EXPENSES**

Line No.	<u>DESCRIPTION</u>		
<b>Operating Revenues:</b>			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>1,002,166</u>
<u>Settlement Amounts:</u>			
2	AHCCCS .....		<u>46,202</u>
3	Medicare .....		<u>149,317</u>
4	Subscription Service .....		<u>          </u>
5	Contractual .....		<u>          </u>
6	Other .....		<u>          </u>
7	Total	(Sum of Lines 2 through 6)	<u>195,519</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>806,647</u>
<b>Operating Expenses:</b>			
9	Bad Debt .....		\$ <u>          </u>
10	Total Salaries, Wages, and Employee-Related Expenses .....	(From: Page 2, Line 19)	<u>1,360,953</u>
11	Professional Services .....		<u>58,489</u>
12	Travel and Entertainment .....		<u>          </u>
13	Other General Administrative .....		<u>2,200</u>
14	Depreciation .....		<u>          </u>
15	Rent / Leasing .....		<u>          </u>
16	Building / Station .....		<u>29,020</u>
17	Vehicle Expense .....		<u>8,022</u>
18	Other Operating Expense .....		<u>38,513</u>
19	Cost of Medical Supplies Charged to Patients .....		<u>          </u>
20	Interest .....		<u>          </u>
21	Subscription Service Sales Expense .....		<u>          </u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>1,497,197</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(690,550)</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>(690,550)</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>(690,550)</u></u>

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**PICTURE ROCKS FIRE DISTRICT  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Picture Rocks Fire District

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Basis for Qualified Opinions***

The Fire District did not maintain sufficient internal controls or adequate records of its ambulance service accounts receivable and related revenues reported in the Governmental Activities and General Fund. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives for these accounts.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and the General Fund of the Picture Rocks Fire District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Debt Service Fund of the Picture Rocks Fire District, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 1, the Fire District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and budgetary comparison information on pages 42 and 43 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 opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015, on our consideration of Picture Rocks Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Picture Rocks Fire District's internal control over financial reporting and compliance.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
CPAs and Business Consultants

January 21, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

As management of the Picture Rocks Fire District (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the fiscal year ended June 30, 2014.

**NATURE OF OPERATIONS**

The Picture Rocks Fire District provides fire, ambulance, and paramedic services to homes, property and persons residing within the Fire District's boundaries, as well as services to locations and persons outside the Fire District through mutual aid agreements and contracts.

A five member Board whose members are elected to their offices in an at-large election governs the Fire District. The Board Members serve staggered terms of four years. The Fire District employs a Fire Chief who serves as the Chief Administrative Officer of the Fire District. The Picture Rocks Fire District provides a wide array of services to the residents and visitors of the Fire District.

Those services include fire suppression and advanced life support ambulance transport service. Other services provided include fire and general safety public education, fire prevention inspectional services, both in-house and civilian training programs, special rescue services, and desert pest relocation. The Fire District maintains both automatic and mutual aid agreements with our regional fire service organizations.

The Fire District operates from one fire station. The Fire District employs 19 career and approximately 16 part-time personnel.

**FINANCIAL HIGHLIGHTS**

- The Fire District's total net position of governmental activities increased \$241,660 which represents a 19 percent increase from the prior fiscal year due primarily due to an increase in revenues.
- General revenues accounted for \$1.6 million in revenue, or 62 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$981,397 or 38 percent of total current fiscal year revenues.
- The Fire District had approximately \$2.3 million in expenses related to governmental activities, an increase of \$24,838 from the prior fiscal year.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL HIGHLIGHTS (Concl'd)**

- The General Fund had \$1.9 million in current fiscal year revenues, which primarily consisted of property taxes and charges for services, and \$2.0 million in expenditures. The General Fund's fund balance decreased from \$285,480 at the prior fiscal year end to \$275,145 at the end of the current fiscal year as it utilized available fund balance to cover operating costs.
- The Debt Service Fund had \$229,482 in current fiscal year revenues, which primarily consisted of property taxes, and \$208,294 in expenditures. The Debt Service Fund's fund balance increased from \$208,504 at the prior fiscal year end, to \$229,692 at the end of the current fiscal year.

**RESULTS OF OPERATIONS**

There were a number of significant accomplishments during the 2014 fiscal year. They included:

- Ran a total of 1,284 calls
- Fire calls numbered 334
- Emergency Medical Service calls numbered 950
- Teach CPR to area residents during the year
- Gave away car seats to area residents
- Continued teaching fire safety at all three public schools located in the Fire District

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the Fire District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)**

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

The government-wide financial statements outline functions of the Fire District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the Fire District include public safety, administration, and interest on long-term debt.

**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 Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Fire District'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 Fire District'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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Debt Service Funds, both of which are considered to be major funds. The Fire District does not have any non-major governmental funds.

