

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

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

**Montezuma Rimrock Fire District**  
Reporting Ambulance Service

Address: 3240 E Beaver Creed Road  
City: Rimrock Zip: 86335

**Report Fiscal Year**

From: July 1, 2012 To: June 30, 2013  
Mo. Day Year Mo. Day Year

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

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

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

Authorized Signature:  Date: 12/19/13

Print Name and Title: Terry Keller, Fire Chief

Phone: 928-567-7428

Mail to:  
Department of Health Services  
Bureau of Emergency Medical Services  
Certificate of Necessity and Rates Section  
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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

**AMBULANCE SERVICE ENTITY:**

Montezuma Rimrock Fire District

**FOR THE PERIOD**

**FROM:** July 1, 2012

**TO:** June 30, 2013

**STATISTICAL SUPPORT DATA**

Line No.	<u>DESCRIPTION</u>	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:			336	336
2	Number of BLS Billable Transports:			116	116
3	Number of Loaded Billable Miles:			9,187	9,187
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

**AMBULANCE SERVICE ROUTINE OPERATING REVENUE**

6	ALS Base Rate Revenue				\$ 452,565
7	BLS Base Rate Revenue				155,708
8	Mileage Charge Revenue				99,231
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>\$ 707,504</b>

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**SALARY AND WAGE EXPENSE DETAIL**

**GROSS WAGES:**

			** No. of FTE's
14	Management	\$ 59,194	1.0
15	Paramedics and IEMTs	\$ 170,484	3.0
16	Emergency Medical Technician (EMT)	\$ 253,642	5.0
17	Other Personnel	\$ 63,462	2.0
18	Payroll Taxes and Fringe Benefits - All Personnel	\$ 213,701	11
19	<b>Total Wages, Taxes &amp; Benefits</b> (Sum Lines 14 through 18; Post to Page 3, Line 10)	<b>\$ 760,483</b>	<b>11</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.

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

**AMBULANCE SERVICE ENTITY:**

Montezuma Rimrock Fire District

**FOR THE PERIOD**

**FROM:** July 1, 2012

**TO:** June 30, 2013

**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>707,504</u>
<u>Settlement Amounts:</u>			
2	AHCCCS .....		<u>45,534</u>
3	Medicare .....		<u>203,520</u>
4	Subscription Service .....		<u>          </u>
5	Contractual .....		<u>          </u>
6	Other .....		<u>99,451</u>
7	Total	(Sum of Lines 2 through 6)	<u>348,505</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>358,999</u>
<b>Operating Expenses:</b>			
9	Bad Debt .....		\$ <u>58,466</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>760,483</u>
11	Professional Services .....		<u>36,922</u>
12	Travel and Entertainment .....		<u>8</u>
13	Other General Administrative .....		<u>4,111</u>
14	Depreciation .....		<u>100,729</u>
15	Rent / Leasing .....		<u>16,698</u>
16	Building / Station .....		<u>16,563</u>
17	Vehicle Expense .....		<u>20,862</u>
18	Other Operating Expense .....		<u>46,858</u>
19	Cost of Medical Supplies Charged to Patients .....		<u>          </u>
20	Interest .....		<u>12,762</u>
21	Subscription Service Sales Expense .....		<u>          </u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>1,074,461</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(715,462)</u>
24	Subscription Contract Sales .....		<u>          </u>
25	Other Operating Revenue .....		<u>          </u>
26	Local Supportive Funding .....		<u>715,462</u>
27	Other Non-Operating Income (Attach Schedule) .....		<u>          </u>
28	Other Non-Operating Expense (Attach Schedule) .....		<u>          </u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>-</u>
<b>Provision for Income Taxes:</b>			
30	Federal Income Tax .....		<u>          </u>
31	State Income Tax .....		<u>          </u>
32	Total Income Tax	(Line 30, plus Line 31)	<u>          </u>
33	<b>Ambulance Service Net Income (Loss)</b>	(Line 29, minus Line 32)	<u>-</u>

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# AMBULANCE REVENUE AND COST REPORT

## FIRE DISTRICT and SMALL RURAL COMPANY

**AMBULANCE SERVICE ENTITY:** Montezuma Rimrock Fire District **SEE AUDITED FINANCIAL STATEMENTS ATTACHED**

**FOR THE PERIOD** **FROM:** July 1, 2012 **TO:** June 30 2013

**BALANCE SHEET**

**ASSETS**

**CURRENT ASSETS**

1	Cash .....	\$		
2	Accounts Receivable .....			
3	Less: Allowance for Doubtful Accounts .....			
4	Inventory .....			
5	Prepaid Expense .....			
6	Other Current Assets .....			
7	<b>TOTAL CURRENT ASSETS</b>			\$ <u>                    </u>

