Picture Rocks Fire District Financial Statements

Year Ended June 30, 2016

PICTURE ROCKS FIRE DISTRICT

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PICTURE ROCKS FIRE DISTRICT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016 (This page intentionally left blank)



INDEPENDENT AUDITOR'S REPORT

Governing Board Picture Rocks Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Picture Rocks Fire District (Fire District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Picture Rocks Fire District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Fire District implemented the provisions of the Governmental Accounting Standards Board (GASB) No. 72, Fair Value Measurement and Application, for the year ended June 30, 2016, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2017, on our consideration of Picture Rocks Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Picture Rocks Fire District's internal control over financial reporting and compliance.

II. C. C. I. I. A. . . . I. A. C. D. C.

Heinfeld, Melch & Co., P.C.

Heinfeld, Meech & Co., P.C. Tucson, Arizona

February 2, 2017

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

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As management of the Picture Rocks Fire District (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the fiscal year ended June 30, 2016. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

NATURE OF OPERATIONS

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

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

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

The Fire District operates from one fire station. The Fire District employs 11 career and approximately 10 part-time personnel.

FINANCIAL HIGHLIGHTS

- The Fire District's total net position of governmental activities increased \$212,239 which
 represents a 121 percent increase from the prior fiscal year due primarily due to the
 restatement of beginning net position for the accounts receivable write-off explained in
 Note 8.
- General revenues accounted for \$1.6 million in revenue, or 68 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$741,454 or 32 percent of total current fiscal year revenues.
- The Fire District had approximately \$2.1 million in expenses related to governmental activities.

FINANCIAL HIGHLIGHTS

- The General Fund had \$2.1 million in current fiscal year revenues, which primarily consisted of property taxes and charges for services, and \$2.0 million in expenditures. The General Fund's fund balance increased from \$435,944 at the prior fiscal year end to \$683,849 at the end of the current fiscal year primarily due to a June 2016 lease agreement that resulted in financing proceeds to be used for the purchase of capital assets in fiscal year 2016-17.
- The Debt Service Fund had \$228,013 in current fiscal year revenues, which primarily consisted of property taxes, and \$201,983 in expenditures. The Debt Service Fund's fund balance increased from \$249,729 at the prior fiscal year end, to \$298,138 at the end of the current fiscal year.

RESULTS OF OPERATIONS

There were a number of significant accomplishments during the 2016 fiscal year. They included:

- Ran a total of 1,157 calls
- Fire calls numbered 233
- Emergency Medical Service calls numbered 924
- Teach CPR to area residents during the year
- Gave away car seats and smoke detectors to area residents
- · Continued teaching fire safety at all three public schools located in the Fire District

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District are governmental funds.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets and deferred outflows exceeded liabilities and deferred inflows by \$387,122 at the current fiscal year end.

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

The following table presents a summary of the Fire District's net position for the fiscal years ended June 30, 2016 and June 30, 2015. The prior year data has not been restated for the effects of Note 8.

	As of June 30, 2016	As of June 30, 2015
Current assets	\$ 1,208,348	\$ 1,509,296
Capital assets, net	2,826,006	2,991,702
Total assets	4,034,354	4,500,998
Deferred outflows	719,286	646,482
Current liabilities	62,121	43,180
Long-term liabilities	4,140,932	4,064,618
Total liabilities	4,203,053	4,107,798
Deferred inflows	163,465	222,594
Net position:		•
Net investment in capital assets	711,315	679,128
Restricted	463,919	263,098
Unrestricted	(788,112)	(125,138)
Total net position	\$ 387,122	\$ 817,088

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Fire District's financial position is the product of several financial transactions including the net result of activities, the issuance and payment of debt, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The current year issuance of \$2.0 million of refunding bonds.
- The current year principal payment of \$114,000 for bonds and \$114,824 for capital leases.
- The current year depreciation expense of \$165,696.

Changes in net position. The Fire District's total revenues for the current fiscal year were \$2.3 million. The total cost of all programs and services was \$2.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	Fiscal Year		Fiscal Year			
	Ended			Ended		
	Ju	ne 30, 2016	Jur	ne 30, 2015		
Revenues:						
Program revenues:						
Charges for services	\$	740,454	\$	1,223,952		
Operating grants and contributions		1,000		2,354		
Capital grants and contributions				118,648		
General revenues:						
Property taxes, levied for general purposes		1,079,966		1,103,035		
Property taxes, levied for debt purposes		223,543		228,489		
Fire district assistance taxes		222,508		217,502		
Investment income		3,385		2,510		
Miscellaneous		43,364		27,900		
Total revenues		2,314,220		2,924,390		
Expenses:						
Public safety		1,950,429		2,385,160		
Administration		87,928		104,226		
Interest on long-term debt		63,624		134,421		
Total expenses		2,101,981		2,623,807		
Changes in net position		212,239		300,583		
Net position, beginning		817,088		516,505		
Net effect of prior period adjustments		(642,205)				
Net position, beginning, as restated		174,883				
Net position, ending	\$	387,122	\$	817,088		

- The cost of all governmental activities this year was \$2.1 million.
- Property taxes and fire district assistance taxes (county aid) provided funding of \$1.3 million and \$222,508, respectively.
- Ambulance revenues and other charges for services provided funding of \$740,454. The
 decrease in charges for services is largely attributed to the net position restatement for accounts
 receivable write-offs (see Note 8).

