

AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

North County Fire & Medical District
Reporting Ambulance Service

Address: 18818 N Spanish Garden Drive

City: Sun City West Zip: 85375

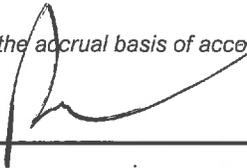
Report Fiscal Year

From: July 1, 2014 To: June 30, 2015
Mo. Day Year Mo. Day Year

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

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

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

Authorized Signature:  Date: 1/5/2016

Print Name and Title: Robert L. Biscoe, Fire Chief

Phone: 623-544-5400

Mail to:
Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: North County Fire & Medical District

FOR THE PERIOD FROM: July 1, 2014 TO: June 30, 2015

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:	75	3,965	4,040	
2	Number of BLS Billable Transports:	12	1,569	1,581	
3	Number of Loaded Billable Miles:	1,924	29,271	31,195	
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue		\$	5,013,641
7	BLS Base Rate Revenue			1,954,155
8	Mileage Charge Revenue			477,022
9	Waiting Charge Revenue			
10	Medical Supplies Charge Revenue			
11	Nurses Charge Revenue			
12	Standby Charge Revenue (Attach Schedule)			
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE		(Post to Page 3, Line 1) \$	7,444,819

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

		** No. of FTE's
14	Management	3.3
15	Paramedics and IEMTs	10.0
16	Emergency Medical Technician (EMT)	11.0
17	Other Personnel	0.3
18	Payroll Taxes and Fringe Benefits - All Personnel	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	24.6

* This column reports only those runs where a contracted discount rate was applied.

** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

AMBULANCE REVENUE AND COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

North County Fire & Medical District

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

SCHEDULE OF REVENUES AND EXPENSES

Line No.	<u>DESCRIPTION</u>		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>7,444,819</u>
<u>Settlement Amounts:</u>			
2	AHCCCS		<u>174,621</u>
3	Medicare		<u>4,139,701</u>
4	Subscription Service		
5	Contractual		<u>38,774</u>
6	Other		<u>361,395</u>
7	Total	(Sum of Lines 2 through 6)	<u>4,714,491</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>2,730,327</u>
Operating Expenses:			
9	Bad Debt		\$ <u>225,671</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>2,504,124</u>
11	Professional Services		<u>259,690</u>
12	Travel and Entertainment		<u>341</u>
13	Other General Administrative		<u>10,941</u>
14	Depreciation		<u>114,303</u>
15	Rent / Leasing		<u>-</u>
16	Building / Station		<u>37,583</u>
17	Vehicle Expense		<u>45,287</u>
18	Other Operating Expense		<u>499,386</u>
19	Cost of Medical Supplies Charged to Patients		<u>-</u>
20	Interest		<u>-</u>
21	Subscription Service Sales Expense		<u>-</u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>3,697,326</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(966,999)</u>
24	Subscription Contract Sales		<u>-</u>
25	Other Operating Revenue		<u>-</u>
26	Local Supportive Funding		<u>966,999</u>
27	Other Non-Operating Income (Attach Schedule)		<u>-</u>
28	Other Non-Operating Expense (Attach Schedule)		<u>-</u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>-</u>
Provision for Income Taxes:			
30	Federal Income Tax		<u>-</u>
31	State Income Tax		<u>-</u>
32	Total Income Tax	(Line 30, plus Line 31)	<u>-</u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u>-</u>

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: North County Fire & Medical District

FOR THE PERIOD FROM: July 1, 2014 TO: June 30, 2015

BALANCE SHEET

*** Please see attached District Audited Financials**

ASSETS

CURRENT ASSETS

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

9	PROPERTY & EQUIPMENT			
10	Less: Accumulated Depreciation			

11 OTHER NON CURRENT ASSETS

12 TOTAL ASSETS \$

LIABILITIES & EQUITY

CURRENT LIABILITIES

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

21 NOTES PAYABLE

22 LONG-TERM DEBT, OTHER

23 TOTAL LONG-TERM DEBT

EQUITY & OTHER CREDITS

Paid-In Capital:

24	Common Stock			
25	Paid-In Capital in Excess of Par Value			
26	Contributed Capital			
27	Retained Earnings			
28			-
29			-
30	Fund Balance			-

31 TOTAL EQUITY

32 TOTAL LIABILITIES & EQUITY \$

AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: North County Fire & Medical District

FOR THE PERIOD FROM: July 1, 2014 TO: June 30, 2015

STATEMENT OF CASH FLOWS

***Please see attached District Audited Financials**

OPERATING ACTIVITIES:

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

INVESTING ACTIVITIES:

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

FINANCING ACTIVITIES:

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

SUPPLEMENTAL DISCLOSURES:

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

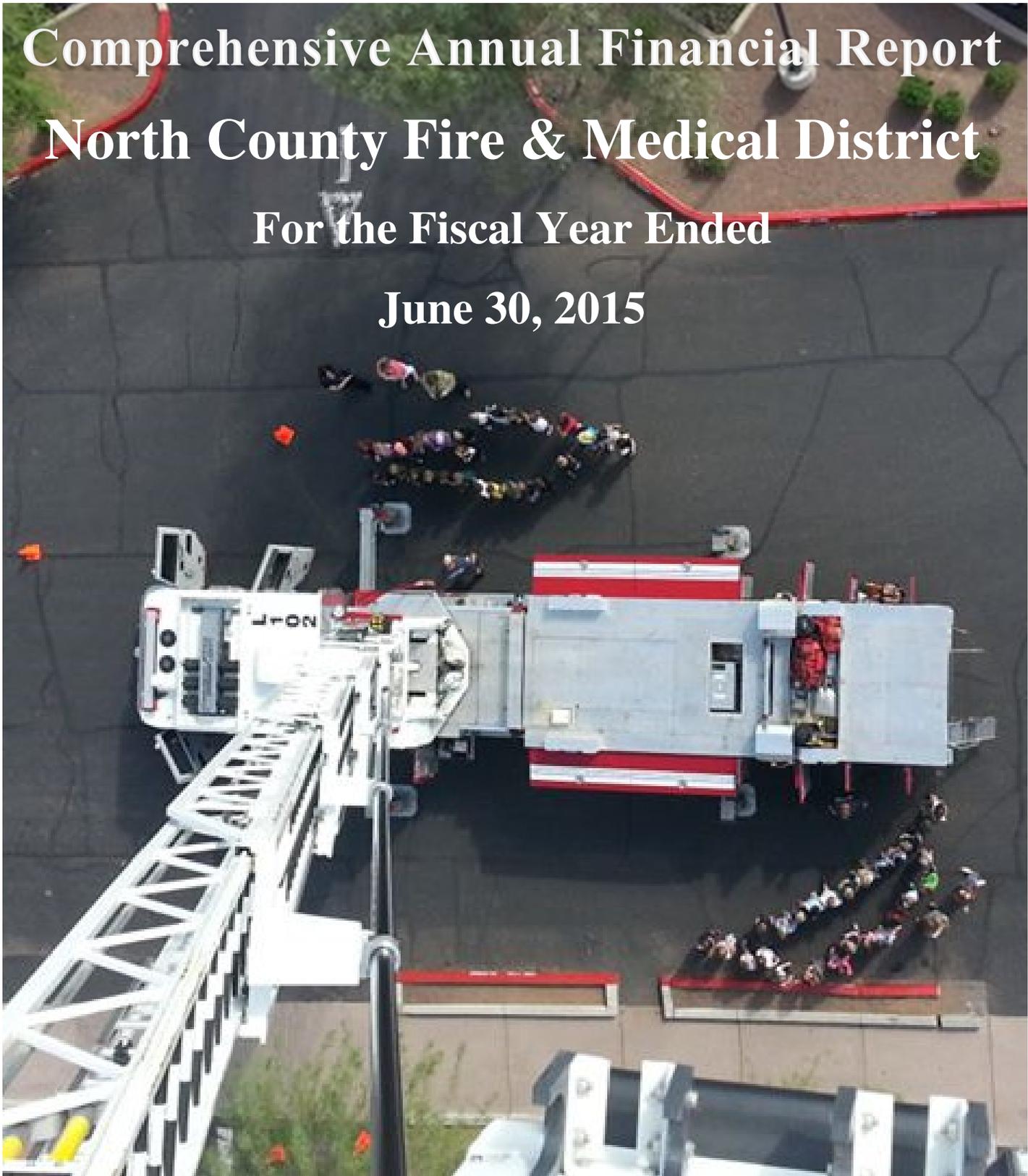
**North County Fire & Medical District
Ambulance Revenue Cost Report Expenditures
For The Period Ending June 30, 2015**