9	PROPERTY & EQUIPMENT .....			
10	Less: Accumulated Depreciation .....			

11	OTHER NON CURRENT ASSETS .....			
----	--------------------------------	--	--	--

12	TOTAL ASSETS			\$ <u>                    </u>
----	--------------	--	--	--------------------------------

**LIABILITIES & EQUITY**

**CURRENT LIABILITIES**

13	Accounts Payable .....	\$		
14	Current Portion of Notes Payable .....			
15	Current Portion of Long-Term Debt .....			
16	Deferred Subscription Income .....			
17	Accrued Expenses and Other .....			
18	.....			
19	.....			
20	<b>TOTAL CURRENT LIABILITIES</b>			\$ <u>                    </u>

21	NOTES PAYABLE .....			
22	LONG-TERM DEBT, OTHER .....			
23	<b>TOTAL LONG-TERM DEBT</b>			\$ <u>                    </u>

**EQUITY & OTHER CREDITS**

**Paid-In Capital:**

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

32	TOTAL LIABILITIES & EQUITY			\$ <u>                    </u>
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# AMBULANCE REVENUE AND COST REPORT

**AMBULANCE SERVICE ENTITY:** Montezuma Rimrock Fire District      **SEE AUDITED FINANCIAL STATEMENTS ATTACHED**

**FOR THE PERIOD**                      **FROM:** July 1, 2012                      **TO:** June 30, 2013

**STATEMENT OF CASH FLOWS**

**OPERATING ACTIVITIES:**

1	Net (loss) Income .....		\$ _____
	<i>Adjustments to Reconcile Net Income to Net Cash</i>		
	<i>Provided by Operating Activities:</i> Note: a increase in these accounts improves cash flow		
2	Depreciation Expense .....		_____
3	Deferred Income Tax .....		_____
4	Loss (gain) on Disposal of Property & Equipment .....		_____
	<i>(Increase) Decrease in:</i> Note: a decrease in these accounts improves cash flow		
5	Accounts Receivable .....		_____
6	Inventories .....		_____
7	Prepaid Expenses .....		_____
	<i>Increase (Decrease) in:</i> Note: a increase in these accounts improves cash flow		
8	Accounts Payable .....		_____
9	Accrued Expenses .....		_____
10	Deferred Subscription Income .....		_____
11	NET CASH PROVIDED (Used) BY OPERATING ACTIVITIES .....		\$ _____

**INVESTING ACTIVITIES:**

12	Purchases of Property & Equipment .....		_____
13	Proceeds from Disposal of Property & Equipment .....		_____
14	Purchases of Investments .....		_____
15	Proceeds from Disposal of Investments .....		_____
16	Loans Made .....		_____
17	Collections on Loans .....		_____
18	Other .....		_____
19	NET CASH PROVIDED (Used) BY INVESTING ACTIVITIES .....		_____

**FINANCING ACTIVITIES:**

<i>New Borrowings:</i>			
20	Long-Term .....		_____
21	Short-Term .....		_____
<i>Debt Reduction:</i>			
22	Long-Term .....		_____
23	Short-Term .....		_____
24	Capital Contributions .....		_____
25	Dividends Paid .....		\$ _____
26	NET CASH PROVIDED (Used) BY FINANCING ACTIVITIES .....		_____
27	NET INCREASE (Decrease) IN CASH .....		_____
28	CASH AT BEGINNING OF YEAR .....		_____
29	CASH AT END OF YEAR .....		_____

**SUPPLEMENTAL DISCLOSURES:**

<i>Non-cash Investing and Financing Transactions:</i>			
30	_____		_____
31	_____		_____
32	_____		_____
33	Interest Paid (Net of Amounts Capitalized) .....		_____
34	Income Taxes Paid .....		\$ _____

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# Montezuma Rimrock Fire District

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## Financial Statements

Year Ended June 30, 2013

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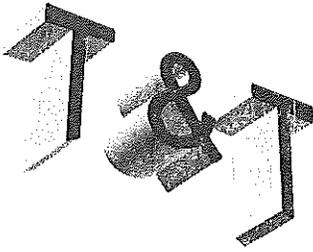
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**MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2013**

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TKATCHOV & TKATCHOV CPA'S, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

ALEX P. TKATCHOV, C.P.A., M.S. TAXATION  
DIANE R. TKATCHOV, C.P.A.