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

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

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

The financial performance of the Fire District as a whole is reflected in its governmental funds. As the Fire District completed the year, its governmental funds reported a combined fund balance of \$981,987, an increase of \$296,314 primarily due to a June 2016 lease agreement that resulted in financing proceeds to be used for the purchase of capital assets in fiscal year 2016-17.

The General Fund is the principal operating fund of the Fire District. The increase in fund balance of \$247,905 to \$683,849 as of fiscal year end was primarily the result of the lease financing proceeds noted above. General Fund revenues decreased \$57,956, or three percent. General Fund expenditures increased \$144,333, or eight percent, primarily due to an increase in employee benefits and contract services for ambulance billings.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the Fire District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The unfavorable variance of \$99,000 in intergovernmental revenues was a result of budgeting for grants that were not received.
- The favorable variance of \$111,421 in charges for services was a result of higher ambulance calls than expected.
- The favorable variance of \$100,000 in capital outlay was a result of no capital purchases during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Fire District had invested \$4.6 million in capital assets, including land, buildings, equipment, and vehicles. Total depreciation expense for the current fiscal year was \$165,696.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2016 and June 30, 2015.

	As of			As of
	Jui	ne 30, 2016	Jui	ne 30, 2015
Capital assets - non-depreciable	\$	427,700	\$	427,700
Capital assets – depreciable, net		2,398,306		2,564,002
Total	\$	2,826,006	\$	2,991,702

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

Debt Administration. At year end, the Fire District had \$2.3 million in long-term debt outstanding, \$234,077 due within one year.

State statutes currently limit the amount of general obligation debt a Fire District may issue to 6 percent of the net full cash assessed valuation. The current debt limitation for the Fire District is \$2.1 million. During the current fiscal year 53 percent of the Fire District's actual revenues were derived from real property and fire district assistance taxes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the Fire District's administration during the process of developing the fiscal year 2016-17 budget. Among them was declining assessed values which continued for the fourth straight year, and the declining reimbursement revenue for emergency medical service transportation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budgeted expenditures in the General Fund increased seven percent to \$2.3 million in fiscal year 2016-17. Property taxes are expected to be the primary funding sources. No new programs were added to the 2016-17 budget.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