**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. The notes to the financial statements can be found immediately following the basic financial statements.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)**

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Fire District's budget process. The Fire District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$1.5 million at the current fiscal year end.

A portion of the Fire District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related outstanding debt used to acquire those assets. The Fire District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the Fire District's net position for the fiscal years ended June 30, 2014 and June 30, 2013.

	As of June 30, 2014	As of June 30, 2013
Current assets	\$ 1,122,775	\$ 951,840
Capital assets, net	3,047,251	3,153,451
Total assets	<u>4,170,026</u>	<u>4,105,291</u>
Current liabilities	81,005	120,334
Long-term liabilities	2,578,493	2,716,089
Total liabilities	<u>2,659,498</u>	<u>2,836,423</u>
Net position:		
Net investment in capital assets	527,460	506,640
Restricted	242,202	223,953
Unrestricted	740,866	538,275
Total net position	<u>\$ 1,510,528</u>	<u>\$ 1,268,868</u>

At the end of the current fiscal year the Fire District reported positive balances in all three categories of net position. The same situation held true for the prior fiscal year. The Fire District's financial position is the product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

The following are significant current year transactions that had an impact on the Statement of Net Position.

- The increase to accumulated depreciation of \$167,488 related to current year depreciation expense.
- The principal retirement of \$92,000 of bonds payable and \$100,020 in capital leases payable.

**Changes in net position.** The Fire District's total revenues for the current fiscal year were \$2.6 million. The total cost of all programs and services was \$2.3 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

	Fiscal Year Ended <u>June 30, 2014</u>	Fiscal Year Ended <u>June 30, 2013</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 935,625	\$ 573,456
Operating grants and contributions	16,000	11,033
Capital grants and contributions	29,772	36,735
General revenues:		
Property taxes, levied for general purposes	1,093,757	1,175,964
Property taxes, levied for debt purposes	225,448	256,279
Fire district assistance taxes	218,630	236,131
Investment income	2,350	3,196
Miscellaneous	44,741	100,699
<b>Total revenues</b>	<u>2,566,323</u>	<u>2,393,493</u>
<b>Expenses:</b>		
Public safety	2,126,404	2,101,569
Administration	52,465	42,962
Interest on long-term debt	145,794	155,294
<b>Total expenses</b>	<u>2,324,663</u>	<u>2,299,825</u>
<b>Changes in net position</b>	241,660	93,668
<b>Net position, beginning</b>	1,268,868	1,175,200
<b>Net position, ending</b>	<u>\$ 1,510,528</u>	<u>\$ 1,268,868</u>

- The cost of all governmental activities this year was \$2.3 million.
- Property taxes and fire district assistance taxes (county aid) provided funding of \$1.3 million and \$218,630, respectively.
- Ambulance revenues and other charges for services provided funding of \$935,625.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS**

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

**Governmental funds.** The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Fire District's net resources available for spending at the end of the fiscal year.

The financial performance of the Fire District as a whole is reflected in its governmental funds. As the Fire District completed the year, its governmental funds reported a combined fund balance of \$504,837, an increase of \$10,853.

The General Fund is the principal operating fund of the Fire District. The General Fund's fund balance decreased from \$285,480 to \$275,145 as of fiscal year end. General Fund revenues decreased \$222,093 and General Fund expenditures decreased \$163,471, both due to decreased activity.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Fire District maintained the original adopted General Fund annual expenditure and revenue budgets. No revisions have been made.

A schedule showing the original and final budget amounts compared to the Fire District's actual financial activity for the General Fund is provided in this report as required supplementary information. The unfavorable variance of \$354,228 in intergovernmental revenue and the favorable variance of \$227,174 in public safety expenditures was a result of an anticipated public safety grant that was ultimately not approved.

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**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Fire District had invested \$4.5 million in capital assets, including land, buildings, equipment, and vehicles. Total depreciation expense for the current fiscal year was \$167,488.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2014 and June 30, 2013.

	As of June 30, 2014	As of June 30, 2013
Capital assets – non-depreciable	\$ 427,700	\$ 427,700
Capital assets – depreciable, net	2,619,551	2,725,751
<b>Total</b>	<b>\$ 3,047,251</b>	<b>\$ 3,153,451</b>

Additional information on the Fire District's capital assets can be found in Note 4.

**Debt Administration.** At year end, the Fire District had \$2.5 million in long-term debt outstanding, \$207,216 due within one year.

State statutes currently limit the amount of general obligation debt a Fire District may issue to 6 percent of the secondary assessed valuation. The current debt limitation for the Fire District is \$2.0 million. During the current fiscal year 70 percent of the Fire District's actual revenues were derived from real property and fire district assistance taxes.

