



Rio Rico Fire District

822 Pendleton Dr. • Rio Rico • Arizona • 85648
(520) 281-8421 • Fax (520) 281-7670 • www.rioricofire.org

December 23, 2013

RE: ARCR for Rio Rico Fire District

To whom it may concern,

Enclosed you'll find the Rio Rico Fire District's Ambulance Revenue and Cost Report for fiscal year ending June 30th, 2013.

Feel free to contact me with any questions or comments at 520-281-8421 x7554 or via email at mceballos@rioricofire.org.

Sincerely,

A handwritten signature in black ink, appearing to read "MC", with a long horizontal flourish extending to the right.

Marcela Ceballos, MBA
Administrative Manager
Rio Rico Fire District

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

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

RIO RICO FIRE DISTRICT
Reporting Ambulance Service

Address: **822 PENDLETON DRIVE**

City: **RIO RICO** Zip: **85648**

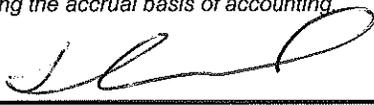
Report Fiscal Year

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: **December 16, 2013**

Print Name and Title: **LES P. CAID, FIRE CHIEF**

Phone: **520-281-8421 x 7501**

Mail to:
Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
Telephone: (602) 364-3150
Fax: (602) 364-3567

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: RIO RICO 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:		940	-	940
2	Number of BLS Billable Transports:		751	-	751
3	Number of Loaded Billable Miles:		96,480		96,480
4	Waiting Time (Hr. & Min.):		-	-	-
5	Canceled (Non-Billable) Runs:				161

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue				\$ 1,054,454
7	BLS Base Rate Revenue				844,102
8	Mileage Charge Revenue				1,409,734
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
11	Nurses Charge Revenue				-
12	Standby Charge Revenue (Attach Schedule)				-
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE			(Post to Page 3, Line 1)	\$ 3,308,290

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SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:		** No. of FTE's
14	Management	3.7
15	Paramedics and IEMTs	21.8
16	Emergency Medical Technician (EMT)	29.1
17	Other Personnel	2.1
18	Payroll Taxes and Fringe Benefits - All Personnel	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	57

* 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:

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2012

TO: June 30, 2013

SCHEDULE OF REVENUES AND EXPENSES

Line No.	<u>DESCRIPTION</u>		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>3,360,389</u>
Settlement Amounts:			
2	AHCCCS		<u>275,396</u>
3	Medicare		<u>781,624</u>
4	Subscription Service		<u>-</u>
5	Contractual	Trailblazer & others	<u>209,573</u>
6	Other		<u>-</u>
7	Total	(Sum of Lines 2 through 6)	<u>1,266,593</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>2,093,796</u>
Operating Expenses:			
9	Bad Debt		\$ <u>398,213</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>2,767,156</u>
11	Professional Services		<u>33,183</u>
12	Travel and Entertainment		<u>15,212</u>
13	Other General Administrative		<u>24,105</u>
14	Depreciation		<u>-</u>
15	Rent / Leasing		<u>64,716</u>
16	Building / Station		<u>262,909</u>
17	Vehicle Expense		<u>234,421</u>
18	Other Operating Expense		<u>-</u>
19	Cost of Medical Supplies Charged to Patients		<u>28,712</u>
20	Interest		<u>-</u>
21	Subscription Service Sales Expense		<u>-</u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>3,828,626</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(1,734,830)</u>
24	Subscription Contract Sales		<u>112,749</u>
25	Other Operating Revenue	Training, Grants, Wildland	<u>32,411</u>
26	Local Supportive Funding		<u>-</u>
27	Other Non-Operating Income	(Attach Schedule) Insurance Reimb	<u>-</u>
28	Other Non-Operating Expense	(Attach Schedule)	<u>(1,589,670)</u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>(1,589,670)</u>
Provision for Income Taxes:			
30	Federal Income Tax		<u>-</u>
31	State Income Tax		<u>-</u>
32	Total Income Tax	(Line 30, plus Line 31)	<u>-</u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u>(1,589,670)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

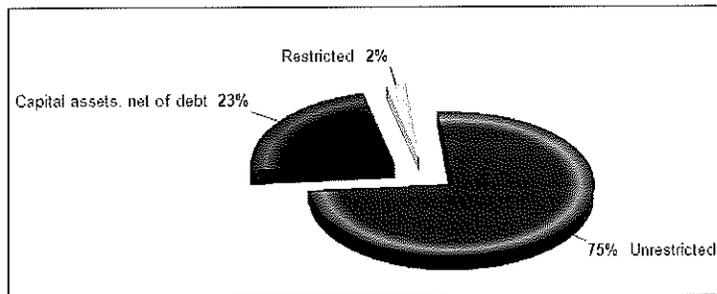
As management of the Rio Rico Fire District (the District), we offer readers of these financial statements, this narrative overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. This discussion and analysis is intended to be an easily readable breakdown of the District's financial activities based on currently known facts, decisions and conditions. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative.