PICTURE ROCKS FIRE DISTRICT STATEMENT OF NET POSITION JUNE 30, 2016

Cash and investments \$767,967 Cash and investments - restricted 155,000 Property taxes receivable 113,815 Accounts receivable 153,626 Prepaid items 17,940 Total current assets 1,208,348 Noncurrent assets 2,328,306 Capital assets, non-depreciable 427,700 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 183,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities 324,198 Noncurrent liabilities 414,673 Net anvestment in capital assets 711,315 Total incurrent liabilities 3,878,855 Total liabilities 3,878,855 Total incurrent liabilities 3,878,855 Total incurrent liabilities 3,878,855 Total incurrent liabilities 3,878,855 NET POSITION 155,000 Unrestricted 7,88,112 Total net position 5,871,122 Total net position 3,871,122			vernmental Activities
Cash and investments - restricted 155,000 Property taxes receivable 113,815 Accounts receivable 153,626 Prepaid items 17,940 Total current assets 1,208,348 Noncurrent assets: 2,308,304 Capital assets, non-depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total noncurrent assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES 719,286 Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LLABILITIES Current liabilities: Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 9,208 Romer steed absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 <	<u>ASSETS</u>		
Cash and investments - restricted 155,000 Property taxes receivable 113,815 Accounts receivable 153,626 Prepaid items 17,940 Total current assets 1,208,348 Noncurrent assets: 2 Capital assets, non-depreciable 427,700 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES 719,286 Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Lease payable 51,077 Total current liabilities: 9,208 Ronds payable 1,698,000 Lease payable 1,698,000 Lease payable 3,878,855 Total liabilities 3,878,855	Current assets:		
Property taxes receivable 113,815 Accounts receivable 153,626 Prepaid items 17,940 Total current assets 1,208,348 Noncurrent assets: 2 Capital assets, non-depreciable 427,700 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES 2 Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES 2 Current liabilities: 47,798 Accounts payable 14,323 Accounts payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 9,208 Bonds payable 1,698,000 Lease payable 1,698,000 Lease payable 1,4673 Net pension liability 1,756,974 Total liabilities 3,878,855 <tr< td=""><td>Cash and investments</td><td>\$</td><td>767,967</td></tr<>	Cash and investments	\$	767,967
Accounts receivable	Cash and investments - restricted		155,000
Prepaid items 17,940 Total current assets 1,208,348 Noncurrent assets: 2,208,306 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: 47,798 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 200 Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 1,698,000 Lease payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 3,878,855	Property taxes receivable		113,815
Total current assets	Accounts receivable		153,626
Noncurrent assets: Capital assets, non-depreciable 427,700 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 2008 Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)	Prepaid items		17,940
Capital assets, non-depreciable 427,700 Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: 47,798 Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION <t< td=""><td>Total current assets</td><td></td><td>1,208,348</td></t<>	Total current assets		1,208,348
Capital assets, depreciable (net) 2,398,306 Total noncurrent assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: 47,798 Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315	Noncurrent assets:		
Total assets 2,826,006 Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES *** Current liabilities:** Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 20,000 Debt service 308,919 Capital outlay 155,	Capital assets, non-depreciable		427,700
Total assets 4,034,354 DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities:	Capital assets, depreciable (net)		
DEFERRED OUTFLOWS OF RESOURCES Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES Current liabilities: 47,798 Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)	Total noncurrent assets		2,826,006
Deferred charge on refunding 77,059 Pension plan items 642,227 Total deferred outflows of resources 719,286	Total assets		4,034,354
Pension plan items 642,227 Total deferred outflows of resources 719,286 LIABILITIES	DEFERRED OUTFLOWS OF RESOURCES		
Liabilities 719,286 Current liabilities: 4,223 Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)	Deferred charge on refunding		77,059
LIABILITIES Current liabilities: 14,323 Accounts payable 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 200 Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Pension plan items		642,227
Current liabilities: 14,323 Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities: 324,198 Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Total deferred outflows of resources		719,286
Accounts payable 14,323 Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: 9,208 Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)			
Accrued payroll and employee benefits 47,798 Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: \$\text{Compensated absences}\$ Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Current liabilities:		
Compensated absences payable 28,000 Bonds payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)			14,323
Bonds payable 183,000 Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities:			
Lease payable 51,077 Total current liabilities 324,198 Noncurrent liabilities: \$208 Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Compensated absences payable		28,000
Total current liabilities 324,198 Noncurrent liabilities:	Bonds payable		183,000
Noncurrent liabilities: 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Lease payable		
Compensated absences 9,208 Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Total current liabilities		324,198
Bonds payable 1,698,000 Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Noncurrent liabilities:		•
Lease payable 414,673 Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Compensated absences		9,208
Net pension liability 1,756,974 Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items Pension plan items 163,465 NET POSITION 711,315 Restricted for: 308,919 Capital outlay 155,000 Unrestricted (788,112)	Bonds payable		1,698,000
Total noncurrent liabilities 3,878,855 Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)			414,673
Total liabilities 4,203,053 DEFERRED INFLOWS OF RESOURCES Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)			1,756,974
DEFERRED INFLOWS OF RESOURCESPension plan items163,465NET POSITIONNet investment in capital assets711,315Restricted for:308,919Capital outlay155,000Unrestricted(788,112)	Total noncurrent liabilities		
Pension plan items 163,465 NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)	Total liabilities		4,203,053
NET POSITION Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)			
Net investment in capital assets 711,315 Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)	Pension plan items		163,465
Restricted for: Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)			
Restricted for: 308,919 Debt service 308,919 Capital outlay 155,000 Unrestricted (788,112)			711,315
Capital outlay 155,000 Unrestricted (788,112)	Restricted for:		
Capital outlay 155,000 Unrestricted (788,112)	Debt service		308,919
Unrestricted (788,112)	Capital outlay		
	Unrestricted	_	
	Total net position	\$	

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

PICTURE ROCKS FIRE DISTRICT STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

				Program l	Revenues	Ro Ch:	et (Expense) evenue and anges in Net Position
Functions/Programs		Expenses		Charges for Services	Operating Grants and Contributions		overnmental Activities
Governmental activities: Public safety Administration	\$	1,950,429 87,928 63,624	\$	740,454	\$ 1,000	\$	(1,208,975) (87,928) (63,624)
Interest on long-term debt Total governmental activities	\$	2,101,981	\$	740,454	\$ 1,000		(1,360,527)
Ta	eral reve xes:						1.070.066
]	Property	taxes, levied f	or (general purpose debt purposes	es		1,079,966 223,543 222,508
In	vestment iscellane						3,385 43,364 1,572,766
Cha	_	et position					212,239
Net	position,	beginning of	i ye	ar, as restated			174,883
Net	position,	end of year				\$	387,122