Additional information on the Fire District's long-term debt can be found in Notes 5 through 7.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many factors were considered by the Fire District's administration during the process of developing the fiscal year 2014-15 budget. Among them was declining assessed values which continued for the third straight year, and the declining reimbursement revenue for emergency medical service transportation.

Beginning in January 2015 state statute limits the ability of a fire district to raise levy limits and/or assessed valuation. We are limited to increasing our budget 5 percent and assessed valuations can go up only 8 percent. These increases would only occur if we had increasing values and/or internal growth in the area, we have neither. There is no new commercial business coming into the area and we are primarily a residential, single-family home community with manufactured homes outnumbering site-built homes. Ambulance revenue has stabilized some with the Affordable Healthcare Act and Arizona allowing more people to get back on Medicaid (AHCCCS). However, we do not see ambulance revenue as being a growing revenue stream that will make up for the loss of tax dollars.

**PICTURE ROCKS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Concl'd)**

Budgeted expenditures in the General Fund increased one percent to \$2.5 million in fiscal year 2014-15. Property taxes are expected to be the primary funding sources. No new programs were added to the 2014-15 budget.

**CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Fire District's finances and to demonstrate the Fire District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Administration Center, Picture Rocks Fire District, 12121 W. Picture Rocks Road, Tucson, Arizona 85743.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**PICTURE ROCKS FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 558,033
Property taxes receivable	104,040
Accounts receivable	460,702
Total current assets	1,122,775
Noncurrent assets:	
Capital assets, non-depreciable	427,700
Capital assets, depreciable (net)	2,619,551
Total noncurrent assets	3,047,251
Total assets	4,170,026
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	15,771
Accrued payroll and employee benefits	65,234
Compensated absences payable	32,000
Bonds payable	97,000
Lease payable	110,216
Total current liabilities	320,221
Noncurrent liabilities:	
Compensated absences	26,702
Bonds payable	1,887,000
Lease payable	425,575
Total noncurrent liabilities	2,339,277
Total liabilities	2,659,498
<b><u>NET POSITION</u></b>	
Net investment in capital assets	527,460
Restricted for:	
Debt service	242,202
Unrestricted	740,866
Total net position	\$ 1,510,528

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

**PICTURE ROCKS FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Public safety	\$ 2,126,404	\$ 935,625	\$ 16,000	\$ 29,772	\$ (1,145,007)
Administration	52,465				(52,465)
Interest on long-term debt	145,794				(145,794)
<b>Total governmental activities</b>	<b>\$ 2,324,663</b>	<b>\$ 935,625</b>	<b>\$ 16,000</b>	<b>\$ 29,772</b>	<b>(1,343,266)</b>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	1,093,757
Property taxes, levied for debt purposes	225,448
Fire district assistance taxes	218,630
Investment income	2,350
Miscellaneous	44,741
<b>Total general revenues</b>	<u>1,584,926</u>

Changes in net position 241,660

Net position, beginning of year 1,268,868

Net position, end of year \$ 1,510,528

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FUND FINANCIAL STATEMENTS

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**PICTURE ROCKS FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Debt Service	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and investments	\$ 333,641	\$ 224,392	\$ 558,033
Property taxes receivable	86,230	17,810	104,040
Accounts receivable	460,702		460,702
<b>Total assets</b>	<b>\$ 880,573</b>	<b>\$ 242,202</b>	<b>\$ 1,122,775</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 15,771	\$	\$ 15,771
Accrued payroll and employee benefits	65,234		65,234
<b>Total liabilities</b>	<b>81,005</b>		<b>81,005</b>
Deferred inflows of resources:			
Unavailable revenues - property taxes	74,382	12,510	86,892
Unavailable revenues - charges for services	450,041		450,041
<b>Total deferred inflows of resources</b>	<b>524,423</b>	<b>12,510</b>	<b>536,933</b>
Fund balances:			
Restricted		229,692	229,692
Unassigned	275,145		275,145
<b>Total fund balances</b>	<b>275,145</b>	<b>229,692</b>	<b>504,837</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 880,573</b>	 <b>\$ 242,202</b>	 <b>\$ 1,122,775</b>

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

**PICTURE ROCKS FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

<b>Total governmental fund balances</b>	<b>\$</b>	<b>504,837</b>
 Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 4,465,991	
Less accumulated depreciation	<u>(1,418,740)</u>	3,047,251
 Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		
Property taxes	86,892	
Ambulance service charges	<u>450,041</u>	536,933
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	(58,702)	
Obligations under capital leases	(535,791)	
Bonds payable	<u>(1,984,000)</u>	<u>(2,578,493)</u>
 <b>Net position of governmental activities</b>	 <b>\$</b>	 <b><u><u>1,510,528</u></u></b>