MEMBER  
American Institute of Certified  
Public Accountants  
Arizona Society of Certified  
Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of  
Montezuma-Rimrock Fire District  
Rimrock, Arizona

We have audited the accompanying financial statements of the governmental activities as listed in the table of content of Montezuma-Rimrock 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinions**

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

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## **Change in Accounting Principle**

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

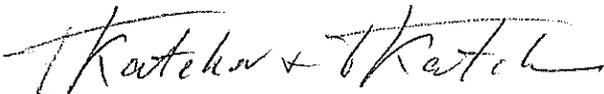
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–5 and 23–24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2013 on our consideration of Montezuma-Rimrock 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 Montezuma-Rimrock Fire District internal control over financial reporting and compliance.



Tkatchov & Tkatchov CPA's, P.C.  
Flagstaff, Arizona

November 30, 2013

MONTEZUMA-RIMROCK FIRE DISTRICT  
June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Montezuma-Rimrock Fire District, we offer narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2013. This discussion and analysis is designed to assist the reader in focusing in the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

- The net position of Montezuma-Rimrock Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,204,730 (*net position*). Of this amount, \$348,017 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$140,546, largely as a result of the District removing \$114,699 of items from its capital asset list that were no longer owned by the District.
- The District's total long-term debt was paid-down by \$63,572 during the current fiscal year. Additionally, the District was able to restructure the lease purchase agreements it is carrying for a fire engine and real property during the fiscal year. This debt refinance was pursued to preserve funds, and to help maintain balance in the operating budget. The annual payout for these two notes was reduced to \$43,924, from \$83,775, which allows the District to employ the annual savings of \$39,851 for other useful purposes in the budget. The engine's note was extended 5 years and will now be retired in 2023, and the real property note was extended 10 years and will be paid in full in 2028. These changes, however, come at the expense of additional interest of \$79,770 over the extended terms of the loans. As a result of these changes, the District will be revising its strategic plan to replace and upgrade equipment and facilities over the next several years. Various purchasing options will be considered for funding these future capital improvements.
- At the end of the current fiscal year, unrestricted net position was \$348,017, or 22% of operating expenses. These unrestricted assets are down \$11,069 from the prior fiscal year, when unrestricted net position represented 20% of operating expenses. Even though net position decreased by \$140,546 or 10.5% from the prior year, unrestricted net position only decreased 3.1%, which is a testament to the District's efforts to focus on efficiency in maintaining its operations.
- The District continues to focus on maintaining its current staffing levels, and providing training to maintain skill sets within the operational staff. Additionally, the District employed creative measures to maintain its vehicular fleet which enables the operational staff to meet the calls for service. Finally, the District is revising its strategic plans to maintain its current facilities to provide for the needs of staff and to ensure the District can effectively complete its mission.
- As a result in the reduction of the number of employees, the costs of personnel and benefits have decreased appropriately.
- The District closed, and dispersed to all participants, all funds that were held in the MRFD Firefighter Alternate Pension and Benefit Plan. As a result, MRFD will no longer be required to pay the administrative fees associated with carrying this plan, and this action was accomplished as a cost-saving measure.

**Overview of the Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**Required Financial Statements**

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The Statement of Net Position presents information on all of the District's assets and liabilities. 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. Net position increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net position, which indicates an improved financial position.

The Governmental Balance Sheet presents information showing how a government's net position changed during the fiscal year. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully budgeted resources to cover all its costs without a large excess.

The District is the trustee, or *fiduciary*, for certain funds held on behalf of the Montezuma-Rimrock Fire District. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

**MONTEZUMA-RIMROCK FIRE DISTRICT**  
June 30, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The District has elected to report the budgetary comparison information in the basic financial statements. The schedule provides more detail data on the District's operations and compares actual amounts with budgeted amounts. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Financial Analysis**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These statements report the net position of the District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as one measure of financial health or financial position. However, one will need to consider other non-financial factors such as changed economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Net position.