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FUND FINANCIAL STATEMENTS

PICTURE ROCKS FIRE DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	_Gen	eral Fund	Del	bt Service	Go ——	Total vernmental Funds
ASSETS Cash and investments Cash and investments - restricted	\$	477,331 155,000	\$	290,636	\$	767,967 155,000
Property taxes receivable Accounts receivable Prepaid items		95,532 153,626 17,940		18,283		113,815 153,626 17,940
Total assets	\$	899,429	\$	308,919	\$	1,208,348
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities: Accounts payable	\$	14,323	\$		\$	14,323
Accrued payroll and employee benefits	Ψ	47,798	Ψ		Ψ	47,798
Total liabilities		62,121				62,121
Deferred inflows of resources:						
Unavailable revenues - property taxes		55,585		10,781		66,366
Unavailable revenues - charges for services		97,874		10.701	····-	97,874
Total deferred inflows of resources		153,459		10,781		164,240
Fund balances:						
Nonspendable		17,940				17,940
Restricted		155,000		298,138		453,138
Unassigned		510,909				510,909
Total fund balances		683,849		298,138		981,987
Total liabilities, deferred inflows of resources						
and fund balances	\$	899,429	\$	308,919	\$	1,208,348

PICTURE ROCKS FIRE DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Total governmental fund balances		\$ 981,987
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 funds.		
Governmental capital assets Less accumulated depreciation	\$ 4,591,064 (1,765,058)	2,826,006
Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		·
Property taxes Charges for services	66,366 97,874	164,240
Deferred items related to the net cost of issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.		77,059
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions Deferred inflows of resources related to pensions	642,227 (163,465)	478,762
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable Obligations under capital leases Net pension liability Bonds payable	(37,208) (465,750) (1,756,974) (1,881,000)	 (4,140,932)
Net position of governmental activities		\$ 387,122

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

PICTURE ROCKS FIRE DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	_Ge	neral Fund	De	bt Service	Go	Total vernmental Funds
Revenues:	4	1 000 100			•	1 21 5 7 10
Property taxes	\$	1,090,409	\$	226,131	\$	1,316,540
Fire district assistance taxes		222,508				222,508
Intergovernmental		1,000				1,000
Charges for services		701,421				701,421
Investment income	1	1,503		1,882		3,385
Miscellaneous		43,364				43,364
Total revenues		2,060,205		228,013		2,288,218
Expenditures:						
Ĉurrent -						
Public safety		1,769,040				1,769,040
Administration		82,797				82,797
Debt service -		,,				
Bond issuance costs				51,500		51,500
Principal retirement		114,824		114,000		228,824
Interest and fiscal charges		18,579		36,483		55,062
Total expenditures		1,985,240	-	201,983		2,187,223
a vital ville visit visi		2,502,210			•	
Excess (deficiency) of revenues over expenditures	<u> </u>	74,965		26,030		100,995
Other financing sources (uses):						
Capital lease agreements		155,000				155,000
Issuance of refunding bonds		,		1,995,000		1,995,000
Payment to refunded bond escrow agent			1	(1,972,621)		(1,972,621)
Total other financing sources (uses):		155,000		22,379		177,379
G , ,		· · · · · · · · · · · · · · · · · · ·				
Changes in fund balances		229,965		48,409		278,374
Fund balances, beginning of year, as restated		435,944		249,729		685,673
Increase (decrease) in reserve for prepaid items		17,940				17,940
Fund balances, end of year	\$	683,849	\$	298,138	\$	981,987

PICTURE ROCKS FIRE DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Changes in fund balances - total governmental funds	S	\$ 278,374
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		(165,696)
Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position.		
Issuance of refunding bonds (1,995,000 Obligations under capital leases (155,000 Obligations under capital leases)		(2,150,000)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes (13,03) Charges for services 39,033		26,002
Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Capital lease principal retirement 114,824 Payment to refunded bond escrow agent 1,972,621 Bond principal retirement 114,000	Į.	2,201,445
Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.		
Current year pension contributions 203,725 Pension expense (198,132		5,593
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Prepaid items Deferred charges on issuance of debt Compensated absences 17,940 (8,562 7,145	2)	16,521
Changes in net position in governmental activities	=	<u>\$ 212,239</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2016, the Fire District implemented the provisions of GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

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

A. Reporting Entity

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Fire District as a whole. The reported information includes all of the nonfiduciary activities of the Fire District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Fire District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Fire District does not have any business-type activities.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

<u>Fund Financial Statements</u> — 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For this purpose, the Fire 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, are recorded only when payment is due.

Property taxes, charges for services, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the Fire District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Fire District currently only has major funds.