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

**PICTURE ROCKS FIRE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	General Fund	Debt Service	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 1,090,738	\$ 228,387	\$ 1,319,125
Fire district assistance taxes	218,630		218,630
Intergovernmental	45,772		45,772
Charges for services	485,584		485,584
Investment income	1,255	1,095	2,350
Miscellaneous	44,741		44,741
<b>Total revenues</b>	<u>1,886,720</u>	<u>229,482</u>	<u>2,116,202</u>
<b>Expenditures:</b>			
Current -			
Public safety	1,676,495		1,676,495
Administration	43,523		43,523
Capital outlay	112,517		112,517
Debt service -			
Principal retirement	100,020	92,000	192,020
Interest and fiscal charges	29,500	116,294	145,794
<b>Total expenditures</b>	<u>1,962,055</u>	<u>208,294</u>	<u>2,170,349</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(75,335)</u>	<u>21,188</u>	<u>(54,147)</u>
<b>Other financing sources (uses):</b>			
Capital lease agreements	65,000		65,000
<b>Total other financing sources (uses):</b>	<u>65,000</u>		<u>65,000</u>
<b>Changes in fund balances</b>	<u>(10,335)</u>	<u>21,188</u>	<u>10,853</u>
<b>Fund balances, beginning of year</b>	285,480	208,504	493,984
<b>Fund balances, end of year</b>	<u>\$ 275,145</u>	<u>\$ 229,692</u>	<u>\$ 504,837</u>

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

**PICTURE ROCKS FIRE DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

Net changes in fund balances - total governmental funds \$ 10,853

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 65,000	
Less current year depreciation	<u>(167,488)</u>	(102,488)

Issuance of capital lease debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.		(65,000)
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Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	80	
Ambulance service charges	<u>199,331</u>	199,411

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal retirement	100,020	
Bond principal retirement	<u>92,000</u>	192,020

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

Loss on disposal of assets	(3,712)	
Compensated absences	<u>10,576</u>	6,864

Changes in net position in governmental activities \$ 241,660

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

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

The financial statements of the Picture Rocks Fire District (Fire District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2014, the Fire District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The more significant of the Fire District's accounting policies are described below.

**A. Reporting Entity**

The Governing Board is organized under Statute Title 48 of the Arizona Revised Statutes (A.R.S.). Management of the Fire District is independent of other state or local governments. The County Treasurer collects taxes for the Fire District, but exercises no control over its expenditures/expenses.

The power and authority given to the Fire District is vested in a Governing Board, each member being elected for a four-year term. The Governing Board has the statutory authority to adopt and modify the budget; levy taxes; control all assets, including facilities and properties; authorize borrowing, or long-term debt issuances; sign contracts, and develop the programs to be provided. The responsibility and accountability over all funds and fiscal matters are vested in the Governing Board. The Fire District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit from nor imposes a financial burden on the Fire District.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Fire District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Fire District for financial statement presentation purposes, and the Fire District is not included in any other governmental reporting entity.

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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 Fire District as a whole. The reported information includes all of the nonfiduciary activities of the Fire District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Fire District. 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 Fire District does not have any business-type activities.

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. Taxes and other items not included among program revenues are reported instead as general revenues.

**C. Measurement Focus, Basis of Accounting, and Financial Statement 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**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 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 Fire District considers

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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, are recorded only when payment is due.

Property taxes, charges for services, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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. Unearned revenues arise when resources are received by the Fire District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

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. Non-major funds are aggregated and presented in a single column. The Fire District currently only has major funds.

The Fire District reports the following major governmental funds:

General Fund – The General Fund is the Fire District's primary operating fund. It accounts for all resources used to finance Fire District maintenance and operation except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**D. Cash and Investments**

A.R.S. require the Fire District to deposit certain cash with the Pima County Treasurer's Investment Pool. Interest earned from investments purchased with pooled monies is allocated to each of the Fire District's funds based on their average balances. Fair value of the investments in the pool is the same as the value of the pool shares. All investments are stated at fair value.

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**G. Property Tax Calendar**

Property tax levies are obtained by applying tax rates against either the primary assessed valuation or the secondary assessed valuation. Primary and secondary valuation categories are composed of the exact same properties. However, the primary category limits the increase in property values to 10% from the previous year, while there is no limit to the increase in property values for secondary valuation. Override and debt service tax rates are applied to the secondary assessed valuation and all other tax rates are applied to the primary assessed valuation.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

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.

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

**I. Capital Assets**

Capital assets, which include land; buildings and improvements; equipment; communications; and vehicles and apparatus, are reported in the government-wide financial statements.

Capital assets are defined by the Fire District as assets with an initial, individual cost in excess of \$2,500 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the 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 the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	28 – 40 years
Equipment	5 – 7 years
Fire trucks	10 years
Automobiles	5 years
Office equipment	5 years

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**J. Deferred Outflows/Inflows of Resources**

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In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fire District did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**K. Compensated Absences**

The Fire District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**L. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**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 financial statements are reported as other financing sources/uses in governmental funds.