	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Current and other assets	\$ 468,082	\$ 444,248
Capital assets - net	<u>1,418,575</u>	<u>1,253,344</u>
Total Assets	<u>1,886,657</u>	<u>1,697,592</u>
Current and other liabilities	106,867	121,920
Long-term liabilities outstanding, net of current portion	<u>434,514</u>	<u>370,942</u>
Total Liabilities	<u>541,381</u>	<u>492,862</u>
Net position:		
Invested in capital assets net of related debt	986,190	856,713
Unrestricted	<u>359,086</u>	<u>348,017</u>
Total net position	<u>\$ 1,345,276</u>	<u>\$ 1,204,730</u>

By far, the largest portion of the District's net position reflect its investment in capital assets (e.g. vehicles, equipment, buildings, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. Although the District's investment in 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.

As noted in the following table, the operating expenses and operating and non-operating revenues decreased this year based on numerous factors. Overall operating expense decreased as the result of not filling vacated positions, and as a result of efficient and frugal measures to preserve cash. The significant decrease in operating revenues is primary because of the economic decline in assessed property values resulting in a decrease in ad valorem taxes and fire district assistance Tax (FDAT).

**MONTEZUMA-RIMROCK FIRE DISTRICT**  
June 30, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Following is a summary of Changes in Net Position:

	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Operating revenues	\$ 1,703,895	\$ 1,463,708
Operating expenses	<u>1,785,038</u>	<u>1,609,791</u>
Income from operations	<u>-81,143</u>	<u>-146,083</u>
Net non-operating revenues		
Investment earnings	728	526
Miscellaneous	<u>832</u>	<u>5,011</u>
Net non-operating revenue	<u>1,560</u>	<u>5,537</u>
Changes in net position	-79,583	-140,546
Net position, beginning of year	<u>1,424,859</u>	<u>1,345,276</u>
Net position, end of year	<u>\$ 1,345,276</u>	<u>\$ 1,204,730</u>

The District has adequate unrestricted net position available to fund operations when the expenditures exceed the revenues, which occurred in FYE June 30, 2013. The District tries to stabilize the tax rate by utilizing monies collected in prior years and obtaining grants for equipment and miscellaneous projects.

**Capital Assets and Debt Administration**

The District's investment in capital assets of \$2,530,722 accumulated depreciation of \$1,277,378, as of June 30, 2013, which is a net decrease of \$165,231, net of accumulated depreciation, over the prior year, which includes \$114,699 that was removed from the capital asset list, since the District no longer had these items and they were no longer in inventory. These items were disposed of, as they had no useful value, or were used in prior years as trade-ins (heart monitors, SCBA air packs) for newer purchases. This "clean-up" of the asset list had not been performed in prior years, but will become standard practice in future years to ensure the capital asset list accurately reflects the current inventory. Capital assets include emergency vehicles, buildings, improvements, equipment, and furniture.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire Chief or the Fire District Administrative Manager.

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## BASIC FINANCIAL STATEMENTS

**MONTEZUMA-RIMROCK FIRE DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Governmental Activities
<b>Assets:</b>	
Cash & Cash Equivalents	\$ 241,454
Receivables:	
Ambulance (net of allowance)	199,814
Prepayments	2,980
Noncurrent Assets:	
Capital Assets (Net of accumulated Depreciation)	1,253,344
Total Assets	1,697,592
 <b>Liabilities:</b>	
Accounts Payable	12,342
Accrued Expenses	23,466
Compensated Balances	60,423
Capital Leases:	
Payable due within one year	25,689
Payable due after one year	370,942
Total Liabilities	492,862
 <b>Net Position:</b>	
Net Investment in Capital Assets	856,713
Unrestricted Net Position	348,017
<b>Total Net Position</b>	<b>\$ 1,204,730</b>

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The accompanying notes are an integral part of these financial statements

**MONTEZUMA-RIMROCK FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013**

<b>Expenses:</b>	Governmental Activities
Public Safety- Fire/EMS Protection:	
Personnel Services	\$ 1,367,711
Materials & Services	87,112
Depreciation	154,968
	1,609,791
Total Program Expenses	1,609,791
<b>Program Revenues:</b>	
Charges for Services	304,958
	304,958
Net Program Expenses	1,304,833
General Revenues	
Property Taxes	978,463
Fire District Assistance	180,287
Investment Earnings	526
Miscellaneous	5,011
	1,164,287
Total General Revenues	1,164,287
Changes in Net Position	(140,546)
<b>Net Position- Beginning of Year</b>	1,345,276
<b>Net Position- End of Year</b>	\$ 1,204,730

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**MONTEZUMA-RIMROCK FIRE DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
June 30, 2013**