The Fire District reports the following major governmental funds:

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

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

D. Cash and Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

Certain resources set aside for the purchase of capital equipment are classified as cash and investments – restricted on the statement of net position/balance sheet because their use is limited by the corresponding capital lease.

E. Investment Income

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

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position.

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

G. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal 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.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Prepaid Items

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

I. Capital Assets

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

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

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

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

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Compensated Absences

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

N. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Net Position Flow Assumption

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

P. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

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

NOTE 2 - FUND BALANCE CLASSIFICATIONS

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

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

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

Fund Balances:	General Fund	Debt Service Fund
Nonspendable:		
Prepaid items	\$ 17,940	\$
Restricted:	,	•
Debt service		298,138
Capital projects	155,000	•
Unassigned	510,909	
Total fund balances	\$ 683,849	\$ 298,138

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Fire District's deposits may not be returned to the Fire District. The Fire District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Fire District's deposits was \$234,981 and the bank balance was \$299,787.

Fair Value Measurements. The Fire District categorizes its fair value measurements within the fair value hierarchy established by to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

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

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

	Average Maturities	Fa	ir Value
County Treasurer's investment pool	203 days	\$	687,986

Interest Rate Risk. The Fire District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities Capital assets, not being depreciated:	Beginning Balance	Increase	Decrease	Ending Balance
Land	\$ 427,700	\$	•	\$ 427,700
Total capital assets, not being depreciated	427,700	Ψ	Ψ	427,700
Capital assets, being depreciated:				427,700
Buildings and improvements	2,687,237			2,687,237
Equipment – administrative	61,058			61,058
Equipment – fire	297,169		•	297,169
Vehicles	1,117,900			1,117,900
Total assets, being depreciated	4,163,364			4,163,364
Less accumulated depreciation for:				
Buildings and improvements	(473,725)	(67,044)		(540,769)
Equipment – administrative	(61,058)	(,,		(61,058)
Equipment – fire	(144,508)	(40,624)		(185,132)
Vehicles	(920,071)	(58,028)		(978,099)
Total accumulated depreciation	(1,599,362)	(165,696)		(1,765,058)
	-	<u> </u>		
Total capital assets, being depreciated, net	2,564,002	(165,696)		2,398,306
Governmental activities capital assets, net	\$ 2,991,702	\$(165,696)	\$	\$ 2,826,006

Depreciation expense of \$161,008 and \$4,688 were charged to the public safety and administration governmental functions, respectively.

NOTE 5 – GENERAL OBLIGATION BONDS PAYABLE

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

Purpose	Original Amount Issued	t Interest Remaini			Outstanding Principal ne 30, 2016	Due Within Ine Year
Governmental activities: Refunding Bond Series 2015 Total	\$ 1,995,000	2.85%	7/1/17-25	\$ \$	1,881,000 1,881,000	\$ 183,000 183,000

NOTE 5 - GENERAL OBLIGATION BONDS PAYABLE

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

		Governmental Activities				
Year ending June 30:			Principal		Interest	
Ü	2017	\$	183,000	\$	53,608	
	2018		188,000		48,394	
	2019		194,000		43,036	
	2020		199,000	٠	37,506	
	2021		205,000		31,834	
	2022-25		912,000		65,920	
Total		\$	1,881,000	\$	280,298	

During the year ended June 30, 2016, the Fire District issued \$1,995,000 in refunding bonds, with an effective interest rate of 2.85 percent, to refund \$1,887,000 of outstanding general obligation bonds, with an average interest rate of 5.65 percent. The net proceeds of \$1,972,621, after payment of \$51,500 in underwriting fees and other issuance costs, were used to refund all outstanding general obligation bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$85,621. This amount is reported as deferred charges and amortized over the new debt's life. This refunding was undertaken to reduce total debt service payments over the next 13 years by \$403,384 and resulted in an economic gain of \$241,527.

NOTE 6 – OBLIGATIONS UNDER LEASES

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

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

		vernmental Activities
Asset:	•	
Land	\$	419,700
Vehicles		65,000
Less: accumulated depreciation		(16,250)
Total	\$	468,450

NOTE 6 – OBLIGATIONS UNDER LEASES

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

Year Ending June 30:		Governmental Activities			
2017		69,274			
2018		69,274			
2019		62,066			
2020		54,859			
2021		54,859			
2022-26		231,941			
2027		25,261			
Total minimum lease payments		567,534			
Less: amount representing interest		101,784			
Present value of minimum lease payments	<u>\$</u>	465,750			
Due within one year	<u>\$</u>	51,077			

<u>Operating Leases</u> – The Fire District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$3,464 for the current fiscal year. The operating leases have remaining noncancelable lease terms of two years.

