EXHIBIT B

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services

Annual Ambulance Financial Report

Reporting Ambulance Service

Report Fiscal Year

From: 07 /01 /2012/ To: 06 /30 /2013 /

Mo. Day Year Mo. Day Year

CERTIFICATION

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:* 12/30/13

Print Name and Title: Rick Southey, Fire Chief

Mail to:

Arizona Department of Health Services
Bureau of Emergency Medical Services
Ambulance and Regional Services
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007
Telephone: (602) 364-3150
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Revised: 7/03

AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Bullhead City Fire Department

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

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
01	Number of ALS Billable Transports:			4386	4386
02	Number of BLS Billable Transports :			1955	1955
03	Number of Loaded Billable Miles :				899,631
04	Waiting Time (Hr. & Min.):				0hr. 30 min.
05	Canceled (Non-Billable) Runs:				2628

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

06	ALS Base Rate Revenue	$ 4,547,596
07	BLS Base Rate Revenue	2,027,491
08	Mileage Charge Revenue	1,657,488
09	Waiting Charge Revenue	130
10	Medical Supplies Charge Revenue	0
11	Nurses Charge Revenue	22,500
12	Standby Charge Revenue (Attach Schedule)	
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE	$ 8,255,205

SALARY AND WAGE EXPENSE DETAIL

	GROSS WAGES:		**No. of F.T.E.s
14	Management	$ 189,989	
15	Paramedics and IEMTs	$ 1,279,343	
16	Emergency Medical Technician (EMT)	$ 580,923	
17	Other Personnel	$ 272,672	
18	Payroll Taxes and Fringe Benefits - All Personnel	$ 726,710	

*This column reports only those runs where a contracted discount rate was applied.
**Full-time equivalents (F.T.E.) Is the sum of all hours for which employees wages were paid during the year divided by 2080.

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Bullhead City Fire Department

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

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION	FROM	
	Operating Revenues:		
01	Total Ambulance Service Operating Revenue	Page 2, Line 13	$ 8,255,205
	Settlement Amounts:		
02	AHCCCS		(681,215)
03	Medicare		(2,327,038)
04	Subscription Service		(-)
05	Contractual		( )
06	Other		( )
07	Total (Sum of Lines 02 through 06)		(3,008,253)
08	Total Operating Revenue (Line 01 minus Line 07)		$ 5,246,952
	Operating Expenses:		
09	Bad Debt		$ 1,155,193
10	Total Salaries, Wages, and Employee-Related Expenses		2,942,092
11	Professional Services		211,917
12	Travel and Entertainment		1,394
13	Other General Administrative		61,714
14	Depreciation		121,006
15	Rent/Leasing		2,751
16	Building/Station		91,940
17	Vehicle Expense		197,251
18	Other Operating Expense		231,135
19	Cost of Medical Supplies Charged to Patients		220,754
20	Interest		33
21	Subscription Service Sales Expense		0
22	Total Operating Expense (Sum of Lines 09 through 21)		5,236,730
23	Total Operating Income or Loss (Line 08 minus Line 22)		$ 10,222
24	Subscription Contract Sales		
25	Other Operating Revenue		27,260
26	Local Supportive Funding		
27	Other Non-Operating Income (Attach Schedule)		19,142
28	Other Non-Operating Expense (Attach Schedule)		68,311
29	NET INCOME/(LOSS) (Line 23 plus Sum of Lines 24 through 28)		$ -11,687

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Line #	Account Description: 2012-2013	Total Expense	Allocation %	Allocated to Amb.
521.66	Bad Debts		100%	**$1,155,193**
SALARIES & BENEFITS				
501.1	**MANAGEMENT:**			
	Fire Chief		30%	$41,401
	Management:		100%	$110,448
	Management:		100%	$38,141
	AMBULANCE PERSONNEL:			
	Civilian Paramedics		100%	$427,141
	Civilian EMT's		100%	$107,548
	CCT Nurses		100%	$22,054
	CAPT/ENGR/Paramedics		18%	$398,676
	CAPT/ENGR/EMT's		18%	$212,951
	CHIEFS/EMT'S		5%	$11,872
	FF/Paramedics - Sta. 1		25%	$2,892
	FF/EMT's - Sta. 1		25%	$69,882
	FF/Paramedics		35%	$343,086
	FF/EMT's		35%	$178,671
	OTHER PERSONNEL:			
	Mechanics		50%	$89,697
	AMB Clerical		100%	$70,374
	Clerical		30%	$90,548
	Total Wages			**$2,215,382**
	Total Benefits		30%	**$726,710**
	PROFESSIONAL SERVICES			
521.31	Medical Director	$35,000	100%	$35,000
	Dispatch Services	$117,964	80%	$94,371
	Audit/Accounting	$13,700	35%	$4,795
	Legal Services	$33,241	10%	$3,324
	Background Checks	$487	60%	$292
	Telestaff	$7,990	50%	$3,995
	Employee Assistance Program	$2,250	50%	$1,125
		$210,632		$142,903
521.14	Printing & Duplicating	$9,022	40%	$3,609
521.35	Maint. -Medical Devices/software	$49,172	100%	$49,172
	Other Maint.Contracts	$44,042	30%	$13,213
521.39	Medical Exams and Labs	$6,042	50%	$3,021
		$108,278		$69,014
				$211,917
TRAVEL				
521.25	Meals/Lodging	$4,645	30%	**$1,394**
DEPRECIATION:				
	Ambulance Vehicles (from schedule)	$121,006	100%	**$121,006**