**N. Net Position Flow Assumption**

In the government-wide financial statements the Fire District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**O. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)**

**P. New Accounting Pronouncement**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the Fire District's June 30, 2015 fiscal year end. This Statement replaces the requirements of prior GASB standards for pensions accounting and reporting. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's total net pension liability. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

**NOTE 2 -- FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. Currently, the Fire District only reports restricted and unassigned; however, all of the classifications are described below.

***Nonspendable.*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

***Restricted.*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Fire District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no committed fund balance amounts are reported.

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)**

*Assigned.* Amounts in the assigned fund balance classification are intended to be used by the Fire District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The Fire District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

*Unassigned.* Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Fire District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 3 – CASH AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the Fire District's deposits may not be returned to the Fire District. The Fire District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Fire District's deposits was \$117,466 and the bank balance was \$151,208.

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the County Treasurer investment pool approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

At year end, the Fire District's investments consisted of the following.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's investment pool	268 days	<u>\$ 440,567</u>

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CASH AND INVESTMENTS (Concl'd)**

*Interest Rate Risk.* The Fire 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.* The Fire District has no investment policy that would further limit its investment choices. As of year end, the Fire District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

*Custodial Credit Risk - Investments.* The Fire District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the Fire District's portion is not identified with specific investments and is not subject to custodial credit risk.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 427,700	\$	\$	\$ 427,700
Total capital assets, not being depreciated	<u>427,700</u>			<u>427,700</u>
Capital assets, being depreciated:				
Buildings and improvements	2,687,237			2,687,237
Equipment – administrative	116,077		55,019	61,058
Equipment – fire	172,096			172,096
Vehicles	1,088,440	65,000	35,540	1,117,900
Total assets, being depreciated	<u>4,063,850</u>	<u>65,000</u>	<u>90,559</u>	<u>4,038,291</u>
Less accumulated depreciation for:				
Buildings and improvements	(339,639)	(67,043)		(406,682)
Equipment – administrative	(109,180)	(3,185)	(51,307)	(61,058)
Equipment – fire	(101,343)	(15,048)		(116,391)
Vehicles	(787,937)	(82,212)	(35,540)	(834,609)
Total accumulated depreciation	<u>(1,338,099)</u>	<u>(167,488)</u>	<u>(86,847)</u>	<u>(1,418,740)</u>
Total capital assets, being depreciated, net	<u>2,725,751</u>	<u>(102,488)</u>	<u>3,712</u>	<u>2,619,551</u>
Governmental activities capital assets, net	<u>\$ 3,153,451</u>	<u>\$(102,488)</u>	<u>\$ 3,712</u>	<u>\$ 3,047,251</u>

Depreciation expense of \$159,616 and \$7,872 were charged to the public safety and administration governmental functions, respectively.

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – GENERAL OBLIGATION BONDS PAYABLE**

Bonds payable at year end consisted of the following outstanding general obligation bonds. Property taxes from the Debt Service Fund are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
GO, Series 2008	\$ 2,485,000	5.65%	7/1/15-7/1/28	\$ 1,984,000	\$ 97,000
Total				<u>\$ 1,984,000</u>	<u>\$ 97,000</u>

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2015	\$ 97,000	\$ 112,096
2016	102,000	106,616
2017	108,000	100,852
2018	114,000	94,750
2019	120,000	88,310
2020-24	713,000	331,542
2025-28	730,000	105,940
Total	<u>\$ 1,984,000</u>	<u>\$ 940,106</u>

**NOTE 6 – OBLIGATIONS UNDER LEASES**

**Capital Leases** – The Fire District has acquired land, building improvements, and vehicles under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the Fire District's capitalization threshold are as follows.

Asset:	Governmental Activities
Land	\$ 419,700
Building improvements	250,000
Vehicles	227,732
Less: accumulated depreciation	(72,166)
Total	<u>\$ 825,266</u>

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 – OBLIGATIONS UNDER LEASES (Concl'd)**

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	<u>Governmental Activities</u>
2015	\$ 133,855
2016	133,855
2017	48,097
2018	48,097
2019	40,889
2020-24	168,410
2025-27	<u>92,625</u>
Total minimum lease payments	665,828
Less: amount representing interest	<u>130,037</u>
Present value of minimum lease payments	<u>\$ 535,791</u>
Due within one year	<u>\$ 110,216</u>

**Operating Leases** – The Fire District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$3,490 for the current fiscal year. The operating leases have remaining noncancelable lease terms of four years.

The future minimum rental payments required under the operating leases at year end were as follows.