<b>Assets:</b>	<b>Governmental Activities</b>
Cash & Cash Equivalents	\$ 241,454
Ambulance Receivables (net of allowance)	<u>199,815</u>
Total Assets	<u><u>\$ 441,269</u></u>
<b>Liabilities &amp; Fund Balances:</b>	
Current Liabilities	
Accounts Payable	\$ 12,342
Other Accruals	23,465
Deferred Revenues	<u>128,990</u>
Total Liabilities	<u>164,797</u>
Fund Balances	
Unassigned	<u>276,472</u>
Total Fund Balances	<u><u>276,472</u></u>
<b>Total Liabilities &amp; Fund Balances</b>	<u><u>\$ 441,269</u></u>

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**MONTEZUMA-RIMROCK FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013**

	Governmental Activities
<b>Revenues:</b>	
Property Taxes	\$ 916,945
Fire District Assistance Tax	180,287
Fees for Services	237,486
Interest	526
Miscellaneous	<u>5,011</u>
Total Revenues	<u>1,340,255</u>
<b>Expenditures:</b>	
Current:	
Public Safety	1,181,367
Administration	6,324
Capital Outlay	<u>65,650</u>
Total Expenditures	<u>1,253,341</u>
Excess (Deficiency) of Revenues over Expenditures	<u>86,914</u>
Net Change in Fund Balances	<u>86,914</u>
<b>Fund Balances</b> at Beginning of Year	<u>189,558</u>
<b>Fund Balances</b> at End of Year	<u><u>\$ 276,472</u></u>

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**MONTEZUMA-RIMROCK FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013**

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

Fund Balances- Total Governmental Funds	\$	276,472
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Governmental Capital Assets		2,530,722
Less: Accumulated Depreciation		<u>(1,277,378)</u>
		1,253,344
Receivables and prepayments which are not available to pay current period expenditures, and therefore, are deferred in the governmental funds.		
		202,794
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
		<u>(527,880)</u>
Net Position of Governmental Activities (Page 6)	\$	<u><u>1,204,730</u></u>

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**MONTEZUMA-RIMROCK FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
June 30, 2013**

Net Changes in Fund Balances- Total Governmental Funds	\$	86,914
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(99,581)
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position: Lease purchase principal payments		55,387
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds until they are available.		(128,990)
 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.		<u>(54,276)</u>
 Change in Net Position of Governmental Activities (Page 7)	<u>\$</u>	<u>(140,546)</u>

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MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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

The District complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

**A. Reporting Entity**

The District's reporting entity includes the fire operations, emergency and ambulance services, and the Firefighter's Relief and Pension Fund. The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the District's operations include how the budget is adopted, whether debt is secured by general obligation of the District, the District's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations, or activities meeting any of the above criteria that are excluded from the District's reporting entity.

**B. Basis of Presentation**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balance set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District is engaged in a single governmental program, therefore the government-wide and fund financial statement is combined.

**C. Basis of Accounting**

*Government-wide Financial Statements.* The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The notes to the basic financial statements include a reconciliation and brief explanations to better identify the relationship between the government-wide statements and the statements for governmental (general) funds.

*Fund Financial Statements.* Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental (general) and fiduciary. The General Fund is the only fund within the governmental category. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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

MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are recorded at fair value. Implementation of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" has no effect on the financial statements for the year ended June 30, 2013.

**E. Accounts Receivables**

Accounts receivables in the fund financial statements represent the ambulance and other emergency service charges.

**F. Capital Assets**

Capital assets, which include property, equipment and vehicles, are reported in the General Fund in the government-wide financial statements. Such assets over \$5,000 are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, equipment, and vehicles of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Equipment	3-20 years
Vehicles	5 years
Fire Trucks	10 years
Office Equipment	5 years

**G. Compensated Absences**

The District accrues unused portions of "personal time off" (PTO) in the period the fund liability is incurred. As permitted by Governmental Accounting Standards Board Statement No. 16, the vesting method is used to accrue the PTO liability. The liability is based on the PTO accumulated at year-end by those employees who are currently eligible to receive termination payments. The liability for these compensated absences is recorded as current liabilities in the government-wide statements because the accumulated leave must be used within one year. A liability for these amounts is reported in the fund financial statements, only if they have matured, for example, as a result of employee resignations and retirements.