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Line #	Account Description: 2012-2013	Total Expense	Allocation %	Allocated to Amb.
OTHER GENERAL ADMINISTRATIVE:				
521.11	Office Supplies	$7,380	30%	$2,214
521.12	Telephone	$48,302	40%	$19,321
521.13	Postage	$12,249	70%	$8,574
521.18	Dues & Subscriptions	$6,134	20%	$1,227
521.2	Community Services	$12,164	30%	$3,649
521.25	Administration	$14,780	30%	$4,434
521.27	Resource Operations	$40,760	30%	$12,228
521.61	Professional Liab. Ins.	$19,264	45%	$8,669
521.65	Use Tax/Assessments	$4,660	30%	$1,398
		$165,693		**$61,714**
RENT/LEASING:				
521.81	Passport Health Info Verification	$2,751	100%	$2,751
				$2,751
BUILDING/STATION:				
521.61	Property Insurance	$63,521	35%	$22,232
521.71	thru 521.75 Utilities	$106,512	40%	$42,605
521.91	Building Supplies	$26,259	25%	$6,565
521.92	Repairs and Maintenance	$48,767	25%	$12,192
521.94	Furniture	$9,097	20%	$1,819
522.2	Improvements	$30,387	20%	$6,077
		$284,543		**$91,490**
VEHICLE EXPENSES:				
502.11	Fuel, Oil, Lubricants	$178,611	65%	$116,097
502.12	Major Repairs	$79,793	50%	$39,897
502.13	Vehicle Service/Maint.	$35,213	50%	$17,607
502.14	Outside Services	$6,775	50%	$3,388
502.35	Fire Extinguishers	$2,345	20%	$469
502.36	Breathing Apparatus	$19,546	10%	$1,955
521.36	License & Registration	$2,666	100%	$2,666
521.61	Insurance (vehicles)	$33,719	45%	$15,174
		$358,668		**$197,251**

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Line #	Account Description: 2012-2013	Total Expense	Allocation %	Allocated to Amb.
OTHER OPERATING EXPENSES:				
502.41	Uniforms	$65,849	30%	$19,755
502.51	Communication Maintenance	$76,021	45%	$34,209
521.41	EMS Training	$27,855	100%	$27,855
521.52	Training Tuition/Per Diem	$13,425	25%	$3,356
521.58	Special Education	$23,026	25%	$5,757
522.4	Equipment	$14,278	0%	$0
		$220,454		**$90,932**
524.1	Ambulance(s) Lease Purch	$40,867	100%	$40,867
524.4	Cardiac Monitor Lease Purch	$31,673	100%	$31,673
524.6	Microwave Radio Network Lease	$84,579	80%	$67,663
		$157,119		**$140,203**
INTEREST EXPENSE:				
521.31	Interest Expense	$164	20%	$33
				$33
COST OF MEDICAL SUPPLIES:				
521.26	EMS Operations	$220,754	100%	**$220,754**

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BULLHEAD CITY FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2013

James H. Saunders
Certified Public Accountant
Certified Fraud Examiner
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BULLHEAD CITY FIRE DISTRICT
BULLHEAD CITY, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2013

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FINANCIAL STATEMENTS
JUNE 30, 2013

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SAUNDERS COMPANY, LTD.
JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, PI.
CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED IN FINANCIAL FORENSICS
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Arizona Society of Certified Public Accountants Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

To the Members of the District Board
Bullhead Fire District
Bullhead, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullhead City Fire District, Bullhead City, Arizona, 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, each major fund, and the aggregate remaining fund information of the Bullhead City Fire District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, along with any combining or individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Legal and Regulatory Requirements

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 Fire District's internal control over financial reporting and compliance.

James H. Saunders, CPA
Saunders Company, Ltd.

Glendale, Arizona
December 26, 2013

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Bullhead City Fire District

Management's Discussion and Analysis of
Basic Financial Statements
June 30, 2013

The following discussion and analysis of the Bullhead City Fire District's (District) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2013. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis and the Basic Financial Statements.

Nature of Operations

The Bullhead City Fire District provides fire suppression/prevention, emergency medical services, and all risk hazard mitigation to homes, property and persons residing within or traveling through the District boundaries, as well as locations and persons outside the District thru mutual aid agreements and fees for service. The Fire Prevention Bureau does fire safety inspections of area businesses and plan reviews for new construction.

Results of Operations

During this fiscal year the Department responded to 9692 calls. Of those, 8712 were EMS calls which resulted in 6341 ambulance transports. The revenue generated by those transports was $8,255,205 with mandatory write-offs (Medicare, Insurance, MediCal and AHCCCS) of $3,008,253 (37%). Additional bad-debt write-offs totaled $1,155,193 (14%). Ambulance revenue received in FY 2012-13 was $3,911,397 for a collection rate of (48%) after mandatory and bad-debt write-off.