Year Ending June 30:	
2015	\$ 3,127
2016	3,127
2017	3,127
2018	<u>3,127</u>
Total minimum payments required	<u>\$ 12,508</u>

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 2,076,000	\$	\$ 92,000	\$ 1,984,000	\$ 97,000
Obligations under capital leases	570,811	65,000	100,020	535,791	110,216
Compensated absences payable	69,278	54,686	65,262	58,702	32,000
Governmental activity long-term liabilities	<u>\$ 2,716,089</u>	<u>\$ 119,686</u>	<u>\$ 257,282</u>	<u>\$ 2,578,493</u>	<u>\$ 239,216</u>

**NOTE 8 – RISK MANAGEMENT**

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fire District carries commercial insurance for all risks of loss, including property and liability, workers' compensation, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan Descriptions** – The Fire District contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)**

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium 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 seven-member Board of Trustees and local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan. The reports are also available on their websites at [www.azasrs.gov](http://www.azasrs.gov) and [www.psprs.com](http://www.psprs.com).

**ASRS**

P. O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2200 or (800) 621-3778

**PSPRS**

3010 E. Camelback Road Suite 200  
Phoenix, AZ 85016  
(602) 255-5575

**Funding policy** – The Arizona State Legislature establishes and may amend active plan members' and the Fire District's contribution rates.

*Cost-sharing plan* – For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the Fire District was required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The Fire District's contributions for the current and preceding two years, all of which were equal to the required contributions, were as follows.

	<u>Retirement</u>	<u>Health Benefit</u>	<u>Long-Term</u>
	<u>Fund</u>	<u>Supplement</u>	<u>Disability</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Year ending June 30:			
2014	\$ 5,853	\$ 328	\$ 131
2013	6,138	389	144
2012	6,545	418	159

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)**

*Agent plan* – 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 Fire District was required to contribute at the actuarially determined rate of 15.99 percent.

**Actuarial methods and assumptions** – The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding progress which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.0% - 9.0%
Payroll growth	5.0%
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for unfunded
Asset valuation method	7-year smoothed market

**Trend Information** – Information for the agent plan as of most recent actuarial valuations follows.

***Pension***

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Annual Required <u>Contribution (ARC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2014	\$177,186	\$177,186	100%	-0-
2013	82,925	82,925	100%	-0-
2012	109,094	109,094	100%	-0-

***Health***

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Annual Required <u>Contribution (ARC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2014	\$13,217	\$13,217	100%	-0-
2013	10,606	10,606	100%	-0-
2012	16,511	16,511	100%	-0-

**PICTURE ROCKS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)**

**Funding Progress** – An analysis of funding progress for each of the agent plans as of June 30, 2014 follows.

*Pension*

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2014	\$ 3,631,857	\$ 5,202,988	\$ 1,571,131	69.8%	\$ 728,819	215.6%
2013	3,801,203	4,263,415	462,212	89.2%	856,591	54.0%
2012	3,569,152	3,976,697	407,545	89.8%	1,080,059	37.7%

*Health*

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funded Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2014	\$ 180,672	\$ 101,240	\$ (79,432)	178.5%	\$ 728,819	0.00%
2013	- 0 -	121,268	121,268	0.0%	856,591	14.16%
2012	- 0 -	142,189	142,189	0.0%	1,080,059	13.16%

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
(Required Supplementary Information)**

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Property taxes	\$ 1,095,704	\$ 1,090,738	\$ (4,966)
Fire district assistance taxes	219,141	218,630	(511)
Intergovernmental	400,000	45,772	(354,228)
Charges for services	593,232	485,584	(107,648)
Investment income	1,050	1,255	205
Miscellaneous	29,050	44,741	15,691
<b>Total revenues</b>	<u>2,338,177</u>	<u>1,886,720</u>	<u>(451,457)</u>
<b>Expenditures:</b>			
Current -			
Public safety	1,903,669	1,676,495	227,174
Administration	51,086	43,523	7,563
Capital outlay	400,000	112,517	287,483
Debt service -			
Principal retirement	117,285	100,020	17,265
Interest and fiscal charges	26,137	29,500	(3,363)
<b>Total expenditures</b>	<u>2,498,177</u>	<u>1,962,055</u>	<u>536,122</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(160,000)</u>	<u>(75,335)</u>	<u>84,665</u>
<b>Other financing sources (uses):</b>			
Capital lease agreements		65,000	65,000
<b>Total other financing sources (uses):</b>		<u>65,000</u>	<u>65,000</u>
<b>Changes in fund balances</b>	<u>(160,000)</u>	<u>(10,335)</u>	<u>149,665</u>
<b>Fund balances, beginning of year</b>		285,480	285,480
<b>Fund balances (deficits), end of year</b>	<u>\$ (160,000)</u>	<u>\$ 275,145</u>	<u>\$ 435,145</u>

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See accompanying notes to this schedule.