	Ambulance Expenses
A · Wage & Benefit Expenditures	
Wage Expenditures	
Management Wages	\$ 349,341
Paramedic Wages	\$ 789,031
Emergency Medical Technician (EMT) Wages	\$ 533,821
Other Personnel Wages	\$ 13,390
Total Wages	\$ 1,685,583
Payroll Taxes & Fringe Benefits Expenditures	\$ 818,540
Total Wage & Benefits	\$ 2,504,124
B · General Operating Expenditures	
5220 · Motor Vehicle Insurance	\$ 5,156
5230 · Umbrella, Errors & Omissions	\$ 2,808
5305 · Accounting	\$ 4,984
5310 · Bank Service Charges	\$ 4,511
5315 · Payroll Processing	\$ 142
5320 · Ambulance Billing	\$ 235,008
5335 · Legal Expenditures	\$ 1,170
5340 · Physicals/Vaccinations/Testing	\$ 3,285
5421 · Tires Repair & Replacement	\$ 2,335
5422 · Batteries	\$ 337
5420 · Internal Apparatus R/M - Other	\$ 9,131
5425 · Outsourced Apparatus Maintenance	\$ 8,393
5440 · EMS Equipment R/M	\$ 2,955
5450 · Computer/Systems/Equip R/M	\$ 42
5455 · Computer Software Licensing	\$ 10,600
5460 · Support Svc Equip R/M	\$ 47
5470 · Fitness Equipment R/M	\$ 297
5505 · Memberships & Dues	\$ 1,615
5510 · Professional Subscriptions	\$ 99
5515-3 · Internal District Outreach	\$ 1,883
5520 · Office Supplies	\$ 3,112
5525 · Office Equipment	\$ 2,774
5530 · Postage & Delivery	\$ 130
5535 · Publishing & Printing	\$ 30
5540 · Copier Expenditures	\$ 1,054
5545 · Computer Hardware	\$ 244
5555-3 · EMS Hiring & Recruitment	\$ 7,782
5610 · Duty Uniforms	\$ 2,033
5640 · Support Svc/Shop Supplies	\$ 1,395
5650 · Safety Materials & Supplies	\$ 109
5680 · Fuel (Gasoline/Diesel)	\$ 19,888
5810 · EMS Ambulance Registrations	\$ 1,550
5820 · EMS Equipment	\$ 16,587
5830 · EMS Supplies	\$ 75,697
5840 · EMS Pharmaceutical Supplies	\$ 12,200
5910 · Dispatching Services	\$ 363,129

**North County Fire & Medical District
Ambulance Revenue Cost Report Expenditures
For The Period Ending June 30, 2015**

	Ambulance Expenses
5921 · Cellular Connections	\$ 677
5922 · Wireless/ePCR Connections	\$ 4,688
5923 · DriveCam Connections	\$ 2,665
5940 · Radio Repair	\$ 80
5950 · Communications Parts/Equipment	\$ 1,511
6220 · Fitness & Safety Training	\$ 422
6510 · Educational Expenditures	\$ 2,140
6520 · Training Materials	\$ 609
6530 · Travel Expenditures	\$ 341
[101] Station Expenditures	\$ 14,039
[101F] Station Expenditures	\$ 993
[102] Station Expenditures	\$ 10,655
[103] Station Expenditures	\$ 11,897
Total General Operating Expenditures	\$ 853,229
 Other Operating Expenditures	
Bad Debt	\$ 225,671
Total Other Operating Expenditures	\$ 225,671
 Depreciation Expenditures	
Buildings	\$ 55,464
Operations Equipment	\$ 44,525
Communications & Computer Equipment	\$ 14,314
Total Depreciation Expenditures	\$ 114,303
 Total All Operating Expenditures	\$ 3,697,326

Comprehensive Annual Financial Report North County Fire & Medical District For the Fiscal Year Ended June 30, 2015