The Fire Prevention Bureau performs building plan reviews and inspects commercial buildings and public events for safety. $13,155 was received for permits and fees in fiscal year 2012-13. The fire hydrants in the district are either dedicated after acceptance to or purchased by the fire district and all are maintained by fire department personnel. An amount is budgeted each year for this purpose.

Fire Department personnel are also very active in public education, both in the schools and in the adult community. Several employees deliver the fire safety message through clown and puppet shows that are presented to the elementary school children twice each year. A Fire Prevention Fair is held each October and many hours of volunteer labor are donated by the employees and other members of the community to make this safety event a success.

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The District has a "red card team" who is specially trained in wild land firefighting. $64,460 was received in FY 2012-13 from the Arizona State Land Department for our response to fires throughout the State during this fiscal year. $54,359 was received from outstanding invoices from FY 2011-12. An additional $69,260 was billed to Arizona State Land Department for our response to fires throughout the State in the month of June 2013, and has not yet been received.

Changes were made to the District's vehicle fleet with the purchase of a 2012 Chevy Type II Ambulance, a 2012 Chevy Type III Ambulance and the sale of two (2) 2008 Dodge Sprinter Ambulances.

In fiscal year 2012-2013 the District received grant funding of $5,329.19 from the Arizona State Emergency Response Commission for Haz Mat equipment. The funding was used to purchase air monitoring equipment for the District's Haz Mat Team.

Other equipment purchased by the District during FY 2012-2013 include one(1) power gurney, one (1) thermal imaging camera, and one (1) bariatric lift gate installed on one of the District's ambulances.

Financial Highlights

- District investment in capital assets increased by $107,422 or 0.71%.
- The District's Net Position decreased $258,703 or 2.33% from the previous fiscal year.
- Program and General Revenues increased $223,117 or 1.80% over the previous fiscal year.
- At the end of the current fiscal year, the unrestricted net position for the General Fund was $2,675,939.

In FY 2012-13 the District received grant funding of $5,329.19, from the Arizona State Emergency Response Commission for Haz Mat equipment. The funding was used to purchase air monitoring equipment for the District's Haz Mat Team.

In FY 2012-2013, the District was awarded a grant from the Arizona Department of Homeland Security in the amount of $37,104 for Mohave County CBRNE Detection and Personal Protective Equipment. The grant period is October 1, 2012 through September 2013. All purchases made with the funding of this grant will be reported in FY 2013-14.

In FY 2012-2013, the District was awarded Assistance to Firefighter Grant from FEMA at the U.S. Department of Homeland Security in the amount of $24,300, for the purchase of residential Knox Boxes. The grant period is April 25, 2013 to April 24, 2014. All purchases made with the fund of this grant will be reported in FY 2013-14.

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Changes in District fleet vehicles for FY 2012-13 include the purchase of two (2) 2012 Chevy Ambulances at a cost to the District of $200,058. The District sold for $12,000, two (2) 2008 Dodge Sprinter Ambulances.

Equipment purchased by the District in FY 2012-13 included one (1) power gurney, one (1) thermal imaging Camera, one (1) bariatric lift gate, two (2) Station Alerting Systems, Wildland FF Radios and Replacement Radios and Accessories for a total cost of $91,518.

Station improvements were completed at Station 3 and Station 6, including rock and landscaping along with replacement of floor coverings in the duty crew living quarters of Station 1 and Station 6. The cost of all station improvements for FY 2012-13 was $17,662.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as 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 District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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, use fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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Net Position June 30, 2013

	BALANCE 06/30/12	BALANCE 06/30/13
Invested in Capital Assets, Net of related Debt	$ 8,817,457	$ 8,128,895
Restricted	35,345	3,703
Nonspendable		31,673
Unrestricted	2,246,111	2,675,939
Total Net Position	$ 11,098,913	$ 10,840,210

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes. In FY 12-13 the assessed value of the District decreased by approximately 9.22% from the prior year and the levy rate was increased from $2.590 to $2.845 per hundred dollars of assessed value. Approximately 31% of the District revenue was derived from the operation of the ambulance service.

In FY 2012-2013, the District was awarded a grant from the Arizona Department of Homeland Security in the amount of $37,104 for Mohave County CBRNE Detection and Personal Protective Equipment. The grant period is October 1, 2012 through September 2013. All purchases made with the funding of this grant will be reported in FY 2013-14.

In FY 2012-2013, the District was awarded Assistance to Firefighter Grant from FEMA at the U.S. Department of Homeland Security in the amount of $24,300, for the purchase of residential Knox Boxes. The grant period is April 25, 2013 to April 24, 2014. All purchases made with the fund of this grant will be reported in FY 2013-14.

General Fund Budgetary Highlights

The District ended the FY 20102-13 with a carryover revenue amount of $2,147,515. Of that amount $1,265,000 was reserved funds carried forward for severance reserve, underground fuel tank, air packs, apparatus and contingency funds and grant matching funds.

