

**Sedona Fire District**  
**Basic Financial Statements**

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**Year ended June 30, 2013**

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**Independent Auditor's Report**

Board of Directors  
Sedona Fire District  
Sedona, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sedona Fire District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sedona Fire District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on pages 27 through 28, and the schedule of agent retirement plan's funding progress on page 29, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, on our consideration of Sedona Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sedona Fire District's internal control over financial reporting and compliance

*Walker + Armstrong LLP*

Phoenix, Arizona  
January 2, 2014

**Sedona Fire District  
Management's Discussion and Analysis  
June 30, 2013**

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As management of Sedona Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 10.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$13,456,516. Of this amount, \$7,463,341 is invested in capital assets, net of related debt, and \$5,993,175 is unrestricted.
- During the year, the District's total net position decreased by \$1,843,713.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,267,840, an increase of \$985,448 from prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,947,467 or 15.3 percent of the 2013 fiscal year's total budgeted operating expenditures.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

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

## Management's Discussion and Analysis - Continued

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### **Government-wide Financial Statements - Continued**

The government-wide financial statements can be found on pages 10-11 of this report.

#### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### ***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five (5) individual governmental funds. 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 fund, the capital projects fund, and the special projects fund, which are considered to be major funds. Financial information from the other two non-major governmental funds is aggregated and displayed in a single column titled other governmental funds.

The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

## Management's Discussion and Analysis - Continued

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### **Government-wide Financial Statements - Continued**

#### *Notes to Basic 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 on pages 15-26 of this report.

#### *Other Information*

A budgetary comparison schedule for the general fund is presented immediately following the notes to the financial statements. This schedule can be found on pages 27 and 28 of this report.

In addition, funding information related to the District's participation in an agent retirement plan can be found on page 29 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sedona Fire District, assets exceeded liabilities by \$13,456,516 at the close of the most recent fiscal year.

The largest portion of the District's net position (55 percent) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the District's investment in its capital assets is reported net of related 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 page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

## Management's Discussion and Analysis - Continued

### Government-wide Financial Analysis - Continued

#### Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 7,982,450	\$ 7,028,604
Capital assets	9,948,727	10,325,815
Total assets	<u>17,931,177</u>	<u>17,354,419</u>
Current and other liabilities	763,821	415,977
Long term liabilities outstanding	3,710,840	1,638,212
Total liabilities	<u>4,474,661</u>	<u>2,054,189</u>
Net position:		
Net investment in capital assets	7,463,341	10,075,596
Unrestricted	5,993,175	5,224,634
Total net position	<u>\$ 13,456,516</u>	<u>\$ 15,300,230</u>

During 2013, current assets increased primarily because of the proceeds from a capital lease of \$2,250,000 offset by a decrease in net position totaling \$1,843,714. Capital assets decreased in total primarily due to depreciation expense incurred during the year. Long term liabilities increased from the prior year due to new capital lease obligations.

The unrestricted net position of \$5,993,175 may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District is able to report a positive balance in all categories of net position.

#### **Governmental Activities**

Governmental activities net position decreased by \$1,843,714. Key elements of this decrease are reported on the following page.

**Management's Discussion and Analysis - Continued**

**Government-Wide Financial Analysis – Continued**

**Condensed Statement of Activities**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Program revenue:		
Charges for services	\$ 3,542,235	\$ 2,716,022
General revenues:		
Property taxes	8,052,016	8,123,048
Fire district assistance tax	355,532	395,975
Investment earnings	16,323	14,275
Loss on disposal of capital assets	-	( 107,796)
Other	103,418	90,357
Total revenues	<u>12,069,524</u>	<u>11,231,881</u>
<b>Expenses:</b>		
Public safety – fire protection/ emergency medical services (EMS)	<u>13,913,238</u>	<u>12,354,353</u>
Total expenses	<u>13,913,238</u>	<u>12,354,353</u>
Decrease in net position	<u>( 1,843,714)</u>	<u>( 1,122,472)</u>
Net position, beginning	<u>15,300,230</u>	<u>16,422,702</u>
Net position, ending	<u>\$ 13,456,516</u>	<u>\$ 15,300,230</u>

- Overall revenues increased by \$837,643 while expenses increased by \$1,558,885. \$604,840 of this increase relates to a change in presentation of dispatch activity in which revenues and expenditures are now reported in the special projects fund and the general fund is reporting expenditures for the cost of such services it utilizes. In prior years, all such activity was reported in the general fund.
- Property tax revenue decreased by \$71,032 from 2012 to 2013 due to a decrease in net assessed property values. The decrease in property values was offset by an increase in the mil rate of .23 percent.
- The increase in expenses relates primarily to an increase in salaries and wages based on an increase in filled positions. In addition, related employee benefits increase due to the District changing to a fully insured health plan and an increase in workers' compensation expenditures. In addition, general supplies used in operations such as uniforms and medical supplies also increased.