Financial Highlights

The following are the financial highlights of the District for the fiscal year:

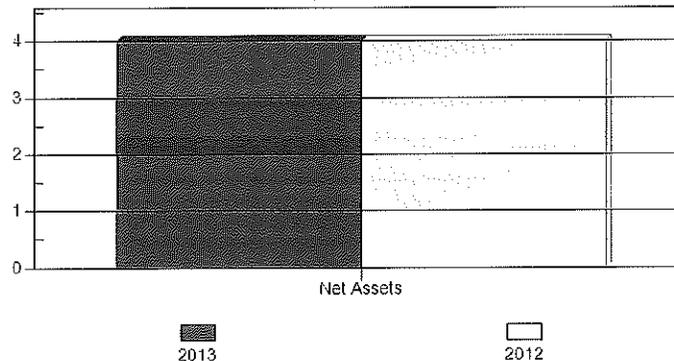
- In the government-wide financial statements, the assets of Rio Rico Fire District exceeded its liabilities at the close of the fiscal year by \$3.6 million (net position). Of this amount, \$2.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors and to further the purpose of the District. The District also reported \$78,473 in restricted net position (to be used for debt service)

Composition of Net Position



- The District's total net position decreased by \$126,453, primarily due to decreases in the governmental revenues and greater depreciation; but the decrease was minimized by the ability of the District to manage budgeted expenditures for personnel services, supplies, general services, capital outlay, and unspent contingency funds.

**Net Position
(in millions)**



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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.2 million, an decrease of \$0.5 million in comparison with the prior year. The decrease was largely due to expended monies for capital projects from the proceeds from the issuance of bonds in the prior year. Approximately 50% of this total amount, or \$1.1 million, is available for spending at the District's discretion (unassigned fund balance). The remaining fund balance is restricted, or has been designated, for future capital projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.1 million, or 31% of total General Fund expenditures, which totaled \$3.5 million for the fiscal year.
- The District's total debt decreased by \$299,441 (5%) during the current fiscal year as the District repaid approximately \$299,441.
- Significant capital asset additions for the fiscal year ended June 30, 2013 included: Four Type II ambulances fully equipped with communications and EMS equipment; refurbishment and remount of a Type I, electronic patient care reporting system including software licensing, server and tablets, one Type II fire tender, one new Type VI fire apparatus and refurbishment and upgrades to an existing fire apparatus.

Overview of the Financial Statements

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

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the District.

The **statement of net position** presents information on all of the District's assets (resources available for future economic benefit) and liabilities (obligations to be paid in the future), with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements can be found on pages 16 - 17 of this report.

**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term acquisition and use of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements. Thus, the emphasis is placed on measurable and available financial resources rather than on the net changes in assets.

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

The District maintains three individual government funds: the General Fund, the Capital Projects Fund, and the Debt Services Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, all of which are considered to be major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB). There are no non-major governmental funds.

The District adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget and is presented on page 36 - 37.

The basic governmental fund financial statements can be found on pages 18 - 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 - 33 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures, as described earlier.

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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$3.6 million (net position) as of June 30, 2013. The District's net position decreased by \$126,453 for the fiscal year ended June 30, 2013.

By far, the largest portion of net position, \$0.8 million or 22%, reflects the District's investment in capital assets (e.g. land, buildings, fire apparatus, and furniture and equipment), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are *not available* for future spending. Although the District's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be liquidated to service these liabilities.

The remaining net position, totaling \$2.8 million, is designated to pay for additional apparatus purchases, future equipment, and improve the quality of fire protection services within the District's boundaries.

At June 30, 2013, the Fire District has \$1.0 million in the Capital Projects Fund. A portion of these funds are restricted to be used for fire equipment, station improvements and prepayment of lease purchases. Such designated and restricted funds will allow the District to expand the electronic patient care reporting system and begin replacement schedule for District's personal protective equipment to bring up to NFPA guidelines.

The District's \$6.5 million in capital assets consists of three fire stations, with an adjacent training facility at station #2, three first line engines, three brush trucks, three engine tenders, one ladder truck, eight ambulances, three support vehicles, one utility vehicle and two command vehicles. The District has invested \$0.57 million in prepayment of two lease purchases and \$0.182 million communication equipment, personal protective equipment, fire, EMS and office equipment systems in order to conduct operations.

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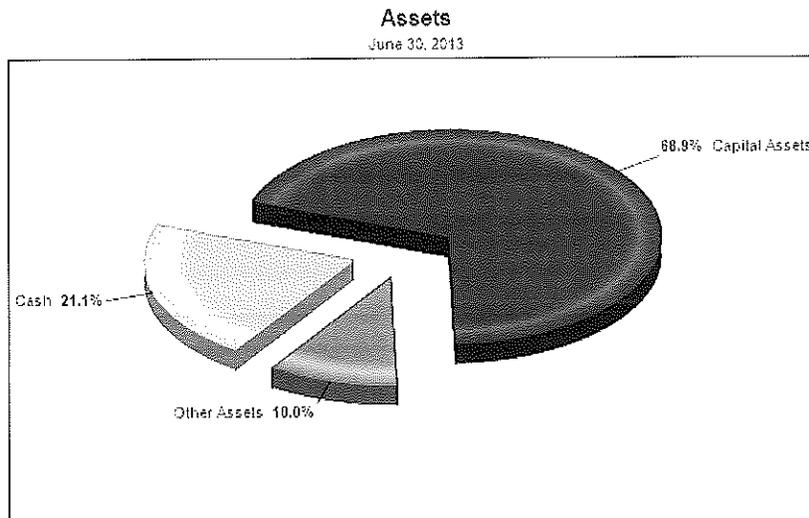
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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The following table presents a comparative summary of the District's assets, liabilities and net position for the current and preceding fiscal years.