Sun City West, Arizona

An Insurance Services Office (ISO)
Class 1 Rated Fire District



**North County Fire & Medical District
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2015**

GOVERNING BOARD

**David Wilson
Chairman**

**Dusty Rhodes
Clerk**

**William Hamel
Member**

**John 'Jack' Meyer
Member**

**Russell 'Smitty' Smith
Member**

**Robert L. Biscoe
Fire Chief**

**Prepared by the Financial Services Section
Coaleen Poland, Accounting Supervisor**

**North County Fire & Medical District
18818 N. Spanish Garden Drive
Sun City West, Arizona 85375**

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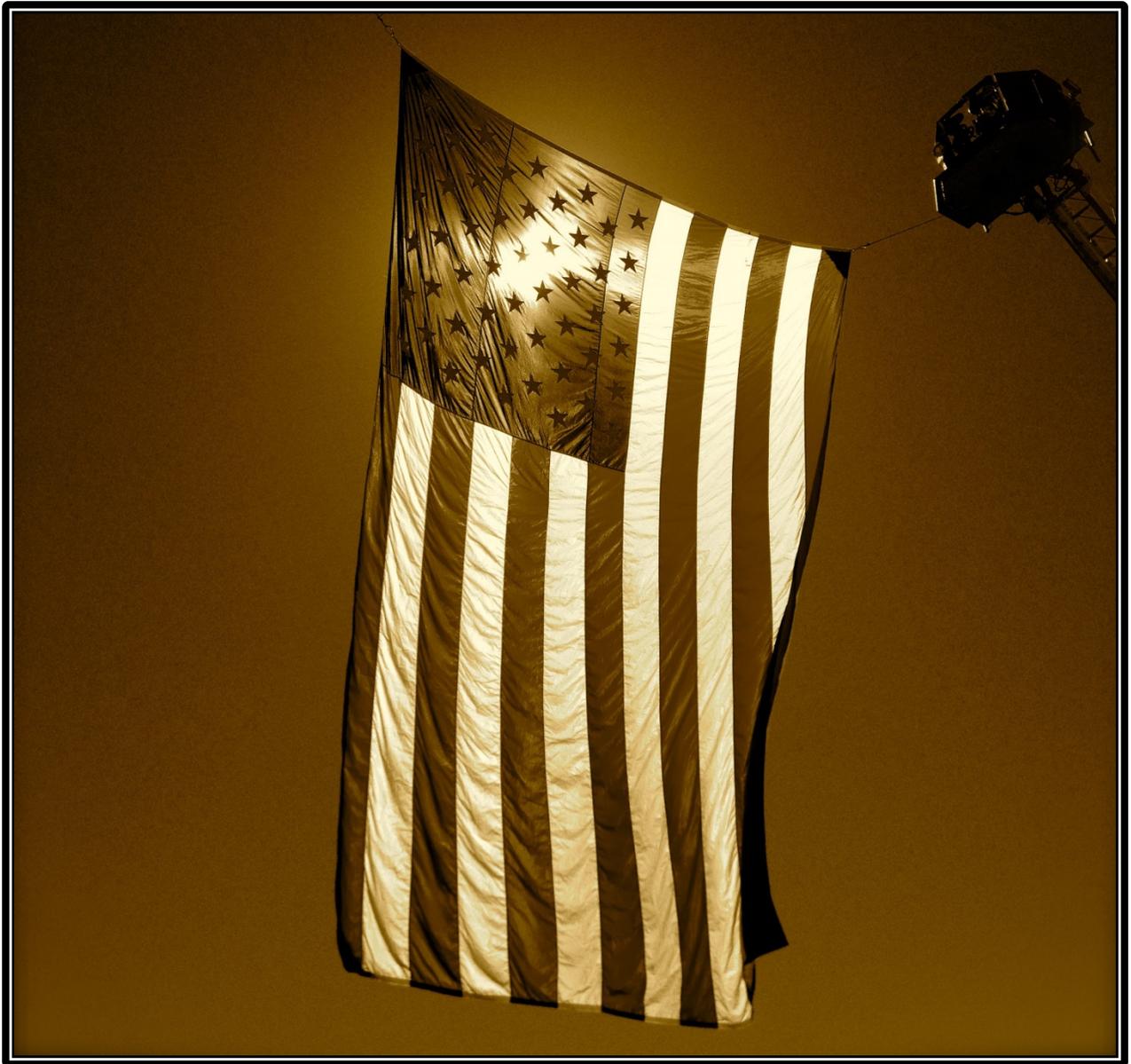
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Introductory Section



NORTH COUNTY FIRE & MEDICAL DISTRICT

Internationally Accredited ~ ISO Class 1 Designated Agency

18818 N. Spanish Garden Drive • Sun City West, Arizona 85375 • (623) 544-5400 • Fax (623) 544-5455 • www.ncfmd.az.gov

December 16, 2015

To the Governing Board of the
North County Fire & Medical District
Sun City West, Arizona

*The District proudly
serves the
communities of:*

Sun City West

Coldwater Ranch

Corte Bella

Cross River

Dos Rios

Marisol Ranch

*Pinnacle Peak
County Island*

Rancho Cabrillo

Rancho Silverado

Rio Sierra

Sundero

*and other
unincorporated
portions of
Maricopa County*

Arizona state law requires that all special districts with annual budgets in excess of \$1 million publish within 240 days of the close of their fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, it is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the North County Fire & Medical District for the fiscal year ended June 30, 2015.

The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, District management has established a comprehensive internal control framework designed both to protect District assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Walker & Armstrong, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The District is a special taxing district established to provide a full range of fire protection and emergency response services to its citizens. This report has been prepared in accordance with accounting principles generally accepted in the United States of America and follows guidelines recommended by the Government Finance Officers Association of the United States of America and Canada.

Profile of the District

The District operates under Arizona Revised Statutes (ARS) § Title 48, Chapter 5. The District is a public safety service organization funded through secondary assessed value property taxes. It is governed by a five member Board of Directors comprised of a Board Chairman, a Board Clerk and three Directors. The Board members serve four year terms, with elections held every two years for the alternating two or three positions whose terms have been completed. The Board hires a Fire Chief/Administrator to manage day-to-day operations of the District. The Fire Chief, in turn, hires other key managers and employees to support the District.

The community of Sun City West was established in 1978 as an unincorporated master planned area for active adults 55 years of age or older by the Del E. Webb Corporation. As an unincorporated community in Maricopa County, Sun City West property owners did not receive emergency services from either the county or a municipal based fire department. Prompted by a large house fire in 1981, a group of Sun City West residents formed a committee to address the specific needs of Sun City West regarding emergency services. Subsequently, the Sun City West Fire District was formed.