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

Year Ending June 30:	
2017	\$ 3,127
2018	 3,127
Total minimum payments required	\$ 6,254

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

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

]	Beginning Balance	1	Additions	R	Reductions	Ending Balance	Oue Within One Year
Governmental activities:						·		
General obligation bonds	\$	1,887,000	\$	1,995,000	\$	2,001,000	\$ 1,881,000	\$ 183,000
Obligations under capital leases		425,574		155,000		114,824	465,750	51,077
Net pension liability		1,707,693		49,281			1,756,974	
Compensated absences payable		44,351		53,093		60,236	37,208	28,000
Governmental activity long-term								
liabilities	\$	4,064,618	\$_	2,252,374	\$	2,176,060	\$ 4,140,932	\$ 262,077

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The July 1, 2015, government-wide net position and the fund balance of the General Fund do not agree to the prior year financial statements due to the correction of errors. During fiscal year 2015-16, the Fire District performed an analysis of all outstanding ambulance accounts receivable balances. As a result of this analysis, the Fire District identified several balances that were either erroneously inflated or uncollectible and have therefore been written off.

			G	overnmental	
				Funds	
	St	atement of	General		
	1	Activities	Fund		
Net position/fund balance, June 30, 2015,					
as previously reported	\$	817,088	\$	552,399	
Write-off of ambulance receivables		(642,205)		(116,455)	
Net position/fund balance, July 1, 2015,					
as restated	\$	174,883	\$	435,944	

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Fire District contributes to the pension plans described below. The plans are component units of the State of Arizona.

The Fire District reported \$203,725 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description. Fire District employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Retirement Initial	
Membership Date:	

	Before July 1, 2011	On or After July 1, 2011
Years of service and	Sum of years and age equals 80	30 years age 55
age required to	10 years age 62	25 years age 60
receive benefit	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
•	*117:41	,

^{*}With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Fire District was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll. The Fire District's contributions to the pension plan for the year ended June 30, 2016 were \$3,759.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Fire District's contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

	Supp	n Benefit olement ound	Long-Term Disability Fund		
Year ending June 30:					
2016	\$	173	\$	42	
2015		193		39	
2014		328		131	

Pension Liability. At June 30, 2016, the Fire District reported a liability of \$55,021 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Fire District's proportion was 0.0004 percent, which was a decrease of 0.0002 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2016, the Fire District recognized pension expense for ASRS of \$(10,186) and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

•	\mathbf{D}_{0}	eferred	D	eferred
	Out	flows of	Inf	lows of
	Re	sources	Re	sources
Differences between expected and actual experience	\$	1,501	\$	2,883
Net difference between projected and actual earnings on				
pension plan investments				1,763
Changes in proportion and differences between				
contributions and proportionate share of contributions				27,856
Contributions subsequent to the measurement date		3,759		
Total	\$	5,260	\$	32,502

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:

2017	\$ (14,342)
2018	(14,274)
2019	(3,659)
2020	1,274

Actuarial Assumptions. The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

		Long-Term
	Target	Expected Real
Asset Class	Allocation	Rate of Return
Equity	58	6.79%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.93
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Fire District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

•	1%	Current	1%
	Decrease	Discount Rate	Increase
	(7.0%)	(8.0%)	(9.0%)
Proportionate share of the net			
pension liability	\$72,096	\$55,021	\$43,318

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

B. Public Safety Personnel Retirement System

Plan Descriptions. Fire District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided. The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date:			
	Before January 1, 2012	On or After January 1, 2012		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5		
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%		
Accidental disability retirement	50% or normal retiremen	at, whichever is greater		
Survivor benefit: Retired members	80% of retired members	er's pension benefit		
Active members	80% of accidental disability retirement compensation if death was the resu	benefit or 100% of average monthly lt of injuries received on the job		

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015 the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS – Fire
Retirees and beneficiaries	10
Inactive, non-retired members	9
Active members	13
Total	32

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS – Fire
Active members – pension	11.65%
Fire District:	
Pension	26.77
Health insurance	0.00

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS - Fire		
Pension:			
Contributions made	\$	199,966	
Health insurance premium benefit:		,	
Annual OPEB cost		- O -	
Contributions made		- 0 -	

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Liability. At June 30, 2016, the Fire District reported \$1,701,953 in net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of two percent. The change in the City/Town's net pension liability as a result of the statutory adjustments is not known.