	Governmental Activities		% Chg
	2013	2012	
ASSETS			
Cash and investments	\$ 2,000,034	\$ 2,495,202	(19.8)%
Other assets	944,462	1,065,995	(11.4)%
Capital assets, net	<u>6,536,515</u>	<u>6,395,482</u>	2.2 %
Total assets	<u>9,481,011</u>	<u>9,956,679</u>	(4.8)%
LIABILITIES			
Accrued expenses	138,266	164,865	(16.1)%
Compensated absences	79,816	102,991	(22.5)%
Bonds payable	<u>5,631,780</u>	<u>5,931,221</u>	(5.0)%
Total liabilities	<u>5,849,862</u>	<u>6,199,077</u>	(5.6)%
NET POSITION			
Invested in capital assets, net of related debt	836,245	1,293,242	(35.3)%
Restricted for debt service	78,473	90,882	100.0 %
Unrestricted	<u>2,716,431</u>	<u>2,373,478</u>	14.4 %
Total Net Position	<u>\$ 3,631,149</u>	<u>\$ 3,757,602</u>	(3.4)%

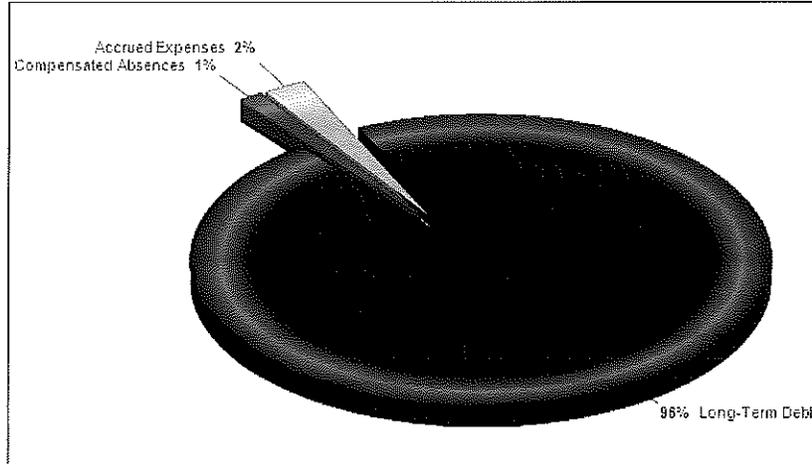
The following charts highlight the significant assets and liabilities of the District.



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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Liabilities
June 30, 2013



Governmental Activities - Governmental activities decreased the District's net position by \$126,453. Key elements of this increase are as follows:

- Operating and capital grants and contributions totaled by \$26,298, this included reimbursement of District expenditures by the District's property and liability insurance for various claims during the fiscal year. Contributions included the reimbursement of legal fees incurred by the District covered by the liability policy.
- Tax revenues decreased \$0.1 million or (2.7)% due to decreases in property value assessments within the District. The District's imposed a property tax increase to match the tax revenue to the decrease in assessed property values, attempting to maintain a neutral impact to the residents. FDAT tax revenue decreased due to property valuation and the District's reduced tax rates in proportion to county fire districts
- Expenditures for the District as a whole decreased by \$283,618 due to decreases in debt interest and expenditures for fire and emergency services. The District reduced personnel and administrative expenditures to match the reduced revenues, without reducing level of service and/or operational staffing.
- The district continues to focus on operational staffing needs focused on historical call data. Part-time suppression employees are scheduled based on historical call volume. Part-time training instructors continue to provide the District the flexibility to train employees on shift and therefore reducing overtime costs. Fire safety and emergency services costs yield a 4.5% decrease in expenditures.

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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The following table presents a comparative summary of the District's revenues and expenses for the current and preceding fiscal years.

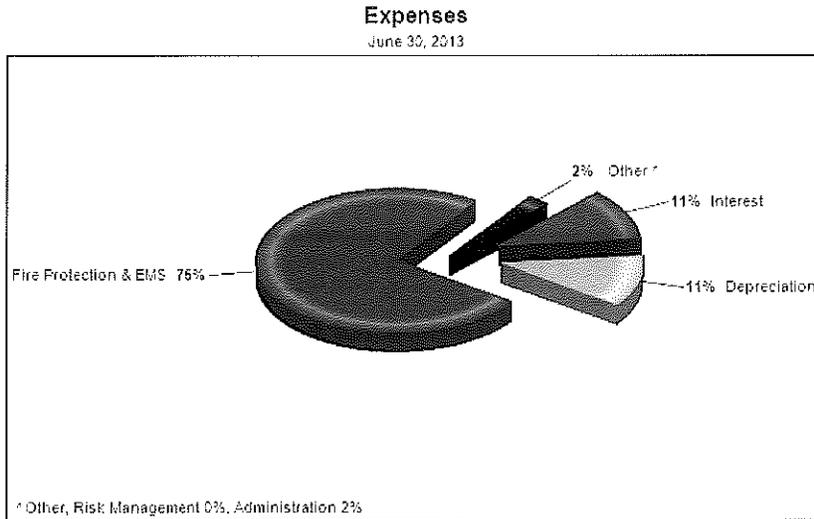
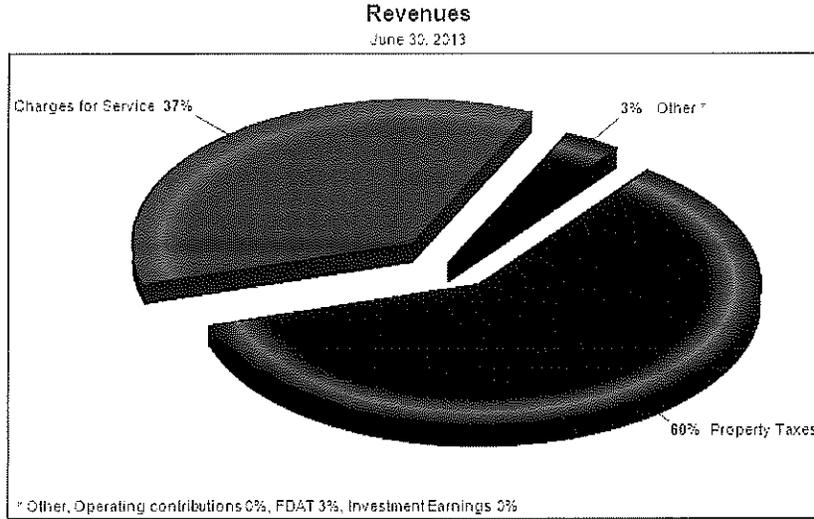
	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>% Chg</u>
REVENUES			
Program Revenues:			
Charges for services	\$ 1,533,811	\$ 1,958,897	(21.7)%
Capital grants and contributions	35,411	11,110	218.7 %
Operating grants and contributions	409	15,188	(97.3)%
General revenues:			
Property Taxes	2,508,372	2,576,940	(2.7)%
Fire District Assistance Tax	138,248	138,277	- %
Gain on sale of assets	(67,079)	-	- %
Investment earnings	<u>1,846</u>	<u>11,560</u>	(84.0)%
Total revenues	<u>4,151,018</u>	<u>4,711,972</u>	(11.9)%
EXPENSES			
Public Safety:			
Fire safety and emergency services	3,337,209	3,577,009	(6.7)%
Risk management services	4,152	6,639	(37.5)%
Administrative and support services	106,322	156,435	(32.0)%
Depreciation on buildings and equipment	508,802	439,499	15.8 %
Interest on debt	<u>320,986</u>	<u>381,507</u>	(15.9)%
Total expenses	<u>4,277,471</u>	<u>4,561,089</u>	(6.2)%
Increase in net position	<u>\$ (126,453)</u>	<u>\$ 150,883</u>	(183.8)%