On April 17, 1981, an election pursuant to ARS §48-261 was held for the purpose of creating the Sun City West Fire District. At a duly noticed meeting on May 12, 1981, the Maricopa County Board of Supervisors resolved that the Sun City West Fire District be organized and established based on the results of the April election. Shortly thereafter, the newly appointed Governing Board voted to hire the private "for profit" fire protection services provider known as Rural Metro Corporation to supply fire and emergency medical service for the District's estimated 9,000 residents.

In 1992, the Del E. Webb Corporation expanded the community of Sun City West. This expansion added another two square miles and brought the total area protected by the Fire District to roughly twelve square miles and approximately 20,000 residents. In 1993, the contract with Rural Metro was scheduled for renewal. Rural Metro proposed a ten year contract with no additional personnel or services to be added to support the recently expanded District boundaries. As a result, the Fire District Governing Board voted to end the contract and hire its own employees.

In July of 1994, the Sun City West Fire District began operations with its own personnel (most of the Rural Metro employees that had been working in the community remained during this transition).

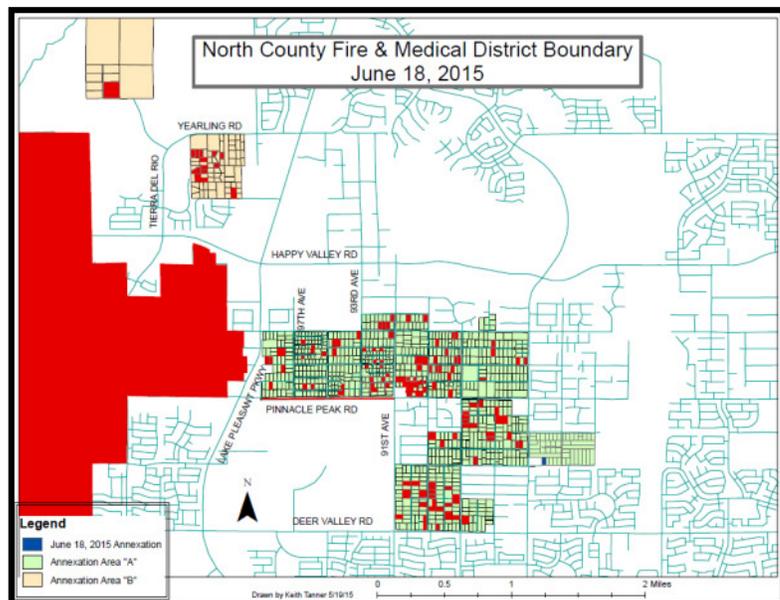
Computer aided dispatching services and recruit fire training was contracted through the Phoenix Fire Department and the Fire District established mutual-aid agreements with nearly all of the Phoenix Metropolitan area fire departments. The District also began to provide emergency medical transportation to its residents through the use of full-time staffed ambulances.

The Fire District continued to expand both its population and its boundaries. By the end of 2001, approximately ten square miles of state trust land and private property had been annexed into the District and the population had grown to well over 30,000 residents. Furthermore, by this time, the District operations included three full-time fire stations and a full complement of emergency response apparatus and ambulances.

In 2002, the Fire District completed a comprehensive evaluation from the Insurance Services Office (ISO) and as a result, the District's rating was reduced from a Class 5/9 to a Class 2 Public Protection Classification. ISO has established a Public Protection Classification system to rate fire protection agencies between Class 1, agencies providing the highest possible service to an area and class 10, areas having no fire protection available to them. This Class 2 ISO rating remained in effect until January of 2015, when the District was re-evaluated by ISO. As a result of this appraisal, the District became the first entity to be awarded a Class 1 rating in the State of Arizona.

In early 2010, the Fire District completed the process to annex an additional ten square miles of privately owned property to the north and east of the previous District boundaries. The completion of this annexation increased the size of the District to roughly thirty-five square miles with a population of approximately 45,000 residents. Since 2010, the District Fire Board has been requested by single and multi-parcel property owners outside of current boundaries to be annexed into the District in order to receive fire and emergency medical services. The Board approves several individual annexations each year, continuously expanding District boundaries and broadening the tax base.

In accordance with Arizona Revised Statute §48-262(N) any non-contiguous property owner within an unincorporated county island, and whose parcel is within one-half mile of a District boundary, may request to be annexed into a district in order to obtain fire protection and emergency medical services. Throughout the course of FY 2014/2015, the District annexed 120+ individual properties through the process of Single-Parcel Annexation requests made by property owners. These annexations generally occurred from within a 1.6



square mile county island, situated between the District's current north eastern boundary and the City of Peoria, in the vicinity of Pinnacle Peak Road. Although this law sunset on July 1, 2015, the District may still continue to process single parcel annexation requests, but they must be contiguous to existing District boundaries.