## Management's Discussion and Analysis - Continued

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### **Financial Analysis of the Governmental Funds**

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

The focus of the 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 District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,267,840 an increase of \$985,448 in comparison with the prior year's balance. The largest component of the increase in revenues is dispatch fees and other projects which increased by \$788,672. This increase was offset by an increase in expenditures and additions to capital outlays during 2013 which exceeded the prior year by \$1,888,169.

Of the total combined governmental fund balance of \$7,267,840, the amount committed by the Board totaled \$5,107,237. The remaining amount is comprised of nonspendable fund balance totaling \$122,892 and \$2,037,711 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, spendable fund balance of the general fund was \$3,098,856. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 26.1% of total general fund expenditures of \$11,893,167.

### **Budgetary Highlights**

During fiscal year 2013 there were no modifications to the originally adopted budget. Total revenues were \$84,553 more than budgeted revenues while total expenditures were \$861,510 less than budgeted expenditures. The positive expenditure variance resulted primarily from an overall effort to reduce operating costs and the fact that the District did not incur expenditures that fully used the capital/debt service/reserve line item.

### **Capital Asset and Debt Administration**

**Capital assets** – The District's investment in capital assets as of June 30, 2013, totals \$9,948,727 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, improvements other than buildings, buildings and improvements, vehicles, furniture and equipment.

## Management's Discussion and Analysis - Continued

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### **Capital Asset and Debt Administration - Continued**

Outlays for capital assets during 2013 was \$614,343 which consisted primarily of the purchase of vehicles and equipment and preliminary construction costs pertaining to Station 6.

Additional information on the District's capital assets can be found in Note 5 to the financial statements on page 21.

**Long-term liabilities** – At the end of the current fiscal year, the District had total debt outstanding of \$4,059,703, which was comprised of various capital lease agreements. During 2013, the District entered into two capital lease agreements totaling \$2,374,482. Of this amount, \$2,250,000 was held in escrow for the future construction of a new station (Station 6). The remaining \$124,482 was for the purchase of 15 new heart monitors/defibrillators.

In addition, the District had compensated absences payable of \$1,574,317 at year-end.

Additional information on the District's long-term debt can be found in Notes 6 and 7 to the financial statements on page 22.

### **Economic Factors and Next Year's Budgets and Rates**

The District expects assessed values for FY2014 to decrease by up to 7 percent which will either necessitate an adjustment to the mil levy in order to maintain property tax revenues at present levels, utilizing a significant portion of reserve funds to make up for the decreased revenues, or significantly decrease District operations to match reduced revenue.

The District's governing board increased the mil levy from 1.63 in 2013 to 2.02 for the fiscal year 2014.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sedona Fire District, Finance Division, 2860 Southwest Drive, Sedona, AZ 86336.

**Sedona Fire District  
Statement of Net Position  
June 30, 2013**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 7,250,019
Receivables:	
Property taxes	235,957
Ambulance billings	278,545
Accounts	82,773
Intergovernmental	12,264
Prepaid items	122,892
Capital assets, not being depreciated	2,453,080
Capital assets, being depreciated, net	7,495,647
Total assets	17,931,177
<b>Liabilities</b>	
Accounts payable	219,428
Accrued payroll and related	195,530
Noncurrent liabilities:	
Due within one year	348,863
Due in more than one year	3,710,840
Total liabilities	4,474,661
<b>Net position</b>	
Net investment in capital assets	7,463,341
Unrestricted	5,993,175
Total net position	\$ 13,456,516