The cost of all governmental activities for the year ended June 30, 2013 was \$4.3 million. Property Taxes and Fire District Assistance Tax provided funding of \$2.6 million. Additional revenue was realized from interest in the amount of \$1,846.

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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The following charts highlight the significant sources and uses of revenues and expenses, respectively.



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COMMUNITY DEVELOPMENT

**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Financial Analysis of the District's Funds

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

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

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1.1 million. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures.

The Capital Projects Fund accounts for the accumulation of resources for future construction costs for new and existing facilities and for the purchase of large fire apparatus. As of June 30, 2013, the ending fund balance in the Capital Projects Reserve Fund was \$1.0 million. During the District's long-term financial planning, it was determined that a portion of unassigned cash available at fiscal year-end would remain in the General Fund necessary for current cash flows needs and the excess amount would be transferred to the Capital Projects Reserve Fund for future capital development.

At June 30, 2013, the governmental funds of the District reported a combined fund balance of \$2.2 million, a decrease from last year of \$0.5 million or 23%. The decrease is primarily due less tax revenue and increased salaries and related costs. The General Fund decreased by approximately \$329,142 and the Capital Projects Fund decreased by approximately \$0.8 million primarily as a result of capital asset purchases. Of this combined ending fund balance, \$900,000 or 87% constitutes committed fund balance, which is available for capital asset purchases consistent with the District's capital asset plan. The remainder of the combined fund balance is restricted for capital projects and debt service. The District issued \$1.7 million in bonds during the previous year and spend a significant amount of the proceeds in the current year, which contributed to the decrease in combined fund balance.

Budgetary Highlights

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

Budgetary Comparison - General Fund

Revenues were less than the budgeted amounts (by \$1,328,335 or 34%) primarily due to the budget including \$1.2 million for inter-governmental revenues not received from federal appropriations funding and fees for services, including wildland responses, which decreased from the previous fiscal year. Although we received previous years taxes, the actual property tax delinquency rate for fiscal year ended June 30, 2013 remains between 2% and 4%. The district countered the 2.5% decreased revenue with a 3% decrease in expenditures yielding an increased in net position of 12% at the end of year.

Additionally, the District took every opportunity to lower expenditures which resulted in expenditures coming in under budget. The elected board approved the creation of the Capital Projects Fund and transferred \$900,000 from the general fund to the capital fund at the end of the fiscal year.

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**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Capital Asset and Debt Administration

Capital Assets - The District's investment in capital assets for its governmental type activities as of June 30, 2013, totaled \$6.5 million (net of accumulated depreciation). These assets include land and improvements, buildings and improvements, fire apparatus and vehicles, and general fire suppression and emergency medical equipment, as well as information technology and communications equipment.

Major capital asset and debt transactions during the year include the following:

- Partial pre-payment on a purchase lease for Station #2,
- Purchase of four Type II ambulances;
- Purchase of software, licensing, server and mobile tablets for electronic patient care reporting.
- Purchase of a type II fire tender.
- Purchase of a type VI fire apparatus.
- Refurbishment and upgrades to a Fire Engine.
- Refurbishment and remount of a type I ambulance.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 28.

Long-term Debt - The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2013, the District had total long-term debt outstanding of \$5,836,633. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$275,000. All debt is backed by the full faith and credit of the District. Statutorily, Fire District's in Arizona have the ability to incur bond debt up to 6% of it's assessed value.