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Capital Assets

In order to continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. For fiscal year ending June 30, 2013, the District purchased or constructed $254,773 in capital assets. Those assets include:

- λ Two (2) 2013 Chevy Ambulances
- λ One (1) Thermal Imaging Camera
- λ One (1) Bariatric Lift Gate
- λ Two (2) Station Alerting Systems

Capital Assets, Net of Depreciation June 30, 2013

	BALANCE 06/30/2012	BALANCE 06/30/2013
Depreciable Assets		
Vehicles	$5,660,610	$ 5,713,346
Buildings	7,264,557	7,264,557
Equipment, Fire	2,176,578	2,231,264
Total Historical Costs	15,101,745	15,209,167
Less Accum Depreciation		
Vehicles	2,870,570	2,938,116
Buildings	2,181,700	2,387,753
Equipment, Fire	1,094,997	1,554,821
Less: Total Accumulated Depreciation	6,147,267	6,880,689
Depreciable Capital Assets, Net	8,954,478	8,328,478
Non-Depreciable Assets		
Land	299,338	299,338
Capital Assets, Net	$9,253,816	$ 8,627,816

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Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of $1,301,276. All of the debt is backed by the full faith and credit of the District.

	Balance June 30, 2012	Balance June 30, 2013
Monitors	$ 207,334	$ 150,578
Ambulance	0	192,910
Radio Equipment	229,026	155,433
Total Lease Obligations	436,360	498,921
Compensated Absences	792,729	802,355
Totals	$ 1,229,089	$ 1,301,276

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions. Several years of community growth and increases in assessed valuation which have enabled the District to increase staffing, purchase much needed equipment and apparatus, make building improvements and improve services to the community, have been greatly affected by the current economic condition of the State and of the country as a whole.

The assessed value of the District decreased approximately 9.22% for FY 2012-13. The general economy appears to have stabilized and it is anticipated that the next few years will remain flat with the possibility of showing only a modest increase. Based on current figures, the estimated assessed value of the District is expected to decrease again. although very minimally in FY 2013-14 by approximately .12%. after which the District's Net Assessed Value the next few years, as with the general economy, may remain level or show a modest increase. Since 2008, the District's NAV has decreased 50.8% yet neither services nor personnel have been reduced aside from the reduction in personnel due to attrition.

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Debbie Dorman, Executive Administrative Manager, Bullhead City Fire Department, 1260 Hancock Road, Bullhead City, AZ 86442.

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BASIC FINANCIAL STATEMENTS

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BULLHEAD CITY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents (Note 3)	$ 2,859,747
Receivables:	
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 5)	1,208,550
Wildland (Note 5)	56,231
Grants	10,779
Property Taxes (Note 6)	751,990
Prepaid Lease/Purchase Principle	30,107
Prepaid Lease/Purchase Interest	1,566
Total Capital Assets, Net (Note 7)	8,627,816
Total Assets	13,546,786
LIABILITIES	
Accounts Payable	34,285
Payroll Taxes Payable	180,022
Wages Payable	341,854
Deferred Revenue (Note 6)	751,990
Loan Payable (Note 11)	
Protion due within one year	15,260
Compensated Absences (Note 10)	
Portion due within one year	81,889
Portion due after one year	802,355
Lease/Purchases Payable (Note 11)	
Portion due within one year	209,954
Portion due after one year	288,967
Total Liabilities	2,706,576
NET POSITION	
Invested in Capital Assets, Net of related Debt	8,128,895
Non Spendable (Note 13)	31,673
Restricted (Note 13)	3,703
Unrestricted (Note 13)	2,675,939
Total Net Position	$ 10,840,210

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BULLHEAD CITY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B

	Governmental Activities
EXPENSES	
Public Safety - Fire/EMS Protection	
Personnel Services	$ 10,305,140
Materials & Services	1,777,929
Depreciation	800,433
Total Program Expenses	12,883,502
PROGRAM REVENUES	
Operating and Capital Grants	26,039
Charges for Service	4,163,756
Total Program Revenues	4,189,795
Net Program Expense	8,693,707
GENERAL REVENUES	
Property Taxes	7,946,479
Fire District Assistance	400,000
Investment Earnings	12,525
Miscellaneous	76,000
Total General Revenues	8,435,004
Increase in Net Position	(258,703)
NET POSITION-BEGINNING OF THE YEAR	11,098,913
NET POSITION-END OF THE YEAR	$ 10,840,210

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BULLHEAD CITY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C

	General
ASSETS	
Cash and Cash Equivalents (Note 3)	$ 2,859,747
Receivables:	
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 5)	1,208,550
Property Taxes (Note 6)	751,990
Other	
Grants	10,779
Wildland (Note 6)	56,231
Prepaid Lease/Purchase Principle	30,107
Prepaid Lease/Purchase Interest	1,566
Total Assets	$ 4,918,970
LIABILITIES	
Accounts Payable	$ 34,285
Payroll Taxes Payable	180,021
Wages Payable	341,854
Deferred Revenue (Note 6)	751,990
Legacy Foundation Loan	15,260
Compensated Absences (Note 10)	81,890
Total Liabilities	1,405,300
FUND BALANCES	
Assigned (Note 13)	683,371
Non Spendable (Note 13)	31,673
Restricted (Note 13)	3,703
Unassigned	2,794,923
Total Fund Balances	3,513,670
Total Liabilities & Fund Balances	$ 4,918,970

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BULLHEAD CITY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2013