**H. Long-term Liabilities**

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of lease-purchase agreements and compensated absences. Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

J. Fund Equity

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

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

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

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

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

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

K. Deferred Revenue

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

L. GASB Statement No. 63

During 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 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

NOTE 2 – BUDGETARY ACCOUNTING

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

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

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**MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS**

At June 30, 2013, the carrying amount of the District's unrestricted bank deposits was \$241,367. The bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to \$250,000 for all interest-bearing accounts and another \$250,000 for all demand deposit accounts in a given institution. The cash in the Firefighters Relief and Pension Fund is not covered by the FDIC.

Amounts classified as cash at June 30 are described below:

	<u>Bank Balance</u>
General Fund	
Unrestricted	
Bank Deposits	\$ 13,399
Funds held by Yavapai County Treasurer	227,968
Cash on hand	<u>87</u>
	<u>\$ 241,454</u>

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. The District's exposure to custodial credit risk is minimal.

Statutes enacted by the Arizona State Legislature authorize the District to make investments in accordance with the "Prudent Man" rule. This rule charges the District with responsibility of making investments with the judgment and care that men of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. Within this broad framework, the District has chosen to invest, primarily, in mutual funds and annuity contracts. Funds held by the Local Government Investment Pool (LGIP) are not subject to risk categorization. The LGIP is managed by the State of Arizona Treasurer's office.

Plan investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price as of June 30, 2013. Investments that do not have an established market are reported at estimated fair values.

The cost and reported fair value of investments as of June 30, 2013, are as follows:

	<u>Cost</u>	<u>Fair Value</u>
General Fund		
Local Government Investment Pool	\$ 227,968	\$ 227,968

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Balance at June 30, 2012</u>	<u>Net Additions</u>	<u>Net Retirements</u>	<u>Balance at June 30, 2013</u>
Land	468,961	-	-	468,961
Buildings	738,000	-	-	738,000
Fire Equipment	435,212	-	(113,199)	322,013
Vehicles	1,003,248	-	(1,500)	1,001,748
	<u>2,645,421</u>	<u>-</u>	<u>(114,699)</u>	<u>2,530,722</u>
Accumulated Depreciation	(1,226,846)	(154,968)	104,436	(1,277,378)
Net Capital Assets	<u>\$ 1,418,575</u>	<u>\$ (154,968)</u>	<u>\$ (10,263)</u>	<u>\$ 1,253,344</u>

MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 5 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 6 – POST EMPLOYMENT BENEFITS**

The government provides certain health care and life insurance benefits for recently separated employees as required by the Federal law under COBRA. Any cost of health care and life insurance benefits would be short term and recognized as an expenditure as claims are paid. The District currently has no such claims.

**NOTE 7 – RETIREMENT PLANS (UNAUDITED)**

**Arizona State Retirement System (ASRS).** Those non-commissioned employees of the District are enrolled in the Arizona State Retirement System which is a statewide multi-employer defined benefit pension plan. For the year ended June 30, 2013, active ASRS members were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent retirement and 0.24 percent long-term disability) the annual contribution by the District was \$11,334.

Normal retirement is age 65, age 62 with 10 or more years of service or at anytime that years of service and age total 80 or more points.

Full information regarding this plan is available at Arizona State Retirement System, 3300 North Central Avenue, Phoenix, Arizona 85012.

**Arizona Public Safety Personnel Retirement System (APSPRS).** The District participates in the Arizona Public Safety Personnel Retirement System. This is a multi-employer defined benefit pension plan. The annual contribution by the District was \$104,806.

Normal retirement is on completion of 20 years of service or 15 years of service and attainment of age 62. Retirement benefits after 20 years are 50% of average monthly compensation plus an additional 2% for each year of service from 20-25 years. Upon attainment of 25 years of service the additional percentage is increased to 2 ½ % for each year beyond 20. Maximum pension is 80% of average compensation.

All participants are fully vested upon 10 years of service with deferred retirement possible at reduced benefits. Disability, survivor benefits, and medical care are also integrated into the plan. Details on the plan are available in a separate pension plan annual report.

**Actuarial Accrued Liability.**

The total contribution is made up of two parts, the normal cost and the amortization of the unfunded actuarial accrued liability. When the valuation assets exceed the actuarial accrued liability, there is a credit against the normal cost. When the actuarial liability exceeds the valuation assets, the amortization of the difference is added to the normal cost. The Legislature has established a policy of amortizing, or funding, the unfunded actuarial accrued liability over a closed period of 30 years, 23 years remaining at June 30, 2013 (20 years for any excess of valuation assets over actuarial accrued liability).

**MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
SUPPLEMENTARY PENSION INFORMATION  
JUNE 30, 2013**

**NOTE 7 – RETIREMENT PLANS (UNAUDITED) (CONTINUED)**

**SCHEDULE OF FUNDING PROGRESS (Excluding Health Insurance Subsidy Beginning June 30, 2013)**

Date June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded AAL as percentage of Covered Payroll
2011	1,088,552	1,601,073	512,521	68.0%	518,582	98.8%
2012	1,301,265	1,810,063	508,798	71.9%	493,000	103.2%
2013	1,236,960	1,749,341	512,381	70.7%	455,690	112.4%

**Summary of Actuarial Methods and Assumptions.**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

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 overfunded
Assets valuation method:	7- years smoothed market value 80% / 120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases*	4.50%- 8.5%
Payroll growth	4.5%
Cost-of living adjustments	None

**Recommended Contribution Requirements.**

Valuation Date June 30	As Percentage of Computed	Valuation Payroll * Minimum **
2011	12.61%	12.61%
2012	12.51%	12.51%
2013	17.19%	17.19%

**Contribution Requirements.**

Members: 7.65% of covered payroll

Employer: 16.07% of covered payroll - consisting of 10.69% for normal cost and 5.38% for amortization of unfunded actuarial accrued liability.

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**MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
SUPPLEMENTARY PENSION INFORMATION  
JUNE 30, 2013**

**NOTE 7 – RETIREMENT PLANS (UNAUDITED) (CONTINUED)**

**Benefits.** Normal retirement is the first day of the month following completion of 20 years of service or following the 62<sup>nd</sup> birthday after 15 years of service. Normal pension after 25 years of credited service is 50% of average monthly compensation for the first 20 years of credited service plus 2 ½ % of average monthly compensation for each year of credited service 20 years. Retirement at other lengths of service vary according to the plan. The maximum compensation is 80% of the average monthly compensation. Employees are fully vested after 10 years of service.

The plan provides for disability retirement, survivor benefits, temporary disability, child's benefits, health insurance and other post employment benefits.

The plan is a multiple employer defined benefit pension plan operated by the State of Arizona for the benefit of all public safety employees in the state.

The plan issues a separate report for the entire system and annually issues an actuarial study for each participating government agency. These reports are available through the Arizona State Retirement System.

A complete copy of the actuarial valuation as of June 30, 2013 is available from the Arizona Public Safety Personnel Retirement System, Phoenix, Arizona or from Gabriel Roeder Smith & Company, One Towne Square Suite 800, Southfield, MI 48076-3723.

**THE FOLLOWING INFORMATION IS PRESENTED CONCERNING THE POST-RETIREMENT HEALTH INSURANCE SUBSIDY (UNAUDITED)**

**Schedule of Funding Progress:**

Valuation Date June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (b)-(a)	(4) Funded Ratio (a)/(b)	(5) Annual Covered Payroll	(6) Unfunded AAL as percentage of Covered Payroll
2011	0	74,751	74,751	0.0%	518,582	14.41%
2012	0	78,286	78,286	0.0%	493,000	15.88%
2013	0	59,814	59,814	0.0%	455,690	13.13%

**Annual Required Contribution:**

Valuation Date June 30	Fiscal Year Ended June 30	Normal Cost (a)	Accrued Liability (b)	Total (a+b)	Dollar Amount
2011	2013	0.34%	0.78%	1.12%	6,403
2012	2014	0.34%	0.85%	1.19%	6,468
2013	2015	0.36%	0.74%	1.10%	5,474

Health Insurance Subsidy payment reported for FY 2013: \$2,580

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MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 8 – ACCOUNTS RECEIVABLE**

Accounts receivable as of the year ended for property taxes, ambulance and emergency services, including the applicable allowance for uncollectible accounts, are as follows.

Accounts Receivable – Property Taxes	\$	79,635
Accounts Receivable - Ambulance		170,678
Accounts Receivable - Other		272
Allowance for Doubtful Accounts		<u>( 50,770)</u>
Net of Allowance		<u>\$ 199,815</u>

Accounts receivable past due more than ninety (90) days was \$12,753.