Economic Factors and Next Year's Budgets and Rates

The financial outlook for the District is stable, however, there are future challenges, which are reflected by the following factors:

- The District's valuation is expected to decrease for year ending June 30, 2014. Although the official valuation by Santa Cruz County (SCC) will not be provided until February 2014, unofficially, county assessors are expecting a decrease in values to be around 12% countywide. Considering the preliminary projection by the SCC Assessor's Office, property values within our districts have historically been under the county wide projection, both for increased values in 2008 and 2009, as well as in decreased valuations in 2011 and current year. The District will plan for a decrease in property values of up to 13% as projected, which would approximately \$64 million assessed property valuation. The District's current property tax levy is 3.0353 per \$100 of secondary assessed valuation (with a \$3.25 as a limit under current statute); consequently, the District is only able to increase tax rate by 0.2147

**Rio Rico Fire District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

- The District plans to use a portion of bond funding received during the year ended June 30, 2012 to partially prepay outstanding purchase lease obligations. The District will also utilize bond funds to make building improvements to Station #1.
- The District restructured its administrative and suppression position in 2010 and will maintain the same structure to ensure operational staffing level and service remain the same for the year ending June 30, 2014 via a wage freeze for all district personnel, changes in leave time policies and reduction of non-essential expenditures.
- For the year ending June 30, 2013, the District received approval for an ambulance base rate and mileage increase of 4.3%. The additional revenue is expected to counter the increased costs of services and reduction of state-funded medical coverage, but not have a significant increase in the EMS revenue. The District has conservatively kept the same EMS Revenue projection for its Fiscal Year 2013 - 2014 budget due to projected reductions in Medicare and AHCCCS reimbursements rates and services

Request for Information

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. As always, we appreciate your feedback. We take your responses seriously. Please keep your ideas coming – both favorable and critical. If you have any questions about this report or need additional financial information, please contact the District's administrative offices at (520) 281-8421. Copies of the District's annual financial reports can be obtained from the administrative office located at 822 Pendleton Drive, Rio Rico Arizona, 85648.

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BASIC FINANCIAL STATEMENTS

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DENVER-COUNTY TREASURY

Rio Rico Fire District
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,830,039
Cash and cash equivalents, restricted	169,995
Accounts receivable, net	496,056
Taxes receivable	448,406
Capital assets:	
Non-depreciable	182,390
Depreciable (net)	6,354,125
Total assets	9,481,011
LIABILITIES	
Accounts payable	39,676
Accrued payroll and related liabilities	98,590
Long-term liabilities:	
Due within one year	204,853
Due in more than one year	5,506,743
Total liabilities	5,849,862
NET POSITION	
Invested in capital assets, net of related debt	836,245
Restricted for:	
Debt service	78,473
Unrestricted	2,716,431
Total net position	\$ 3,631,149

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

**Rio Rico Fire District
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	Governmental Activities
EXPENSES	
Public safety, fire protection and emergency services:	
Fire safety and emergency services	\$ 3,337,209
Community services	4,152
Administrative and support services	106,322
Depreciation	508,802
Interest	320,986
Total program expenses	4,277,471
PROGRAM REVENUES	
Charges for services	1,533,811
Capital grants and contributions	35,411
Operating grants and contributions	409
Total program revenues	1,569,631
Net program expenses	2,707,840
GENERAL REVENUES	
Property taxes	2,508,372
Fire district assistance tax	138,248
Net gain/(loss) on disposal of capital assets	(67,079)
Investment earnings	1,846
Total general revenues	2,581,387
Decrease in net position	(126,453)
Net position – beginning	3,757,602
Net position – ending	\$ 3,631,149

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 DEPT OF FIN & MGMT

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

**Rio Rico Fire District
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 930,039	\$ 900,000	\$ -	\$ 1,830,039
Cash and cash equivalents, restricted	-	136,363	33,632	169,995
Accounts receivable, net	496,056	-	-	496,056
Taxes receivable	<u>403,565</u>	<u>-</u>	<u>44,841</u>	<u>448,406</u>
 Total assets	 <u>\$ 1,829,660</u>	 <u>\$ 1,036,363</u>	 <u>\$ 78,473</u>	 <u>\$ 2,944,496</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 39,676	\$ -	\$ -	\$ 39,676
Accrued payroll	<u>98,590</u>	<u>-</u>	<u>-</u>	<u>98,590</u>
Total liabilities	138,266	-	-	138,266
Deferred inflows of resources:				
Deferred revenues	264,620	-	-	264,620
Deferred taxes	<u>348,621</u>	<u>-</u>	<u>42,195</u>	<u>390,816</u>
 Total deferred inflows:	 <u>613,241</u>	 <u>-</u>	 <u>42,195</u>	 <u>655,436</u>
Fund balances:				
Non-spendable	-	-	-	-
Restricted	-	136,363	36,278	172,641
Committed	-	900,000	-	900,000
Assigned	-	-	-	-
Unassigned	<u>1,078,153</u>	<u>-</u>	<u>-</u>	<u>1,078,153</u>
 Total fund balances	 <u>1,078,153</u>	 <u>1,036,363</u>	 <u>36,278</u>	 <u>2,150,794</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,829,660</u>	<u>\$ 1,036,363</u>	<u>\$ 78,473</u>	<u>\$ 2,944,496</u>

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GENERAL & NOTES

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

Rio Rico Fire District
RECONCILIATION OF THE GOVERNMENTAL FUNDS – BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Fund balances - total governmental funds		\$ 2,150,794
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		6,536,515
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.		655,436
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet, specifically:		
Bonds and lease payable	\$ (5,632,241)	
Compensated absences	<u>(79,355)</u>	
		<u>(5,711,596)</u>
Net position of governmental activities		<u>\$ 3,631,149</u>