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

**Sedona Fire District  
Statement of Activities  
Year Ended June 30, 2013**

	<b>Governmental Activities</b>
<b>Expenses:</b>	
<i>Public safety-fire protection and emergency medical services:</i>	
Salaries and wages	\$ 7,551,083
Employee benefits	2,954,640
Depreciation	989,547
Materials and supplies	691,853
Dispatch fees	604,840
Professional services	431,562
Utilities and communications	199,532
Repairs and maintenance	197,837
Other	94,770
Training and related	94,366
Insurance	88,365
Interest	14,843
Total program expenses	13,913,238
<b>Program revenues:</b>	
Charges for services	3,542,235
Total program revenues	3,542,235
Net program expense	10,371,003
<b>General revenues:</b>	
Taxes:	
Real and personal property taxes	8,052,016
Fire district assistance tax	355,533
Investment earnings	16,322
Other	103,418
Total general revenue	8,527,289
Change in net position	(1,843,714)
<b>Net position - beginning of year</b>	15,300,230
<b>Net position - end of year</b>	\$ 13,456,516

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

**Sedona Fire District  
Balance Sheets -  
Governmental Funds  
June 30, 2013**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Special Projects</u>		
<b>Assets:</b>					
Cash and investments	\$ 3,294,171	\$1,705,848	\$ -	\$ -	\$ 5,000,019
Cash held with fiscal agent	-	2,250,000			2,250,000
Receivables (net of allowance for uncollectibles):					
Property taxes	235,957	-	-	-	235,957
Ambulance billings	278,545	-	-	-	278,545
Accounts	22,306	-	-	60,467	82,773
Intergovernmental	-	-	12,264	-	12,264
Due from other funds	-	-	101,533	-	101,533
Prepaid items	122,892	-	-	-	122,892
Total assets	<u>\$ 3,953,871</u>	<u>\$3,955,848</u>	<u>\$ 113,797</u>	<u>\$ 60,467</u>	<u>\$ 8,083,983</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 218,093	\$ -	\$ 1,157	\$ 178	\$ 219,428
Due to other funds	52,940	-	-	48,593	101,533
Accrued payroll and related	161,438	-	22,398	11,694	195,530
Deferred revenue	299,652	-	-	-	299,652
Total liabilities	732,123	-	23,555	60,465	816,143
<b>Fund balances:</b>					
Nonspendable - prepaid items	122,892	-	-	-	122,892
Restricted for:					
Committed	1,151,389	3,955,848	-	-	5,107,237
Unassigned	1,947,467	-	90,242	2	2,037,711
Total fund balances	<u>3,221,748</u>	<u>3,955,848</u>	<u>90,242</u>	<u>2</u>	<u>7,267,840</u>
Total liabilities and fund balance	<u>\$ 3,953,871</u>	<u>\$3,955,848</u>	<u>\$ 113,797</u>	<u>\$ 60,467</u>	<u>\$ 8,083,983</u>

Reconciliation of fund balances of governmental funds to total net position:

<b>Total fund balances</b>	\$ 7,267,840
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements	9,948,727
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the fund financial statements	299,652
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements	(4,059,703)
<b>Net position of governmental activities</b>	<u>\$13,456,516</u>

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

**Sedona Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2013**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Special Projects</u>		
<b>Revenues:</b>					
<i>Taxes:</i>					
Property taxes	\$ 8,076,428	\$ -	\$ -	\$ -	\$ 8,076,428
Fire district assistance tax	355,533	-	-	-	355,533
Ambulance fees	1,513,503	-	-	-	1,513,503
Dispatch fees and other projects	106,548	-	1,393,094	-	1,499,642
Non-district fire revenues	82,311	-	-	295,013	377,324
Rent	157,937	-	-	-	157,937
Investment earnings	6,527	9,796	-	-	16,323
Other	105,306	-	-	-	105,306
Total revenues	10,404,093	9,796	1,393,094	295,013	12,101,996
<b>Expenditures:</b>					
<i>Public safety-fire protection and emergency medical services:</i>					
<i>Current:</i>					
Salaries and wages	6,341,545	-	801,911	221,308	7,364,764
Employee benefits	2,619,179	-	286,960	48,501	2,954,640
Materials and supplies	572,774	-	117,460	1,619	691,853
Dispatch fees	604,840	-	-	-	604,840
Professional services	374,456	-	57,106	-	431,562
Utilities and communications	181,308	-	18,224	-	199,532
Repairs and maintenance	184,625	-	13,212	-	197,837
Other	91,406	-	3,364	-	94,770
Insurance	88,365	-	-	-	88,365
Training and related	66,168	-	4,615	23,583	94,366
Capital outlay	614,343	-	-	-	614,343
<i>Debt service:</i>					
Principal	139,315	-	-	-	139,315
Interest	14,843	-	-	-	14,843
Total expenditures	11,893,167	-	1,302,852	295,011	13,491,030
Excess of revenues over (under) expenditures	(1,489,074)	9,796	90,242	2	(1,389,034)
<b>Other financing sources (uses):</b>					
Proceeds from capital lease	124,482	2,250,000	-	-	2,374,482
Transfers in	2,793,234	-	-	-	2,793,234
Transfers out	-	(2,793,234)	-	-	(2,793,234)
Total other financing sources (uses)	2,917,716	(543,234)	-	-	2,374,482
Net change in fund balances	1,428,642	(533,438)	90,242	2	985,448
Fund balances, beginning of year	1,793,106	4,489,286	-	-	6,282,392
Fund balances, end of year	<u>\$ 3,221,748</u>	<u>\$ 3,955,848</u>	<u>\$ 90,242</u>	<u>\$ 2</u>	<u>\$ 7,267,840</u>