During the same period, the District began efforts to complete a petition drive annexation process of an area located northwest of the District's boundaries. This area included 734 parcels, comprised of 235 homes and roughly 400 vacant land parcels, and is contained within an approximately 8.5 square mile area. The combination of these annexation efforts added \$6.6 million in net assessed value and brings the District's total coverage area to approximately 45 square miles.

On June 2, 2015, pursuant to ARS §48-805(B)(14), the Sun City West Fire District Governing Board adopted Resolution #15-0602-1, formally changing the district's name to North County Fire & Medical District (NCFMD). The District prides itself on providing the best service possible to its residents and has developed and adopted the following mission statement to direct its service goals:

As a team of highly trained and dedicated professionals, it is our mission to provide the highest standard of service to all those who may seek our help. We are a service provider and we stand ready to provide fire suppression, fire prevention and education, rescue services and emergency medical care, and transport. We will faithfully provide these vital services, promptly and safely, to any person that resides in, works in, or visits the Fire District. As a family of individuals committed to serving others, we will always provide for the welfare of our personnel through a healthy and rewarding work environment. We are dedicated to respect, integrity, compassion, and leadership amongst ourselves so that we may proudly serve others.

In order to accomplish this mission, the District has emerged as a multi-service district with services and programs tailored to meet the needs of the community it serves. The District provides fire prevention, fire education, and emergency service operations, which includes fire suppression, emergency medical services and transportation, non-emergency inter-facility medical transport services and a Wildland fire suppression team. Educational programs and community services offered to District residents include the following:

- Chest Compression Only (CCO) and Cardio Pulmonary Resuscitation (CPR) Training, American Health and Safety Institute (AHSI), CPR/ Basic First Aid Training, AHSI Automated External Defibrillator (AED), and AHSI Basic Life Support (BLS) Certification Classes
- Desert pest removals
- Blood pressure checks
- Home safety inspections

- Fire extinguisher demonstrations and safety training
- Smoke alarm inspections and replacement programs
- Lock Box installation and maintenance programs
- Wildland interface programs
- Commercial safety, operational and fire pre-planning inspections
- Construction plan reviews, permits and inspections
- Public education presentation programs
- Fall Prevention Programs
- Child safety seat loaner, installation and inspection programs
- Disaster/Emergency preparedness programs
- Citizens Corps Council
- Fire Corps Volunteer Program

The District currently operates one administrative/apparatus maintenance facility and three strategically placed stations. Additionally, the construction of a fourth fire station is well underway and is scheduled to be fully operational by the end of 2015. The District's stations are staffed 24-hours a day, 365 days a year with almost seventy full-time state certified sworn firefighters maintaining state certification as Paramedics or Emergency Medical Technicians and half a dozen full-time emergency medical personnel that are all either state certified Paramedics or Emergency Medical Technicians. The District's first-out, front-line apparatus include: one regional command unit, one 105' ladder truck, one ladder-tender, three fire engine pumpers, one brush unit and four ambulances, accompanied by several other pieces of equipment. These apparatus are complemented by additional reserve units, which are utilized for training, maintenance, and other uses. These facilities, apparatus and personnel are supported by an additional dozen support and administrative staff members to ensure the continued smooth operations of the District.

The District is proud to announce that in August of 2010, it was awarded one of the highest certifications any fire protection agency can obtain. After several years of self-evaluation, adopting, following and refining policies and procedures to govern District operations, the District submitted to outside scrutiny and evaluation by a peer assessment team from the Commission on Fire Accreditation International of the Center for Public Safety Excellence. As a result of this peer assessment, the Commission validated that our organization met all criteria to become an internationally accredited fire agency. This status verifies that the District has met the standards for effectiveness and efficiency in responding to emergencies and makes the District among a select few entities nationally that have recognized the importance of aligning its programs with the national industry best practices for fire and emergency services. There are fewer than 220 accredited agencies out of approximately 49,000 fire protection agencies throughout the country and only a dozen accredited agencies in Arizona. This certification is held for a period of five years and entities must undergo the re-evaluation and peer assessment process again to re-qualify for accreditation. NCFMD completed this re-evaluation process, and in August of 2015, was once again awarded accredited agency status.

By state statute, the District derives a majority of its funding through secondary assessed property tax revenues. The tax rate is established each year as a result of the District's adopted Annual Budget and Operational Plan. The budget is required to be adopted and submitted to the Maricopa County Board of Supervisor's by August 1st of each year.