**PICTURE ROCKS FIRE DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the Fire District is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

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OTHER SUPPLEMENTARY INFORMATION

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**PICTURE ROCKS FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
JUNE 30, 2014**

**Regular Fire Board Meetings:**

Date	Time	Location
July 19, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
August 20, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
September 16, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
October 21, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
November 18, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
December 23, 2013	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
January 27, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
February 10, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
March 18, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
April 15, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
May 20, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
June 24, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743

**2013-2014 Board Members:**

<u>Name</u>	<u>Phone Number</u>	<u>Occupation</u>
George R. James	520-682-7878	Retired
Peggy McCool	520-682-7878	Retired
David Seese	520-682-7878	Construction Foreman
Ernie Robles	520-682-7878	Retired
Mike Balta	520-682-7878	EMS Coordinator Rural Metro

**Location of Posting of Meeting Notices (all meetings):**

Picture Rocks Fire District Admin Offices	12121 W. Picture Rocks Road	Tucson, AZ
Minit Market	6777 N. Sandario Road	Tucson, AZ
Picture Rocks Hardware Store	6315 N. Sandario Road	Tucson, AZ

**Legal Description of Boundary Changes:**

None

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**REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE**

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**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**

Independent Auditor's Report

Governing Board  
Picture Rocks Fire District

We have audited, 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, the financial statements of the governmental activities and each major fund of Picture Rocks Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Picture Rocks Fire District's basic financial statements, and have issued our report thereon dated January 21, 2015. Our opinions on the Governmental Activities and General Fund were qualified as the Fire District did not maintain sufficient internal controls or adequate records of its ambulance service accounts receivable and related revenues. Our report also included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 65.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Picture Rocks Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Picture Rocks Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Picture Rocks Fire District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS-2014-001, FS-2014-002, and FS-2014-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned responses as items FS-2014-004 and FS-2014-005, to be significant deficiencies.

Compliance and Other Matters

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

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Picture Rocks Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the Fire District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the Fire District failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Picture Rocks Fire District's Response to Findings

Picture Rocks Fire District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Picture Rocks Fire District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.  
CPAs and Business Consultants

January 21, 2015

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Reference Number:** FS-2014-001

**Type of Finding:** Material weakness

**Description:** Internal Controls over Ambulance Service Receivables and Revenues

CRITERIA

The Fire District is responsible for implementing and maintaining a system of effective internal controls over accounts receivable and revenues for ambulance service.

CONDITION/CONTEXT

We noted the following during our audit of the ambulance services receivables and activity:

- The Fire District has not reviewed the accounts receivable ledger for validity and collectability of existing customer accounts. As a result, the Fire District has been unable to determine accounts that must be written-off.
- The accounts receivable ledger contains receivables from prior fiscal years that are unrelated to ambulance services.
- The Fire District did not estimate an allowance for doubtful accounts as of fiscal year end.

EFFECT

The ambulance service accounts receivable ledger maintained in the accounting system may not be valid. As a result, the accounts receivable balance and related revenues for ambulance services may not be correctly stated in the financial statements. Qualified opinions were issued on the Fire District's financial statements due to the auditor's inability to sufficiently complete the audit objects necessary to render an opinion on the ambulance service accounts receivable and related revenues.

CAUSE

- A lack of defined policies and procedures over the Fire District's billing and collection of ambulance service fees.
- No formal accounting policy or procedures governing the recognition and write-off of delinquent customer accounts.
- Employee turnover during the fiscal year.

**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

**Reference Number:** FS-2014-001

**RECOMMENDATION**

We recommend the following to improve internal controls and processes related to ambulance service accounts receivable.

- The Fire District should review the aged receivable balances to assess ambulance patient accounts for validity and collectability. Invalid or uncollectable accounts should be written off.
- The Fire District should consider adoption of formal policies, procedures, and controls over the Fire District's billing and collection of ambulance services to facilitate timely and accurate reflection of ambulance patient billing and collection activity in the accounting records.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The Picture Rocks Fire District Medical Billing Department is currently in the process of reviewing aged receivable balances to determine validity and collectability. The Medical Billing Department will then follow the policy implemented by the Board from fiscal year 2013-14 in sending accounts to the Collections agency and writing-off the uncollectable balances.

The Picture Rocks Fire District Medical Billing Department will begin following the Ambulance Billing policy which includes direction on internal controls, timely filing procedures, and billing and collections procedures.

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

**Reference Number:** FS-2014-002

**Type of Finding:** Material weakness

**Description:** Internal Controls over Capital Asset Reporting

CRITERIA

The Fire District is responsible for implementing and maintaining a system of effective internal controls over capital asset reporting.