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

**Sedona Fire District**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2013**

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**Net change in fund balances - total governmental funds** \$ 985,448

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	614,343
Depreciation expense	(989,547)

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Gain on disposal of capital assets	(1,884)
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Property tax revenues and certain charges for services reported in the Statement of Activities that do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.

(30,583)

Compensated absence 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.

(186,324)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, activity related to debt consisted of principal paid:

Capital lease proceeds	(2,374,482)
Principal repayments	139,315

<b>Change in net position of governmental activities</b>	<b>\$ (1,843,714)</b>
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The accompanying notes are an integral part of these basic financial statements.

**Sedona Fire District**  
**Notes to Financial Statements**  
**June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies**

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

For the year ended June 30, 2013, the District implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

**A. Reporting Entity**

The District provides fire protection and emergency medical services to citizens living within the Sedona, Village of Oak Creek and Oak Creek Canyon, Arizona area. The District is a special-purpose government governed by a separately elected governing body and is legally separate and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, nor is the District combined with another reporting entity.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

*Government-wide statements*—These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include:

- Charges to customers for services provided;
- Operating grants and contributions, and
- Capital grants and contributions

Revenues not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenue.

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

*Fund financial statements* – provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District’s primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *capital projects* fund is used to account for activities related to the acquisition or construction of significant capital assets.
- The *special projects* fund is used to account for the activity associated with dispatch fees and other government contract fees.

### **C. Basis of Accounting**

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied. Grants and contracts revenue is recognized when all eligibility requirements have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Taxes, leases, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

*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).

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

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

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

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

*Cash and investments* – Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Investment earnings are composed of interest and net changes in the fair value of applicable investments.

*Prepaid Items* – Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Using this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources."

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and expensed over the period consumed.

*Receivables* – Receivables outstanding at year-end consist of property tax totaling \$235,957, \$82,773 for fire suppression and other similar services, and \$278,545 in emergency medical services. Management periodically evaluates the collectability of receivables based their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2013, the allowance for uncollectible accounts was \$33,795.

*Capital assets* – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year.

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

Capital assets are depreciated using the straight line method as follows:

<u>Capital asset class</u>	<u>Estimated useful life</u>
Land	Non-depreciable
Buildings and improvements	20 to 50 years
Vehicles, furniture and equipment	5 to 20 years

*Compensated absences* – The District allows employees to accumulate earned but unused paid time off. A liability is reported for paid time off that is payable upon termination or retirement. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

*Estimates* – The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the tax calendar reporting period. Actual results may differ from those estimates.

*Property tax calendar* - The District levies real and personal property taxes on or before the third Monday in August, that 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. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

## Notes to Financial Statements - Continued

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### **Note 2 – Stabilization Arrangements**

The District established a reserve by resolution that is maintained in the general fund. The reserved balance is equivalent to 15% of the following fiscal year's budgeted general fund expenditures. Any changes to the reserve must be approved by the Board of Directors. The reserved fund balance is intended to be used as fiscal stabilization to offset operating revenue shortfalls due to economic downturns, and to serve as operating capital (cash flow) to pay expenses between July 1 and mid October when first half taxes (primary District revenue source) are received to avoid excessive borrowing and paying interest on borrowed money in order to pay ongoing expenses. Any fund balance over and above this operational requirement may be used to fund one-time supplemental funding, capital improvement projects, or retirement of debt service and will be transferred to the Capital Projects Fund. As of June 30, 2013, the General Fund reserve balance was \$1,151,389.