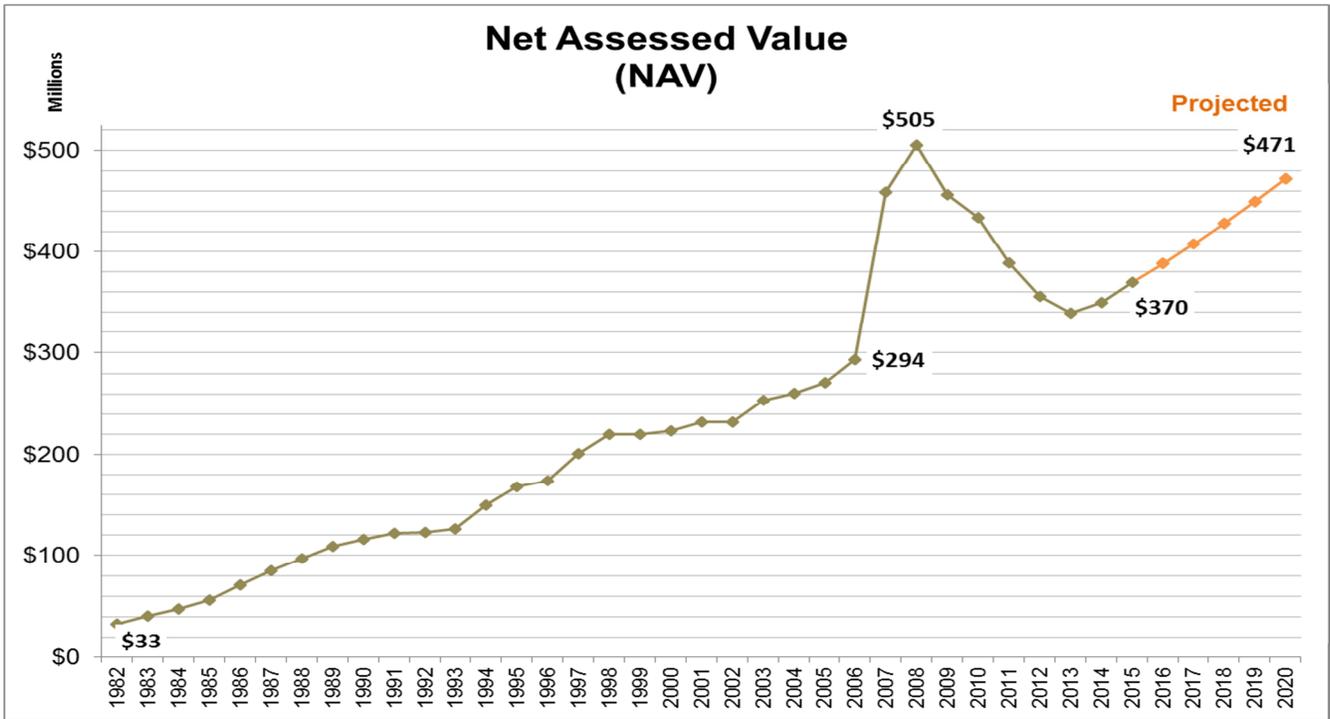
Local Economy

The North County Fire & Medical District is composed of a varied economic environment. The majority of the community of Sun City West residents are 55 and older, retired, and living on a fixed income. Consequently, an overwhelming number of the residential properties within this area of the District are owned outright by their occupants. The balance of the District, generally those areas annexed over the last several years, are typical working inhabitants whose homes are still under mortgage. However, like many other political sub divisions of the State of Arizona, the District is still facing the significant economic challenges at local levels.

Primary assessed property values play a significant part in the revenue production of the District. Previously, the District has maintained steady growth, increasing an average of approximately 10% annually since the District's inception in 1981. However, the District experienced an annual average decrease of 7.6% in property valuations between 2008 and 2013, generating a total decrease of 32.8% in net assessed valuation (NAV) over the course of five years. Finally during tax year 2014, the District experienced a slight increase in the (NAV) of 3.0% and another increase of 5.8% in tax year 2015. Maricopa County has advised the District that it may again experience an additional increase of 4.4% in its NAV for tax year 2016.

It is important to note that during the Arizona General election held in November 2012, Arizona voters approved Proposition 117, which moves previous special district tax calculation from secondary (full cash) value to primary (limited) value. Furthermore, it limits the annual increase of property valuations to a maximum of 5% over the previous year's value. Valuation associated with annexations, growth, development and property improvements are not limited by this new legislation.

Major valuation highlights in recent years began in the tax year 2008, during which there were significant increases in property values (56.3%) and robust development activity. As previously stated, this trend reversed in the tax year 2009 with declines in development-related fee revenues, and property values. These trends predisposed District administrators remain cautious in long-term financial planning. The chart below demonstrates the District's net assessed value from inception through the current year and projections through 2020.



The effect of the deterioration of assessed valuations over the five year period of 2009 - 2013 resulted in almost \$166 Million dollars in decline in property values. However, the District was somewhat buffered from experiencing a significantly higher reduction in values as a direct result of the annexations completed in January 2010. These annexations attributed an additional \$40,918,582 in net assessed value to the previous valuation. Without this annexation, the District would have experienced an approximate 14% decrease rather than a minimal 4.8%.