CONDITION/CONTEXT

The Fire District did not prepare a capital asset schedule for the current fiscal year. As a result the accounting records were not updated for current fiscal year capital asset activity.

EFFECT

Material audit adjustments were necessary to update the schedule for the current fiscal year, and correctly state the balances in the financial statements.

CAUSE

The Fire District management did not have adequate procedures in place to accurately compile the capital asset listing in a timely manner.

RECOMMENDATION

The Fire District should implement controls and provide appropriate resources to ensure the preparation of the capital asset schedule for each fiscal year and ensure the Fire District's general ledger properly captures all capital asset sub-ledger balances for financial reporting

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Picture Rocks Fire District will prepare and provide the capital asset schedule in a timely manner for each fiscal year and ensure that the general ledger reflects all capital asset sub-ledger balances for financial reporting. The preparation and application of the capital asset schedule will be included in the Accounting Policies and Procedures to be created during the current fiscal year and implemented as soon as approved by the Board of Directors.

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

**Reference Number:** FS-2014-003

**Type of Finding:** Material weakness

**Description:** Internal Controls over Reporting Debt Balances and Activity

CRITERIA

Fire District management is responsible for establishing and maintaining internal controls related to reporting debt balances and activity. Internal controls should include proper identification and recognition of debt liabilities for inclusion in the Fire District's general ledger and financial statements.

CONDITION/CONTEXT

The Fire District did not record a \$65,000 capital lease entered into during the fiscal year. In addition, the Fire District applied lease payments for the new lease towards existing capital leases.

EFFECT

The Fire District's internal controls over debt balances and activities were not adequate to ensure that a misstatement for capital leases would be prevented and/or detected.

CAUSE

The Fire District's management did not have adequate procedures in place to properly identify and accurately recognize capital leases.

RECOMMENDATION

The Fire District should design and implement controls to ensure debt liabilities are properly identified and recognized in the Fire District's financial accounting system.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Picture Rocks Fire District will ensure that any and all capital purchases and debt liabilities incurred will be represented in the Fire District's financial accounting system. This procedure will also be included in the Accounting Policies and Procedures to be created during the current fiscal year and implemented as soon as approved by the Board of Directors.

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

**Reference Number:** FS-2014-004

**Type of Finding:** Significant deficiency

**Description:** Internal Controls over Compensated Absences

CRITERIA

Fire District management is responsible for establishing and maintaining internal controls related to monitoring and reporting of compensated absences. Internal controls should include preparing complete, timely, and accurate compensated leave schedules for inclusion in the Fire District's financial statements.

CONDITION/CONTEXT

The Fire District did not prepare a timely compensated absences schedule for the current fiscal year. Several adjustments were necessary to the schedule that was ultimately provided before inclusion in the Fire District's financial statements.

EFFECT

The Fire District's internal controls over compensated absences were not adequate to ensure that a misstatement would be prevented and/or detected in a timely manner.

CAUSE

The Fire District's management did not have adequate procedures in place to accurately compile the compensated absences listing in a timely manner.

RECOMMENDATION

The Fire District should design and implement procedures to ensure the data used to calculate leave balances is accurate and the compensated absences schedule provided to auditors for inclusion in the Fire District's financial statements is prepared timely and in accordance with Fire District policy.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Picture Rocks Fire District is currently maintaining a compensated absences schedule so that it is available to the auditors in a timely manner to be included in the Fire District's Financial Statements. The compensated absences schedule maintenance will be included in the Accounting Policies and Procedure to be created during the current fiscal year.

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**PICTURE ROCKS FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Concl'd)**

**Reference Number:** FS-2014-005

**Type of Finding:** Significant deficiency

**Description:** Accounting Policies and Procedures

CRITERIA

The Fire District is responsible for maintaining a defined system of internal control. This includes the implementation and definition of policies and procedures over significant accounting and finance areas.

CONDITION/CONTEXT

The Fire District has not defined policies and procedures related to the following accounting and finance areas:

- Billing and collection of charges for services
- Employee payroll accounting and recordkeeping
- Capital asset recordkeeping and reporting
- Debt recordkeeping and reporting

EFFECT

A lack of defined polies and procedures over significant accounting and finance areas may lead to errors and inconsistencies in business office operations and financial reporting.

CAUSE

The Fire District encountered employee turnover during the fiscal year in addition to a general lack of time and resources.

RECOMMENDATION

The Fire District should provide appropriate resources to ensure the development and formal adoption policies and procedures over accounting and finance operations to facilitate consistent practices, and minimize the potential for errors and inconsistencies.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Picture Rocks Fire District will be creating an Accounting Policies and Procedures manual to be issued during the current fiscal year and implemented as soon as approved by the Board of Directors of Picture Rocks Fire District. It will include all of the recommendations found in this report and from the previous fiscal year.

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