### **Note 3 – Cash and Investments**

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pools; interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the state of Arizona counties, cities, towns, school districts, and special districts as specified by statute.

The District utilizes Yavapai County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

*Cash on Hand and Deposits* – At June 30, 2013, total cash on hand was \$195. The carrying amount of the total cash in bank was \$2,586,790 and the bank balance was \$2,865,749, of which \$2,321,135 was not covered by federal depository insurance.

*Investments* – The District's investments at June 30, 2013, were as follows:

<b><u>Investment Type</u></b>	<b><u>Amount</u></b>
Yavapai County Treasurer's investment pool	\$4,647,990
Coconino County Treasurer's investment pool	15,044
	<u>\$4,663,034</u>

Yavapai and Coconino County Treasurers' investment pools are not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. However, the majority of Yavapai County's investment pool is invested in the State of Arizona's local government investment pool which is regulated by the State Board of Investment. The pools' structure does not provide for shares, and the counties have not provided or obtained any legally binding guarantees to support the value of the participants' investments.

## Notes to Financial Statements - Continued

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### **Note 3 – Cash and Investments - Continued**

*Credit risk* - At June 30, 2013, all of the District's investments were invested in the Yavapai and Coconino County investment pools which are not rated by rating agencies.

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Interest rate risk* – At June 30, 2013, the District's investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

*Foreign currency risk* – The District does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow foreign investments.

### **Note 4 – Interfund Receivables, Payables and Transfers**

The following summarizes interfund receivables and payables at year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Projects	General	\$ 52,940
Special Projects	Nonmajor Governmental	48,593
		<u>\$ 101,533</u>

Interfund balances resulted from cash being pooled in the general fund on behalf of other funds. Interfund transfers from the general fund to the capital projects fund are used to internally finance the purchase and construction of capital assets. Transfers from the capital projects fund were to move accumulated fund balance to the general fund to cover a shortfall in property tax revenues.

**Notes to Financial Statements - Continued**

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b><u>Balance, June 30, 2012</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance, June 30, 2013</u></b>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 2,054,579	\$ -	\$ -	\$ 2,054,579
Construction in progress	287,966	110,535	-	398,501
Total capital assets not being depreciated	2,342,545	110,535	-	2,453,080
<b>Capital assets being depreciated:</b>				
Buildings and improvements	5,856,926	-	-	5,856,926
Furniture and equipment	4,626,908	164,187	(30,641)	4,760,454
Vehicles	4,930,555	339,621	-	5,270,176
Total capital assets being depreciated	15,414,389	503,808	(30,641)	15,887,556
<b>Less: accumulated depreciation for:</b>				
Buildings and improvements	(2,112,228)	(162,981)	-	(2,275,209)
Furniture and equipment	(2,623,617)	(355,447)	-	(2,979,064)
Vehicles	(2,695,274)	(471,119)	28,757	(3,137,636)
Total accumulated depreciation	(7,431,119)	(989,547)	28,757	(8,391,909)
Total capital assets being depreciated, net	7,983,270	(485,739)	(1,884)	7,495,647
Total capital assets, net	<u>\$ 10,325,815</u>	<u>\$ (375,204)</u>	<u>\$ (1,884)</u>	<u>\$ 9,948,727</u>

**Notes to Financial Statements - Continued**

**Note 6 – Changes in Long-Term Liabilities**

A summary of the changes in long-term liabilities for the year ended June 30, 2013 follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due</u> <u>Within</u> <u>1 Year</u>
Compensated absences	\$ 1,387,993	\$ 186,324	\$ -	\$ 1,574,317	\$ -
Obligations under capital leases	250,219	2,374,482	(139,315)	2,485,386	348,863
Total	<u>\$ 1,638,212</u>	<u>\$ 2,560,806</u>	<u>\$ (139,315)</u>	<u>\$ 4,059,703</u>	<u>\$ 348,863</u>

**Note 7 – Capital Leases**

The District has acquired fire suppression equipment under the provisions of various long-term lease agreements classified as capital leases. At June 30, 2013, the assets acquired through capital leases are as follows:

Facilities and equipment	\$1,070,476
Less: accumulated depreciation	<u>(362,950)</u>
Carrying value	<u>\$ 707,526</u>

As of June 30, 2013, the District reported a capital lease payable totaling \$2,250,000 in which the related capital asset was not purchased or constructed. The proceeds from the capital lease were held in escrow at year-end.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2013 were as follows:

<u>Year ended June 30,</u>	
2014	\$ 420,536
2015	287,472
2016	287,472
2017	287,472
2018	266,376
2019-2023	<u>1,296,724</u>
Total minimum lease payments	2,846,052
Less: amount representing Interest	<u>(360,666)</u>
Present value of minimum lease payments	<u>\$2,485,386</u>

## Notes to Financial Statements - Continued

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### **Note 8 – Risk Management**

The 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 District carries commercial insurance for all such risks of loss, including workers' compensation and employees' 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 – Line of Credit**

The District has an available line of credit totaling \$2,500,000 with the Yavapai County Treasurer which is secured by the District's property taxes. At June 30, 2013, the outstanding balance on this line was \$0. During the fiscal year 2013, the District did not utilize the line of credit.

### **Note 10 – Retirement Plans**

#### **Retirement Plan – Public Safety Personnel Retirement System (PSPRS)**

*Plan Description* – 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 participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Benefits are established by state statute and provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing the plan at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

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

## Notes to Financial Statements - Continued

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### **Note 10 – Retirement Plans - Continued**

For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55% of the members' annual covered payroll, and the District was required to contribute 17.62%, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .89% of covered payroll.

**Actuarial methods and assumptions** – The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011 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 future events. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectation and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that show whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the District and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5% - 8%
Inflation rate	None

**Notes to Financial Statements - Continued**

**Note 10 – Retirement Plans – Continued**

*Annual Pension Cost* – The District’s pension cost pursuant to the PSPRS plan for the year ended June 30, 2013, and related information follows:

	<u>Pension</u>	<u>OPEB</u>
Annual pension/ Other Post Employment Benefit (OPEB) cost	\$ 1,042,530	\$ 52,659
Contributions made	\$ 1,042,530	\$ 52,659

Trend Information – Annual pension cost information for the current and 2 preceding years follows for the agent plan.

<u>Plan</u>	<u>Annual Pension</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/OPEB Obligation</u>
<b>2013</b>			
Pension	\$ 1,042,530	100%	\$ -
Health insurance	52,659	100%	-
<b>2012</b>			
Pension	908,014	100%	-
Health insurance	54,433	100%	-
<b>2011</b>			
Pension	870,765	100%	-
Health insurance	47,788	100%	-

*Funded Status* – The funded status of the PSPRS plan as of the most recent valuation date, June 30, 2013, along with the actual assumptions and methods used in those valuations follow:

	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$ 24,006,537	\$ 634,686
Actuarial value of plan assets (b)	16,398,919	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	7,607,618	634,686
Funded ratio (b)/(a)	68.3%	0%
Covered payroll (c)	5,460,156	5,460,156
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) – (b))/(c)	139.3%	11.62%

## Notes to Financial Statements - Continued

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### **Note 10 – Retirement Plans – Continued**

The actuarial methods and assumptions for the most recent valuation date follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5%
Inflation rate	None

### **Retirement Plan – Defined Contribution Plan**

The District sponsors a defined contribution plan established in accordance with Internal Revenue Code Section 401(a). The entry date for each plan is the first day of employment. The District contributes fifteen percent of the employee's compensation to the individual's account and vesting of employer contributions occurs immediately upon enrollment. Eligible employees are those not considered public safety employees.

During 2013, the District contributed \$278,688 to the plan. The Plan's terms do not provide for contributions by District employees.

### **Note 11 – Insurance Recovery**

During 2013, the District received \$184,808 in revenues from an insurance company pertaining to a casualty loss from a lightning strike that damaged District electronic equipment. The District expended the remaining amount of the proceeds totaling \$94,737 in 2014.

### **Note 12 – Construction Commitments**

On June 20, 2013, the District entered into agreements with a construction contractor and an architect to design and construct a new fire station (Station Number 6). As of June 30, 2013, the outstanding commitment on these contracts was \$2,260,600.