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date Actuarial cost method Entry age normal		PSPRS
Investment rate of return Projected salary increases Inflation Permanent benefit increase Mortality rates 7.85% 4.0 - 8.0% 4.0% Included RP-2000 mortality table, adjusted by 105% for both males and females	Actuarial cost method Investment rate of return Projected salary increases Inflation Permanent benefit increase	June 30, 2015 Entry age normal 7.85% 4.0 - 8.0% 4.0% Included RP-2000 mortality table, adjusted by 105% for both

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2011.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

A most Class	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return
Short-term investments	2%	0.75%
Absolute return	5	4.11
Risk parity	4	5.13
Fixed income	7	2.92
Real assets	8	4.77
GTAA	10	4.38
Private equity	11	9.50
Real estate	10	4.48
Credit opportunities	13	7.08
Non-U.S. equity	14	8.25
U.S. equity	16	6.23
Total	100%	

Pension Discount Rates. The discount rate of 7.85 percent was used to measure the total pension liability.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Changes in the Agent Plans Net Pension Liability: PSPRS - Fire

•	Increase/Decrease					
		Total Pension	Pl	an Fiduciary	1	Net Pension
		Liability	N	let Position		Liability
Balances at June 30, 2015	\$	5,202,988	\$	3,581,497	\$	1,621,491
Changes for the year:						
Service cost		146,591				146,591
Interest on the total pension liability		398,103				398,103
Differences between expected and actual		•				,
experience in the measurement of the						
pension liability		(101,215)				(101,215)
Contributions – employer				89,286		(89,286)
Contributions – employee				70,364		(70,364)
Net investment income				128,941		(128,941)
Benefit payments, including refunds of						(120,5 11)
employee contributions		(409,819)		(409,819)		
Administrative expense		` , ,		(3,527)		3,527
Other changes				77,953		(77,953)
Net changes	1	33,660		(46,802)		80,462
Balances at June 30, 2016	\$	5,236,648	\$	3,534,695	8	1,701,953
·	-	- 5-20,010	4	3,33 1,073	Ψ	1,701,933

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Fire District's net pension liabilities calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

PSPRS – Fire:	1% Decrease	Current Discount Rate	1% Increase
Rate Net pension liability	6.85%	7.85%	8.85%
	\$2,313,698	\$ 1,701,953	\$1,198,261

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial reports. The reports are available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2016, the Fire District recognized \$208,318 as pension expense.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Deferred Outflows/Inflows of Resources. At June 30, 2016, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	De	eterrea
	Outflows of	Infl	ows of
PSPRS – Fire:	Resources	Res	sources
Differences between expected and actual experience	\$	\$	130,963
Changes of assumptions or other inputs	428,802		
Net difference between projected and actual earnings on	8,199		
pension plan investments Contributions subsequent to the measurement date	199,966		
Total	\$ 636,967	\$	130,963

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	PSPRS – Fire
2017	\$ 82,663
2018	82,663
2019	82,663
2020	71,539
2021	(13,490)

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Agent Plan OPEB Trend Information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

			Percentage of			
Fiscal Year	Annual		Annual Cost	Net OPEB		
Ended	O	PEB Cost	Contributed	Obligation		
PSPRS – Fire:				_		
June 30, 2016	\$	- 0 -	100%	\$	- 0 -	
June 30, 2015		11,973	100%		- 0 -	
June 30, 2014		13,217	100%		- 0 -	

Agent Plan OPEB Actuarial Assumptions. Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as understood by the Fire District and plan's members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Fire District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements, are as follows:

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	PSPRS
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for
	unfunded actuarial accrued
	liability, open for excess
Remaining amortization period	22 years for unfunded
	actuarial accrued liability,
	20 years for excess
Asset valuation method	7-year smoothed market
	value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
includes inflation at	4%

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	PSPRS
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for
	unfunded actuarial accrued
	liability, open for excess
Remaining amortization period	21 years for unfunded
-	actuarial accrued liability,
	20 years for excess
Asset valuation method	7-year smoothed market
	value (80%/120% market)
Actuarial assumptions:	•
Investment rate of return	7.85%
Projected salary increases	4%-8%
includes inflation at	4%

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2015.

	PS:	PRS – Fire
Actuarial value of assets	\$	190,715
Actuarial accrued liability		81,896
Unfunded actuarial accrued		
liability (funding excess)		(108,819)
Funded ratio		232.87%
Annual covered payroll		768,120
Unfunded actuarial accrued		
liability (funding excess) as a		
percentage of covered payroll		(14.17%)

NOTE 11 – SUBSEQUENT EVENT

In August 2016, the Fire District utilized restricted cash proceeds of \$155,000 from a previously established capital lease to acquire a fire engine and an ambulance.