**NOTE 9 – LONG-TERM LIABILITIES**

As of June 30, 2013, the District has the following indebtedness on capital leases. All leases are collateralized by the respective purchases:

\$195,928 lease-purchase agreement payable to Zions First National Bank for land in semi-annual installments of \$8,779 @ 4.39% annual interest	\$191,450
\$220,858 lease-purchase agreement payable to Zion's First National Bank for the purchase of one Pierce Engine in semi-annual installments of \$26,366 @ 4.84% annual interest.	205,181
Less current portion:	<u>25,689</u>
Total capital lease long-term liability:	<u>\$370,942</u>

	<u>Balance at June 30, 2012</u>	<u>Debt Incurred</u>	<u>Debt Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within Current</u>
Compensated absences	\$ 66,270	\$ -	\$ 5,846	\$ 60,424	\$ -
Lease-purchase - Fire Station	211,527	-	20,077	191,450	9,254
Lease-purchase - Pierce Engine	220,588	-	15,407	205,181	16,435
	<u>\$ 432,115</u>	<u>\$ -</u>	<u>\$ (35,484)</u>	<u>\$ 396,631</u>	<u>\$ 25,689</u>

The District has entered into lease-purchase agreements for financing the following: Fire Station, and Pierce Engine. These lease-purchases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Both leases have been refinanced for an additional 5 and 10 years, respectively.

Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

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MONTEZUMA- RIMROCK FIRE DISTRICT  
RIMROCK, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 on the agreement are as follows:

Year ending June 30	Interest	Principal	Total
2014	18,235	25,689	43,924
2015	17,029	26,895	43,924
2016	15,765	28,158	43,923
2017	14,443	29,480	43,923
2018	13,058	30,865	43,923
2019-2023	42,134	177,484	219,618
2024-2028	9,736	78,060	87,796
	<u>\$ 130,400</u>	<u>\$ 396,631</u>	<u>\$ 527,031</u>

**NOTE 10 – SUBSEQUENT EVENTS**

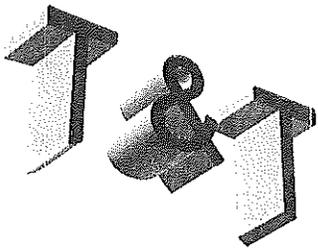
The District evaluated its June 30, 2013 financial statements for subsequent events through November 30, 2013, the financial statement issuance date. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

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

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

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TKATCHOV & TKATCHOV CPA'S, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

ALEX P. TKATCHOV, C.P.A., M.S. TAXATION  
DIANE R. TKATCHOV, C.P.A.

MEMBER  
American Institute of Certified  
Public Accountants  
Arizona Society of Certified  
Public Accountants

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

To the Board of Directors of  
Montezuma-Rimrock Fire District  
Rimrock, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, as listed in the table of contents of Montezuma-Rimrock 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, and have issued our report thereon dated August 15, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

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**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.



Tkatchov & Tkatchov CPA's, P.C.  
Flagstaff, Arizona

November 30, 2013

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REQUIRED SUPPLEMENTARY INFORMATION

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**MONTEZUMA-RIMROCK FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES- BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Property Taxes	\$ 996,665	996,665	916,945	(79,720)
Fire District Assistance Tax	200,000	166,381	180,287	13,906
Fees for Services	408,138	297,700	237,486	(60,214)
Interest	5,000	300	526	226
Carryover Revenue	100,876	100,876	-	(100,876)
Reserve Account	40,000	40,000	-	(40,000)
Miscellaneous	-	5,158	5,011	(147)
<b>TOTAL REVENUE</b>	<u>\$ 1,750,679</u>	<u>1,607,080</u>	<u>1,340,255</u>	<u>(266,825)</u>
<b>Expenditures:</b>				
Current:				
Public Safety	\$ 1,613,679	1,575,140	1,181,367	393,773
Administration	10,000	6,750	6,324	426
Capital Outlay	127,000	95,387	65,650	29,737
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,750,679</u>	<u>1,677,277</u>	<u>1,253,341</u>	<u>423,936</u>
 Net Change in Fund Balances	 <u>\$ 0</u>	 <u>(70,197)</u>	 86,914	 <u>157,111</u>
 <b>Fund Balances</b> at Beginning of Year			 <u>189,558</u>	
<b>Fund Balances</b> at the End of Year			 <u>\$ 276,472</u>	

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The accompanying notes are an integral part of these financial statements

**MONTEZUMA-RIMROCK FIRE DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2013**

Notes to required supplementary information:

**Budgetary Process**

Annual budgets are adopted for the General Fund on a basis consistent with the Arizona Revised statutes and accounting principles generally accepted in the United States of America.

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