Exhibit D

	General
REVENUE	
Property Taxes	$ 7,946,479
Fire District Assistance Tax	400,000
Fees for Service	4,163,756
Interest	12,525
Grants	26,039
Lease Purchase Proceeds	229,308
Miscellaneous	88,000
Total Revenues	12,866,107
EXPENDITURES	
Current:	
Public Safety	11,908,331
Administration	54,210
Grants	
Debt Service	
Principal	166,747
Interest	19,511
Capital Outlay	277,823
Total Expenditures	12,426,622
Excess (Deficiency) of Revenues over Expenditures	439,485
Net Change in Fund Balances	439,485
Fund Balances-Beginning of Year	3,074,185
Fund Balances-End of Year	$ 3,513,670

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BULLHEAD CITY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit E

Reconciliation of Governmental Fund Balance to Net Position (Exhibit A) of governmental activities:

Fund Balances - Total Governmental Funds (Exhibit C)		$ 3,513,670
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.		
Governmental Capital Assets	15,508,506	
Less: Accumulated Depreciation	(6,880,690)	
		8,627,816
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(1,301,276)
Net Position of Governmental Activities (Exhibit A)		$ 10,840,210

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BULLHEAD CITY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2013

Exhibit F

Reconciliation of the change in fund balance-total governmental funds to the change in net position of governmental activities:

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	$	439,485
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:		
Governmental funds report capital outlays as expeditures. 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 expense exceeded capital outlay in the current period.		(626,001)
The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(72,187)
Change in Net Position of Governmental Activities (Exhibit B)	$	(258,703)

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BULLHEAD CITY FIRE DISTRICT
BULLHEAD CITY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

Introduction

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

Basic Financial Statements

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

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Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to users of the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

Governmental 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 as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

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Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Deferred Revenue

Deferred revenue (in the fund financial statements) represents property taxes earned during the year but not collected in time to be available to finance the current year's operation.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

Compensated Absences

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

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Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Position/ Fund Equity

Net Position/Fund Balances on Government Wide Financial Statements – Schedule A

Fund Equity, as defined in GASB Statement No. 34, "Basic Financial Statements for State and Local Governments" is defined as net assets and is classified in the following categories:

- λ Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital asset balances.
- λ Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Fund Balances on Government Fund Financial Statements – Schedule C

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications

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describe the relative strength of the spending constraints:

- λ Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- λ Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- λ Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- λ Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Accounting 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. Actual results could differ from those estimates.

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

During the last quarter of the fiscal year, the ensuing years operating budget, including proposed expenditures and the means of financing them, is compiled by the Fire Chief. A public hearing is held on the budget subsequent to the publication of the proposed budget. Once the proposed budget is prepared it must be published in a newspaper of general circulation in the County in which the District is located at least twenty days prior to a budget hearing. Notice of the hearing must also be posted in at least three public locations in the District and posted to the District website at least twenty days prior to the hearing. Copies of the proposed budget must also be provided upon written request. Once the budget hearing is held, the District Board approves the budget. After approval by the District Board the budget is then sent to the County Board of Supervisors no later than August 1st of each year as required by ARS 48-807(e).

Budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

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The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer which is in turn invested in the Local Government Investment Pool (LGIP) operated by the Arizona State Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is $250,000.00 for interest bearing accounts and $250,000 for demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency.

The District may also place monies in investments which are subject to the risks identified below.

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The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2013:

DEPOSITORY ACCOUNTS:	General Fund
Insured Deposits (FDIC)	$ 254,440
Collateralized	460,181
Uninsured & Uncollateralized	2,191,369
Total Deposits	2,905,990
In Transit Items	(46,643)
Total Depository Accounts	2,859,347
NON DEPOSITORY ACCOUNTS	
Cash On Hand	400
Total Non Depository Accounts	400
Total Cash & Cash Equivalents	$ 2,859,747

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

Custodial Credit Risk For:	Rating	Rating Agency	Amount
County Treasurer Pool	Unrated	Not Applicable	$2,191,369

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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The District normally invests only in FDIC insured bank accounts, accounts collateralize d above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, which is reinvested in the Arizona State Treasurer Local Government Investment Pool (LGIP), and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate risk factors and information are not available for the mutual fund investments of the District.

The weighted average maturity of the LGIP-GOV pool at June 30, 2013:

For Pool 5	24 days
For Pool 7	40 days
For Pool 500	1.32 years
For Pool 700	1.49 years

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 the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities.

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Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

NOTE 4 - INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

NOTE 5 - RECEIVABLES

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Ambulance receivables were $1,587,248 with an allowance for bad debt of $378,698 at June 30, 2013. This gave a net of $1,208,550, without allowances or contractual adjustments, was expected to be collectable.

Wildland receivables were $56,231 with an allowance for bad debt of $0 at June 30, 2013. This gave a net of $56,231 which was expected to be collectable.

Grants receivables were $10,779 with an allowance for bad debt of $0 at June 30, 2013. This gave a net of $10,779 which was expected to be collectable.

NOTE 6 - DEFFERED REVENUES

Deferred Taxes Receivable arises when property taxes are levied by not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred revenue in the period when an enforceable legal claim to the assets arises.

The County Treasurer reported $751,990 in outstanding delinquent taxes due the District at June 30, 2013. This amount is reported as deferred revenue.

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NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended.