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

Rio Rico Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,158,068	\$ -	\$ 403,326	\$ 2,561,394
Fire district assistance taxes	138,248	-	-	138,248
Charges for services	1,552,168	-	-	1,552,168
Intergovernmental	3,000	-	-	3,000
Licenses, permits and other fees	12,988	-	-	12,988
Other Gains	-	-	-	-
Interest income	784	911	151	1,846
Other revenue	34,735	-	-	34,735
	<u>3,899,991</u>	<u>911</u>	<u>403,477</u>	<u>4,304,379</u>
EXPENDITURES				
Current:				
Public safety, fire protection:				
Fire safety and emergency services	3,360,384	-	-	3,360,384
Community services	4,152	-	-	4,152
Administrative and support services	106,322	-	-	106,322
Debt service:				
Principal	57,429	107,012	135,000	299,441
Interest	38,321	2,679	279,986	320,986
Capital outlay	4,241	712,673	-	716,914
	<u>3,570,849</u>	<u>822,364</u>	<u>414,986</u>	<u>4,808,199</u>
Total expenditures	<u>3,570,849</u>	<u>822,364</u>	<u>414,986</u>	<u>4,808,199</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>329,142</u>	<u>(821,453)</u>	<u>(11,509)</u>	<u>(503,820)</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	329,142	(821,453)	(11,509)	(503,820)
Fund balances – beginning	<u>749,011</u>	<u>1,857,816</u>	<u>47,787</u>	<u>2,654,614</u>
Fund balances – ending	<u>\$ 1,078,153</u>	<u>\$ 1,036,363</u>	<u>\$ 36,278</u>	<u>\$ 2,150,794</u>

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

Rio Rico Fire District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (503,820)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures. This is the amount by which capital outlays recorded exceeded losses on disposals in the current period. 716,914

Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources (excludes depreciation expense included in net income from internal service funds). (508,802)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds until available. This is the amount by which revenues reported in the statement of activities varied from those amounts received and reported as current financial resources in the governmental funds. (86,282)

Losses on the disposal of assets are reported in the statement of activities but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (67,079)

Repayment of the principal of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 299,441

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 the governmental funds, specifically:

Compensated absences and other expenditures 23,175

Change in net position of governmental activities \$ (126,453)

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

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District, established in 1976 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

B. Government-wide and fund financial statements

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

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

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

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

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

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and thus, have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The District reports the following major governmental funds:

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

The *Capital Project Fund* is used to account for board designated monies transferred from the *General Fund* and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the District.

The *Debt Service Fund* is used to account for the legally restricted tax levies of the District which are used to meet the ongoing debt service requirements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and investments

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

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit, United States Treasury Bills, Notes or Bonds which have a maturity date of not more than one year, and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

E. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

All program service receivables are shown net of an allowances for uncollectable amounts. Management has made estimates for uncollectable items.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Santa Cruz County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectibles on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

In July 2009, the State of Arizona finalized Senate Bill 1421 (during the 2009 Legislative Session) which created a tax levy limitation for fire districts based. This limitation, which is based on the fiscal year July 1, 2008 through June 30, 2009, restricts the levy increase to 8% per year, in the aggregate from the base year, plus any annexations which occur during the year.

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

F. Prepaid items

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

G. Deferred outflows and inflows of resources

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

H. Restricted assets

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants and statute.

I. Capital assets

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life in excess of one year.

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

<u>Type of asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings	\$1,000	35 - 40
Improvements, other than building	\$1,000	35 - 40
Furniture, vehicles and equipment	\$1,000	3 - 25

J. Compensated absences

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.

K. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position and balance sheet.

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 REVENUE ADMINISTRATION

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

L. Fund equity

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

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) 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.

M. 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.

N. Intergovernmental grants and aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

O. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

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**Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

P. 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.

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes require all monies to be levied by the District to be collected and held by the Santa Cruz County Treasurer's Office and pooled with other local governments for investment. Monies received by the District as part of services, contributions or from the issuance of long-term debt are also deposited with the Santa Cruz County Treasurer.

Credit Risk. State law generally limits local government deposits and investments to the Santa Cruz County Treasurer's Local Government Investment Pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The Santa Cruz County Treasurer's Investment Pool (SCCTIP) is an external investment pool with no regulatory oversight. The SCCTIP is not registered, nor is required to register, with the Securities and Exchange Commission. As of June 30, 2013, the SCCTIP had not received a credit quality rating from a national rating agency.

Custodial Credit Risk - Deposits. The District's investment in the Santa Cruz County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's allocation is not identified with any specific investments and is not subject to custodial credit risk.

Cash and cash equivalents – As of June 30, 2013, all of the District's cash, cash equivalents and investments were deposited in the Santa Cruz County Treasurer's Local Government Investment Pool and with Bank of America; the aggregate carrying amount of cash in their governmental funds was \$1,830,039; The carrying amount of demand deposits with Bank of America was \$240,483; the bank balance is \$270,055, of this amount the first \$250,000 is insured by the Federal Deposit Insurance Corporation with the remaining amount of \$20,055 collateralized by the financial institution. The remaining amount is held by the SCCTIP.

Cash held and invested by the SCCTIP – The District's investments as of June 30, 2013 were as follows:

	<u>Rating</u>	<u>Agency</u>	<u>Maturities</u>	<u>Fair Value</u>
Santa Cruz County Treasurer's Investment Pool	N/A	N/A	< 1 year	<u>1,759,551</u>
				<u>\$ 1,759,551</u>

The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for deposits and investments.