REQUIRED SUPPLEMENTARY INFORMATION

PICTURE ROCKS FIRE DISTRICT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2016

		Budgeted Amounts		Fi	riance with	
	Original & Final		Actual	Positive (Negative)		
Revenues:					(Inogative)	
Property taxes	\$	1,082,089	\$ 1,090,409	\$	8,320	
Fire district assistance taxes		216,417	222,508	*	6,091	
Intergovernmental		100,000	1,000		(99,000)	
Charges for services		590,000	701,421		111,421	
Investment income		1,050	1,503		453	
Miscellaneous		38,550.	43,364		4,814	
Total revenues		2,028,106	 2,060,205		32,099	
Expenditures:						
Current -						
Public safety		1,855,922	1,769,040	V	86,882	
Administration		83,390	82,797		593	
Capital outlay		100,000	,		100,000	
Debt service -		•			,	
Principal retirement		114,824	114,824			
Interest and fiscal charges		23,970	18,579		5,391	
Total expenditures		2,178,106	1,985,240		192,866	
Excess (deficiency) of revenues over expenditures		(150,000)	 74,965		224,965	
Other financing sources (uses):						
Capital lease agreements			155,000		155,000	
Total other financing sources (uses):			 155,000		155,000 155,000	
- · · · · · · · · · · · · · · · · · · ·			 133,000		133,000	
Changes in fund balances		(150,000)	 229,965		379,965	
Fund balances, beginning of year, as restated			435,944		435,944	
Increase (decrease) in reserve for prepaid items			17,940		17,940	
Fund balances (deficits), end of year	\$	(150,000)	\$ 683,849	\$	833,849	

PICTURE ROCKS FIRE DISTRICT SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ARIZONA STATE RETIREMENT SYSTEM LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0004%	0.0006%
District's proportionate share of the net pension liability (asset)	\$ 55,021	\$ 86,202
District's covered payroll	\$ 32,746	\$ 54,701
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	168.02%	157.59%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

PICTURE ROCKS FIRE DISTRICT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE LAST TWO FISCAL YEARS

	2016				2015
Total pension liability					
Service cost	\$	146,591	;	\$	174,131
Interest		398,103			330,162
Changes of benefit terms					128,629
Differences between expected and actual experience		(101,215)			(73,861)
Changes of assumptions					669,694
Benefit payments, including refunds of employee					
contributions		(409,819)			(289,182)
Net change in total pension liability		33,660			939,573
Total pension liability—beginning		5,202,988			4,263,415
Total pension liability—ending		5,236,648		\$	5,202,988
Plan fiduciary net position					
Contributions—employer	\$	89,286		\$	120,390
Contributions—employee		70,364			79,415
Net investment income		128,941			440,441
Benefit payments, including refunds of employee					
contributions		(409,819)			(289,182)
Administrative expense		(3,527)			(3,547)
Other		77,953			(10,375)
Net change in plan fiduciary net position		(46,802)			337,142
Plan fiduciary net position—beginning		3,581,497			3,244,355
Plan fiduciary net position—ending	\$	3,534,695		}	3,581,497
Net pension liability—ending	\$	1,701,953		<u>}</u>	1,621,491
Plan fiduciary net position as a percentage of					TN.
the total pension liability		67.50%			68.84%
Covered payroll	\$	561,907	\$		1,190,766
Net pension liability as a percentage of covered payroll		302.89%			136.17%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

PICTURE ROCKS FIRE DISTRICT SCHEDULE OF CONTRIBUTIONS ALL PENSION PLANS LAST TWO FISCAL YEARS

		<u>2016</u>	<u>2015</u>	
Arizona State Retirement System: Actuarially determined contribution	\$	3,759	\$ 3,566	
Contributions in relation to the actuarially determined contribution		3,759	 3,566	
Contribution deficiency (excess)	\$		\$	
District's covered payroll	\$	34,645	\$ 32,746	
Contributions as a percentage of covered payroll		10.85%	10.89%	
		•		
Public Safety Personnel Retirement System	ı - Fire	•		
Actuarially determined contribution	\$	199,966	\$ 89,287	
Contributions in relation to the				
actuarially determined contribution		199,966	 89,287	
Contribution deficiency (excess)	\$		\$ 	
District's covered payroll	\$	746,978	\$ 561,907	
Contributions as a percentage				
of covered payroll		26.77%	15.89%	

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

PICTURE ROCKS FIRE DISTRICT SCHEDULE OF FUNDING PROGRESS PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS LAST THREE ACTUARIAL VALUATIONS

Actuarial Valuation Date	Val	ctuarial luation of Assets	Ā	ctuarial Accrued Liability (AAL)		Infunded AAL (UAAL)	Funded Ratio			Covered Payroll	UAAL as a percentage of Covered Payroll	
Public Safety	Person	nel Retire	ment	System - Fi	ire:							
2015	\$	190,715	\$	81,896	\$	(108,819)	232.87	%	\$	768,120	(14.17) %	
2014		180,672		101,240		(79,432)	178.46			728,819	(10.90)	
2013				121,268		121,268				856,591	14.16	

PICTURE ROCKS FIRE DISTRICT NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2 - PENSION PLAN SCHEDULES

Change in Accounting Principle. For the year ended June 30, 2016, the Fire District implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2014, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2014, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2015, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

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