	BALANCE 06/30/2012	ADDITIONS	DELETIONS	BALANCE 06/30/2013
Depreciable Assets				
Vehicles	$5,660,610	$ 232,634	$ 179,898	$ 5,713,346
Buildings	7,264,557	0	0	7,264,557
Equipment, Fire	2,176,578	54,686	0	2,231,264
Total Historical Costs	15,101,745	287,320	179,898	15,209,167
Less Accum Depreciation				
Vehicles	2,870,570	167,132	99,586	2,938,116
Buildings	2,181,700	206,053	0	2,387,753
Equipment, Fire	1,094,997	459,823	0	1,554,821
Less: Total Accumulated Depreciation	6,147,267	833,008	99,586	6,880,689
Depreciable Capital Assets, Net	8,954,478	(545,688)	80,312	8,328,478
Non-Depreciable Assets				
Land	299,338	0	0	299,338
Capital Assets, Net	$9,253,816	$ (545,689)	$ 80,312	$ 8,627,816

NOTE 8 - 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.

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NOTE 9 – SHORT-TERM INDEBTEDNESS

The District utilizes a credit line with a limit of $2,500,000. As of June 30, 2012, the balance outstanding was approximately $ 0 and $2,500,000 was available. The interest rate, at year end, was approximately prime rate plus ½ of 1 percent. The District routinely pays the balance in full when funds are available.

Changes in Short-Term Indebtedness :

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Line of Credit	$ 0	$ 0	$ 0	$ 0
Totals	$ 0	$ 0	$ 0	$ 0

NOTE 10 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District also accrues a liability for 50% of the employees unpaid sick leave accumulation. The District policy allows for the redemption of 50% of the employees unused sick leave. The accrual at year end consisted of $327,558 in unpaid vacation time and $949,594 in unused sick time of which $474,797 has been accrued as payable. The remaining amount is not payable by the District unless used by the employee.

NOTE 11 – LONG-TERM INDEBTEDNESS

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

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Capital Leases

Monitors Lease: On July 1st, 2011, the District entered into a lease/purchase agreement with Zion Bank for the purchase of monitors. The initial purchase was in the amount of $235,000 at an interest rate of 3.410% for a term of 5 years. Semi-annual payments are due each July 1st and January 1st in the amount of $31,673 with a final payment due on July 1st, 2015.

Ambulances Lease: On July 24th, 2012, the District entered into a lease/purchase agreement with Republic 1st National Bank for the purchase of ambulances. The initial purchase was in the amount of $229,308 at an interest rate of 3.410% for a term of 3 years. Semi-Annual payments are due each July 15th and December 15th in the amount of $40,867 with a final payment due on July 15st, 2015.

Radio Equipment Lease: On December 1st, 2010, the District entered into a lease/purchase agreement with Zion First National Bank for the purchase of radio equipment. The initial purchase was in the amount of $300,000 at an interest rate of 3.690% for a term of 4 years. Annual payments are due each December 1st in the amount of $82,044 with a final payment due on December 1st 2014.

Loans

BHHS Foundation Loan: On November 30th, 2008, the District entered into a forgivable loan agreement with BHHS Legacy Foundation for the purchase of equipment and to provide assistance for Critical Care Ambulance Transportation in the Bullhead City, Arizona area. The original amount of the loan was $76,300 and is amortized over five years with a potential 20% loan repayment forgiveness each 12 months. The loan will end on November 30th, 2013 with a zero percent interest rate. The loan becomes due and payable, at the current balance, should the District fail to comply with the loan requirements. At fiscal year end, the balance on this loan was $30,520. This note is considered as a current account payable by the District.

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Changes in Long-Term Indebtedness :

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Monitors	$ 207,334	$ 0	$ 56,756	$ 150,578
Ambulance	0	229,308	36,398	192,910
Radio Equipment	229,026	0	73,593	155,433
Total Lease Obligations	436,360	229,308	166,747	498,921
Compensated Absences	792,729	9,626	0	802,355
Totals	$ 1,229,089	$238,934	$ 166,747	$ 1,301,276

NOTE 12 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 209,954	$ 17,171	$ 227,125
2015	217,739	9,396	227,135
2016	71,228	1,312	72,540
Total Obligation	498,921	$ 27,879	$ 526,800
Less amount due within 1 year	209,954		
Amount due after 1 year	$ 288,967		

NOTE 13 – NET POSITION/ FUND BALANCE

The District's Net Position balances consist of restricted, unrestricted, nonspendable and net investment in capital assets amounts.

The District's Governmental Funds fund balances consist of restricted, committed, assigned, nonspendable and unassigned amounts.

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Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
Committed balances is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Nonspendable fund balances are amounts that are not in a spendable form such as inventories or pre-paid expenses.

Net Position:

Invested in Capital Assets, Net of Related Debt	$ 8,128,895
Restricted – Donations	3,703
Nonspendable	31,673
Unrestricted Net Assets	2,675,939
Total Net Position	$10,840,210

Governmental Fund Balances:

Assigned Fund Balance - Payroll	$ 467,567
Assigned Fund Balance – Unemployment Costs	215,804
Total Assigned Fund Balances	683,371
Restricted Fund Balance – Donations	3,703
Nonspendable	31,673
Unassigned Fund Balances	2,794,923
Total Fund Balance	$ 3,513,670

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NOTE 14 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.
The District levies real 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.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed $400,000 per year.

NOTE 15 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

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NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS (SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)

Plan Descriptions

The District contributes to the two plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' annual compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health Insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependen ts.