**Sedona Fire District**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2013**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>Revenues:</b>			
<i>Taxes:</i>			
Property taxes	\$ 8,094,617	\$ 8,076,428	\$ (18,189)
Fire district assistance tax	392,001	355,533	(36,468)
Ambulance fees	1,500,000	1,513,503	13,503
Dispatch fees and other projects	-	106,548	106,548
Non-district fire revenues	55,000	82,311	27,311
Rent	153,922	157,937	4,015
Investment earnings	17,000	6,527	(10,473)
Other	107,000	105,306	(1,694)
Total revenues	<u>10,319,540</u>	<u>10,404,093</u>	<u>84,553</u>
<b>Expenditures:</b>			
<i>Department:</i>			
<i>Current:</i>			
Fire Chief	217,748	206,730	11,018
Fire Board	109,950	65,390	44,560
Pension	3,500	66	3,434
Community risk management	212,724	228,435	(15,711)
Fleet	320,793	314,714	6,079
Human resources	167,117	172,859	(5,742)
Finance	570,367	462,528	107,839
Administration	229,064	307,059	(77,995)
Ambulance billing	107,478	105,626	1,852
Regional communications center	604,840	604,840	-
Telecommunications	602,739	721,092	(118,353)
Assistant Chief/operations	160,146	213,203	(53,057)
Operations, wages and benefits	5,286,419	5,031,320	255,099
Training	196,511	109,066	87,445
Facilities	256,020	250,954	5,066
Wildland Fire Program	13,117	13,047	70
Logistics	89,450	84,624	4,826
CISM/wellness	6,814	2,979	3,835
Hazardous materials	3,000	2,671	329
Swiftwater rescue	4,800	4,800	-
Technical rescue	11,245	9,885	1,360
Wellness	10,000	902	9,098
Emergency medical service	2,327,771	2,362,237	(34,466)
Non-operating budget	1,243,064	618,140	624,924
Total expenditures	<u>12,754,677</u>	<u>11,893,167</u>	<u>861,510</u>
Excess of revenues over (under) expenditures	(2,435,137)	(1,489,074)	946,063
<b>Other financing sources:</b>			
Proceeds from capital lease	-	124,482	124,482
Transfers in	2,035,137	2,793,234	758,097
Total other financing sources	<u>2,035,137</u>	<u>2,917,716</u>	<u>882,579</u>
Changes in fund balance	(400,000)	1,428,642	1,828,642
Fund balances, beginning of year	<u>2,347,467</u>	<u>1,793,106</u>	<u>(554,361)</u>
Fund balances, end of year	<u>\$ 1,947,467</u>	<u>\$ 3,221,748</u>	<u>\$ 1,274,281</u>

The accompanying notes are an  
integral part of this schedule.

**Sedona Fire District  
Required Supplementary Information  
Notes to Budgetary Comparison Schedule  
Year Ended June 30, 2013**

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**Note 1 – Budgetary Requirements and Basis of Accounting**

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

The budgetary comparison schedule on page 27 reports budgeted expenditures in excess of revenues of \$1,489,074 which was offset by a budgeted transfer in from the capital projects fund.

**Note 2 – Expenditures in excess of Appropriations**

For the year ended June 30, 2013, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary controls) were as follows:

<u>Department</u>	<u>Excess</u>
Community risk management	\$ 15,711
Human resources	5,742
Administration	77,995
Telecommunications	118,353
Emergency medical service	34,466

These excesses were primarily the result of unexpected expenditures incurred in these departments.

**Sedona Fire District**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plan's Funding Progress**  
**June 30, 2013**

**Public Safety Personnel Retirement System**

**Pension:**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b])/c
6/30/2013	\$ 16,398,919	\$ 24,006,537	\$ 7,607,618	68.3%	\$ 5,460,156	139.3%
6/30/2012	15,257,756	21,484,766	6,227,010	71.0%	4,888,151	127.4%
6/30/2011	13,511,573	19,913,284	6,401,711	67.9%	5,366,662	119.3%
6/30/2010	12,258,554	17,248,222	4,989,668	71.1%	5,374,223	92.8%
6/30/2009	11,102,846	15,424,792	4,324,946	72.0%	5,724,676	75.5%
6/30/2008	9,655,088	13,784,915	4,129,827	70.0%	5,715,484	72.3%

**Health Insurance:**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b])/c
6/30/2013	\$-0-	\$ 634,686	\$ 634,686	0.0%	\$ 5,460,156	11.62%
6/30/2012	-0-	625,182	625,182	0.0%	4,888,151	12.79%
6/30/2011	-0-	598,037	598,037	0.0%	5,366,662	11.14%
6/30/2010	-0-	498,662	498,662	0.0%	5,374,223	9.28%
6/30/2009	-0-	419,533	419,533	0.0%	5,724,676	7.33%
6/30/2008	-0-	376,783	376,783	0.0%	5,715,484	6.59%