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 CLERK OF DISTRICT & NATED

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2013, including the applicable allowances for uncollectable accounts, are as follows:

	General Fund	Debt Service	Total
Property taxes	\$ 403,565	\$ 44,841	448,406
Ambulance receivables	1,003,789	-	1,003,789
Intergovernmental receivables	<u>39,535</u>	<u>-</u>	<u>39,535</u>
Gross receivables	1,446,889	44,841	1,491,730
Less: allowance for uncollectibles	<u>(547,268)</u>	<u>-</u>	<u>(547,268)</u>
Net total receivables	<u>\$ 899,621</u>	<u>\$ 44,841</u>	<u>\$ 944,462</u>

NOTE 4 – 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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2013, deferred revenue consisted of the following:

	General Fund	Debt Service	Total
Deferred revenues (not received within 60 days)	\$ 613,241	\$ 42,195	\$ 655,436
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred/unearned revenues	<u>\$ 613,241</u>	<u>\$ 42,195</u>	<u>\$ 655,436</u>

PREPARED BY: _____
 DEC 24 2013
 REVIEWED BY: _____

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land, not depreciated	\$ 182,390	\$ -	\$ -	\$ 182,390
Buildings and improvements	4,709,379	21,438	-	4,730,817
Apparatus	3,141,314	641,230	(217,270)	3,565,274
Furniture, vehicles and equipment	1,422,843	110,157	-	1,533,000
	<u>9,455,926</u>	<u>772,825</u>	<u>(217,270)</u>	<u>10,011,481</u>
Total capital assets				
Less accumulated depreciation for:				
Buildings and improvements	(629,104)	(126,098)	-	(755,202)
Apparatus	(1,492,170)	(273,306)	114,280	(1,651,196)
Furniture, vehicles and equipment	(959,170)	(109,398)	-	(1,068,568)
	<u>(3,080,444)</u>	<u>(508,802)</u>	<u>114,280</u>	<u>(3,474,966)</u>
Total accumulated depreciation				
Total capital assets, net	<u>\$ 6,375,482</u>	<u>\$ 264,023</u>	<u>\$ (102,990)</u>	<u>\$ 6,536,515</u>

Depreciation expense for the period was \$508,802; all depreciation was expensed to the public safety function.

NOTE 6 – LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Series A (2008)	\$ 3,595,000	\$ -	\$ (80,000)	\$ 3,515,000	\$ 85,000
General Obligation Bonds Series B (2011)	\$ 1,650,000	\$ -	\$ (45,000)	\$ 1,605,000	\$ 55,000
Purchase lease agreements	686,682	-	(174,441)	512,241	64,853
	<u>5,931,682</u>	<u>-</u>	<u>(299,441)</u>	<u>5,632,241</u>	<u>204,853</u>
Total bonds and lease					
Compensated absences	102,530	-	(23,175)	79,355	-
	<u>102,530</u>	<u>-</u>	<u>(23,175)</u>	<u>79,355</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,034,212</u>	<u>\$ -</u>	<u>\$ (322,616)</u>	<u>\$ 5,711,596</u>	<u>\$ 204,853</u>

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Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

A. General Obligation Bonds

Series A (2008): The District, pursuant to a special bond election, received voter approval to issue up to \$8,000,000 in general obligation debt to construct a training facility, construct and improve fire stations and purchase apparatus. The Series 2008A General Obligation Bonds were issued by the District in the aggregate amount of \$3,835,000; interest rates from 2.25% to 4.30%; maturing July 1, 2009 through July 1, 2037; principal outstanding at June 30, 2013 totaled \$3,515,000.

Series B (20011): The Series 2011B General Obligation Bonds were issued by the District in the aggregate amount of \$1,695,000; interest rates from 5% to 7%; maturing July 1, 2012 through July 1, 2030; principal outstanding at June 30, 2013 totaled \$1,605,000.

Annual debt service requirements to maturity on the general obligation bonds as of June 30, 2013, are as follows:

Year ended June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 140,000	\$ 273,506
2015	145,000	267,356
2016	155,000	260,106
2017	160,000	253,256
2018	170,000	246,296
2019 – 2023	975,000	1,089,881
2024 – 2028	1,280,000	784,863
2029 – 2033	1,190,000	393,550
2043 – 2037	<u>895,000</u>	<u>114,750</u>
Total	<u>\$ 5,110,000</u>	<u>\$ 3,683,564</u>

B. Capital leases

Purchase Leases: The District acquired land and a building by granting leasehold interests in the underlying asset to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under these agreements, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligation to the Bank is satisfied. Once the obligations to the Bank are satisfied, all rights, title, and interest in the buildings, vehicles and equipment are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreements. The interest rate is 4.26% with semi-annual payments of \$45,235, including principal and interest, due in August and March.

As of June 30, 2013, tangible assets pledged or acquired through these purchase lease agreements are as follows:

	Governmental Activities
Buildings and improvements	\$ 1,013,310
Less accumulated depreciation	<u>(227,251)</u>
Total	<u>\$ 786,059</u>

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Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Year ended June 30,	
2014	\$ 90,470
2015	90,470
2016	90,470
2017	90,470
2018	90,470
2019 - 2020	<u>180,940</u>
Total minimum lease payments	633,290
Less amount representing interest	<u>(121,049)</u>
Present value of future minimum payments	<u>\$ 512,241</u>

C. Compensated absences

All full-time employees of the District are allotted vacation leave on their anniversary date based on the amount stated in policy determined by their years of service. Upon separation from the District, accrued vacation is paid out based on the District's policy.

Additionally, full-time employees receive an allotment of sick leave hours monthly, to be used throughout the year. Any unused allotments are accrued and carried forward to subsequent years. Sick leave is only payable upon retirement from the District; retirees receive 25% of the accrued value of the sick leave. The District has made estimates for accrued sick leave to be paid in the future.