The *Arizona State Retirement System* (ASRS) administers a cost sharing, multiple-employer defined benefit pension plan, a cost-sharing, multiple employer defined health insurance premium plan, and a cost-sharing, multiple employer defined long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to provisions of the A.R.S. Title 38, Chapter 5, Article 2. The ASRS System does not provide information on each individual entity that has an account in the System. Information provided in this report is based on the information provided by ASRS, which is on a state wide basis.

Normal retirement is when an individual achieves 80 points, which is age plus years of service after age 62. Retirement benefits are computed by the Arizona State Retirement System.

The information required by GASB 50 paragraph 7b, three year trend information, is not currently available.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined 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 administration agent, is governed by a five-member board known as The

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Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.
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 to 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's benefits and medical care are also integrated into the plan.

Each multiple employer plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Avenue
Suite 200
PO Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778

PSPRS
3010 E. Camelback Road,

Phoenix, AZ 85016-4416
Phone (602) 255-5575

NOTE 17 - 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 18- SUBSEQUENT EVENTS

Management has evaluated subsequent events, other than the property tax initiative listed below, and does not know of any additional comments or disclosures that should be made thru the date of this report.

Voter Approved Property Tax Restriction:

On November 6, 2012 the voters of the State of Arizona approved a Property Tax Initiative limiting the annual increase in property tax valuation to a maximum of 5% per year and established a single limited property value as the basis for determining property taxes on real property beginning in 2014. The impact of this restriction on future revenue of the District is not currently known.

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Statutory Internal Control Changes:

On September 13, 2013 House Bill #2572, passed by the Arizona State Legislature, becomes effective. This new statute mandates certain new internal control measures for Fire Districts. Among these statutory requirements are time limits on the preparation of reconciliations, presentation on a monthly basis, to governing boards, of financial statements, reconciliations & documents and timely review by the governing board. The governing board is also required to review cash flow projections and notify the County Treasurer and County Board of Supervisors, by certified mail, of any adverse impact found in the cash flow projections. Additional certifications are now required by auditors and reviewers as to the Districts compliance with these new statutory requirements. Auditors and reviewers are now required to appear in person before the governing board to explain and report on the audit or review's results. The impact on the District from these changes is not fully known at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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BULLHEAD CITY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2013

Exhibit G

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 7,754,577	$ 7,754,577	$ 7,946,479	$ 191,902
Fire District Assistance	400,000	400,000	400,000	-
Fees for Service	4,055,000	4,055,000	4,163,756	108,756
Grant Revenue	150,000	150,000	26,039	(123,961)
Lease Purchase Proceeds	-	-	229,308	229,308
Miscellaneous	61,000	61,000	88,000	27,000
Interest	15,000	15,000	12,525	(2,475)
Total Revenues	12,435,577	12,435,577	12,866,107	430,530
Expenditures:				
Current:				
Public Safety	12,326,274	12,326,274	11,908,331	417,943
Administration	55,000	55,000	54,210	790
Grants	165,000	165,000	-	165,000
Capital Outlay	1,589,846	1,589,846	464,081	1,125,765
Total Expenditures	14,136,120	14,136,120	12,426,622	1,709,498
Excess (Deficiency) of Revenues over Expenditures	(1,700,543)	(1,700,543)	439,485	2,140,028
Net Change in Fund Balances	(1,700,543)	(1,700,543)	439,485	2,140,028
Fund Balances at Beginning of Year	1,700,543	1,700,543	3,074,185	1,373,642
Fund Balances at End of Year	$ 0	$ 0	$ 3,513,670	$ 3,513,670

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BULLHEAD CITY FIRE DISTRICT
ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

GASB STATEMENT NO. 25 SUPPLEMENTARY PENSION INFORMATION

SCHEDULE OF FUNDING PROGRESS
(ESCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)

Year Ended June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b)-(a)	Annual Covered Payroll (c)	UAAL As a % Of Covered Payroll ((b)-(a)/(c))
2003	12,280,434	10,056,887	122.1%	(2,223,547)	3,216,735	-%
2004	12,829,065	11,536,408	111.2%	(1,292,657)	3,555,366	-%
2005	13,650,685	13,576,866	100.5%	(73,819)	3,924,695	-%
2006	14,535,614	15,941,128	91.2%	1,405,514	4,383,989	32.1%
2007	14,757,251	19,213,036	76.8%	4,455,785	4,763,643	93.5%
2008	16,585,387	20,756,292	79.9%	4,170,905	5,298,898	78.7%
2009	18,917,611	22,576,356	83.8%	3,658,745	5,603,108	65.3%
2010	20,833,759	25,397,588	82.0%	4,563,829	5,769,065	79.1%
2011	22,507,667	29,030,899	77.5%	6,523,232	5,677,833	114.9%
2012	24,869,128	31,287,124	79.5%	6,417,996	5,765,450	111.3%

SCHEDULE OF EMPLOYER CONTRIBUTION S

Year Ended June 30	Annual Pension Cost (APC)
2003	84,320
2004	176,565
2005	224,940
2006	225,547
2007	392,213
2008	605,082
2009	1,066,838
2010	957,839
2011	(est) 907,396
2012	(est)1,004,904
2013	(est)1,095,467
2014	(est)1,159,409

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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, 2012
Actuarial cost method:	Entry Age Normal
Amortizati on Method:	Level percent-of-pay closed
Remaining amortization period:	24 years for underfunded 20 years for overfunded
Asset valuation method:	7-year smoothed market 80%/120% market
Actuarial Assumptions:	
Investment Rate of Return:	8.00%
Projected Salary increases *	5.00% - 9.00%
Payroll Growth	5.00%
Cost of Living Adjustments	None

GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION

The following information is presented concerning the post-retirement health insurance subsidy. The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25.

AAs of the June 30, 2012 valuation, an 8.00% interest rate assumption was used. It is our understanding that currently assets are not segregated to fund these liabilities. As a result, according to GASB Statement No. 45, these benefits may not be considered to be pre-funded. In that case the 8.00% interest rate assumption may not be appropriate. The issue should be discussed with the auditors and with legal counsel.

SCHEDULE OF FUNDING PROGRESS

VALUATION DATE JUNE 30,	VALUATION VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
2006	$0	$540,452	$540,452	0.00%	$4,383,989	12.33%
2007	$0	$629,935	$629,935	0.00%	$4,763,643	13.22%
2008	$0	$691,444	$691,444	0.00%	$5,298,898	13.05%
2009	$0	$670,697	$670,697	0.00%	$5,603,108	11.97%
2010	$0	$700,553	$700,553	0.00%	$5,769,065	12.14%
2011	$0	$869,591	$869,591	0.00%	$5,677,833	15.32%
2012	$0	$802,443	$802,443	0.00%	$5,765,450	13.92%

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ANNUAL REQUIRED CONTRIBUTION

VALUATION DATE JUNE 30,	FISCAL YEAR ENDED JUNE 30,	(a) NORMAL COST	(b) ACTUARIAL ACCRUED LIABILITY	TOTAL (a)+(b)	DOLLAR AMOUNT BASED ON COVERED PAYROLL
2006	2008	0.46%	0.57%	1.03%	$54,579
2007	2009	0.61%	0.63%	1.24%	$65,706
2008	2010	0.55%	0.63%	1.18%	$62,527
2009	2011	0.57%	0.58%	1.15%	$71,719
2010	2012	0.56%	0.61%	1.17%	$75,127
2011	2013	0.30%	0.82%	1.12%	$70,110
2012	2014	0.27%	0.74%	1.01%	$64,200

Health Insurance Subsidy Payments Reported for FY 2012: $12,545

BENEFITS

Normal retirement is the first day of the month following completion of 20 years of service or following the 62nd 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 2½% of average monthly compensation for each year of credited service above 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, survivors 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 governmental agency. These reports are available through the Arizona Public Safety Personnel Retirement System.

The facts and figures are compiled from the report provided by Gabriel Roeder Smith & Company. A complete copy of the actuarial valuation as of June 30, 2012 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.

Date of Information

The information above reflects the most currently available information about this pension plan as of the published actuarial study for June 30, 2012 issued October 17th 2012.

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BULLHEAD CITY FIRE DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2011

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures, and Changes in Fund Balances.*

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

2. PUBLIC SAFETY PENSION DISCLOSURE INFORMATION

All Public Safety Pension disclosure information has been furnished by the actuary for the Districts' Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

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OTHER SUPPLEMENTARY INFORMATION

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BULLHEAD CITY FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2013

AZ Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ "Annual Report" of Special Districts. This information is included as other supplementary information.

REGULAR FIRE BOARD MEETINGS:

Date	Time	Location
July 24, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
August 28, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
Sept 25, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
October 23, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
November 27, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
December 25, 2012	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
January 22, 2013	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
February 26, 2013	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
March 26, 2013	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
April 23, 2013	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
May 28, 2013	1:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona
June 25, 2013	6:00 p.m.	Station #1 - 1260 Hancock Road, Bullhead City, Arizona

BOARD MEMBERS:

Name	Business Phone Number	Occupation
Matthew Reilly	928-201-7555	Director of Operations
Steven R. Buck	928-763-7368	Business Owner
James Zaborsky	928-444-8190	Business Owner
Charles Moore	928-758-3971	Retired
David Cummings	928-758-3971	Retired

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

Bullhead City Fire Station #1	1260 Hancock Road	Bullhead City, Arizona
Bullhead City Fire Station #2	1230 Highway #95	Bullhead City, Arizona
Bullhead City Hall	2355 Trane Road	Bullhead City, Arizona

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

None

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BULLHEAD CITY FIRE DISTRICT

GOVERNMENT AUDIT STANDARDS SECTION

June 30, 2013

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BULLHEAD CITY FIRE DISTRICT
BULLHEAD CITY, ARIZONA

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SAUNDERS COMPANY, LTD.
JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, PI.
CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATOR #01534603
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6008 W. CORTEZ ST
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Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants
International Association of Certified Fraud Examiners
Arizona Association of Licensed Private Investigators
Arizona Association of Certified Fraud Examiners

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 Members of the Board
Bullhead Fire District
Bullhead, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullhead City Fire District, Bullhead City, Arizona, 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 December 26, 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.

James H. Saunders, CPA
Saunders Company, Ltd.

Glendale, Arizona
December 26, 2013

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