NOTE 7 – RESTRICTED FUND BALANCE

The District has received money from proceeds from the issuance of debt and levies taxes for the repayment of debt. Such monies are legally restricted and accounted for in the *Capital Projects* and *Debt Service Funds*.

NOTE 8 – NET REVENUE

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

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2013 are as follows:

Gross program service revenues/charges	\$ 3,241,569
Contractual adjustments and uncompensated services	<u>(1,779,065)</u>
Net program service revenues	<u>\$ 1,462,504</u>

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Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Inter-governmental agreements and indemnifications

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

B. Risk management

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

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits related to deferred compensation plans as described under section C are based on contributions to the plan. For non - public safety personnel participating in the *Arizona State Retirement System* and public safety personnel participating in the *Public Safety Personnel Retirement System*, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

A. Arizona State Retirement System

Plan Description: The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2013, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2013, 2012 and 2011 were \$23,496, \$22,255 and \$30,810, respectively, which were equal to the required contributions for the year.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

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Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

B. Public Safety Personnel Retirement System

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned to hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as the Fund Manager, and 162 local boards, according to the provisions of ARS Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road #200, Phoenix, Arizona 85016, (602) 255-5575.

Funding Policy: For the year ended June 30, 2013, PSPRS members were required by statute to contribute 8.65% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 11%.

Contributions from other entities: Proceeds from the annual tax collected by the State of Arizona on fire insurance premiums are contributed to PSPRS and reallocated to participants based on actuarial estimates. For the year ended June 30, 2013, the amount credited to the District's plan, and included in the annual pension cost as described below, totaled \$33,296.

Annual Pension Cost: For the year ended June 30, 2013, the District's annual pension cost of \$173,119 for PSPRS was equal to the District's required contribution and actual amount contributed. The District's actuarial assumptions for the pension fire personnel for the year ended June 30, 2012, the most recent available actuarial valuation, and related information follow.

Contribution rates	
Plan members	8.65 %
District	11 %
Actuarial cost method	Entry Age Normal
Investment rate of return	8.0 %
Projected salary increases *	5.0 % - 9.0 %
* Includes inflation at	5.0 %
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7 year smoothed market value

Three year trend information for PSPRS: The information for the agent plan was obtained from the three most recent actuarial valuations.

Year ended June 30,	APC	Percentage of APC Contributed	Net pension Obligation
2012	\$ 173,119	100%	\$ -
2011	192,240	100%	-
2010	144,371	100%	-

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 FINANCIAL SERVICES

Rio Rico Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Funding progress (excluding health insurance subsidy): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2012	\$ 2,753,285	\$ 2,590,636	\$ (162,649)	106 %	\$ 1,551,903	(10) %
2011	2,067,815	2,227,043	159,228	93 %	1,651,394	10 %
2010	1,635,283	1,713,607	78,324	95 %	1,505,344	5 %

Funding progress (post-retirement health insurance subsidy only): The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2012	\$ -	\$ 102,288	\$ 102,288	- %	\$ 1,551,903	6.6 %
2011	-	93,785	93,785	- %	1,651,394	5.7 %
2010	-	57,537	57,537	- %	1,505,344	3.8 %

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial costs methods as indicated for the plan. Three year trend information with Actual Pension Cost (APC) and required contributions is not available as the plan does not segregate assets for the post-retirement health insurance subsidy.

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REQUIRED SUPPLEMENTARY INFORMATION

(Other than Management's Discussion and Analysis)

Rio Rico Fire District
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 2,202,634	\$ 2,202,634	\$ 2,158,068	\$ (44,566)
Fire district assistance taxes	137,192	137,192	138,248	1,056
Charges for services	1,625,000	1,625,000	1,552,168	(72,832)
Interest income	-	-	784	784
Other revenue	55,500	55,500	34,735	(20,765)
Intergovernmental	1,200,000	1,200,000	3,000	(1,197,000)
Licenses, permits and other fees	<u>8,000</u>	<u>8,000</u>	<u>12,988</u>	<u>4,988</u>
 Total revenues	 <u>5,228,326</u>	 <u>5,228,326</u>	 <u>3,899,991</u>	 <u>(1,328,335)</u>
EXPENDITURES:				
Current:				
Salaries, benefits and related	3,227,425	3,227,425	2,839,105	388,320
Operations, services, utilities, supplies, other	1,064,986	1,064,986	631,753	433,233
Grant expenditures and other expenditures	1,200,000	1,200,000	-	1,200,000
Debt service:				
Principal	68,000	68,000	57,429	10,571
Interest	32,500	32,500	38,321	(5,821)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>4,241</u>	<u>5,759</u>
 Total expenditures	 <u>5,602,911</u>	 <u>5,602,911</u>	 <u>3,570,849</u>	 <u>2,032,062</u>
 Excess (deficiency) of revenues over expenditures	 <u>(374,585)</u>	 <u>(374,585)</u>	 <u>329,142</u>	 <u>703,727</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in/(out)	-	-	-	-
Proceeds from long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources/(uses)	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balances	 <u>(374,585)</u>	 <u>(374,585)</u>	 <u>329,142</u>	 <u>703,727</u>
 Fund balance – beginning, restated	 <u>749,011</u>	 <u>749,011</u>	 <u>749,011</u>	 <u>-</u>
 Fund balance – ending	 <u>\$ 374,426</u>	 <u>\$ 374,426</u>	 <u>\$ 1,078,153</u>	 <u>\$ 703,727</u>

The accompanying notes are an integral part of this schedule.

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Rio Rico Fire District
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

NOTE A - Budgetary basis of accounting

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

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