The District structures the Annual Budget and Operational Plan to minimize the taxation impact to property owners. However, due to varying changes in individual property values each year, the District is unable to set a tax rate that would maintain the identical property taxes assessed to property owners each year. The District maintained the tax rate from the previous year, for the fiscal year ending June 30, 2015 of \$2.9177 per \$100 of secondary assessed valuation. (A.R.S. § 48-807F states that the tax levy cannot exceed \$3.25 per \$100.00 of assessed value, before any statutorily allowable overrides). The average assessed value of a home within the Fire District was increased by the Maricopa County Assessor from \$122,700 in tax year 2013 to \$124,800 for 2014, an increase of 1.7% of assessed value in one year. Given the tax rate for fiscal year ending June 30, 2015 of \$2.9177 per \$100 of primary assessed valuation, a District resident who owns a median valued home realized a slight increase, approximately 1.7%, in their District Tax for the 2014 tax year.

Historically, the District has established a tax rate that is among the lowest in the Phoenix metropolitan area for districts of equivalent size, while providing services that are among the highest. Of the four other fire districts that are similar in size to the North County Fire & Medical District, only three provide both fire suppression and ambulance transport services. For instance, residents of the

Sun City Fire District must pay a for-profit provider for their ambulance transport needs. However, tax rates are just a factor used to allocate a government's tax levy to the taxpayer relative to property value and should not be used as a key performance indicator. Other factors such relative median home should be used to analyze the average cost per home owner. The fiscal year ending June 30, 2015 (tax year 2014) legal tax rates for comparable fire districts, as well as the North County Fire & Medical District, are listed below:

District	2014	Estimated annual tax based on home value of:		
	Tax Year Tax Rate	\$100,000	\$150,000	\$200,000
Buckeye Valley Fire District*	\$3.2500	\$325.00	\$487.50	\$650.00
Daisy Mountain Fire District*	3.2500	325.00	487.50	650.00
Sun City Fire & Medical District	3.2500	325.00	487.50	650.00
Sun Lakes Fire District*	3.2500	325.00	487.50	650.00
Superstition Fire & Medical	3.1900	319.00	478.50	638.00
North County Fire & Medical District*	2.9177	291.77	437.66	583.54

* Denotes districts that provide ambulance services.

NOTE: The table above provides information so that readers can perform an analysis of estimated district costs for homes of similar value in various districts within the Phoenix metropolitan area.

Long-term financial Planning

The District has utilized consultants and internal studies to assist in the development of long range financial forecasting programs. Financial policies are essential to the effective fiscal management of the District; however, they must be coupled with strategic, long-term planning processes in order to support an effective organization. The District uses three core documents to facilitate its long-range planning process and to establish its goals and objectives annually. These core documents are identified as the Strategic Plan, the Business Plan and the Annual Budget and Operational Plan. The Strategic Plan is a foundation document that serves as a blueprint to build and improve the organization. The Strategic Plan provides a vision based framework for the District that is evaluated and updated every five years. The Business Plan covers the five year projection period of the Strategic Plan and is reviewed and revised annually in conjunction with the annual budget process. The Budget and Operational Plan is generated annually and guides the District in providing and allocating financial resources and enables the District to deliver its vital services at present service levels.

The Business Plan outlines strategic priorities and action item objectives that assist in prioritization of annual budget requests and the overall allocation of resources. Input from financial forecasting is a vital tool used to help shape and define the District’s vision for the future, to identify critical issues, and to seek out revenue sources to support services and outline future service priorities. The Business Plan includes a long term financial forecast that helps the District to address the challenges of balancing revenue and expenditures for the services provided by the District beyond the one year perspective offered by the Annual Budget and Operational Plan. This long term financial forecast is a

five-year projection using calculations based on a combination of historical revenue and expenditure levels, known operational needs, and analytical data to produce annual revenue and expenditure estimations. District staff reviews and updates these documents and programs based on identified legislative and economic factors and their potential impact on the District's financial and strategic goals for the future.

The Capital Improvement Plan (CIP) is a component of the District's Business Plan. The purpose of the CIP is to systematically identify, plan, schedule, finance, track capital assets, and to monitor capital projects to ensure cost effectiveness as well as conformance with established policies and priorities. The CIP outlines direct costs associated with recommended capital projects and asset purchases. The CIP outlines anticipated capital projects and the replacement schedules for current capital assets for a period of ten years. Asset purchases and replacements are identified in detail for the first five-year period and in summary for the following five-year period. Capital project purchases and asset replacements for the current fiscal year are identified and summarized with both anticipated initial capital outlay and ongoing operational costs for each project, allowing the Governing Board the opportunity to determine the feasibility of each project. Funding sources for each project are also identified within the plan.

Strategic and Planning Matters

During fiscal year 2007/2008, the District began the process of obtaining fire accreditation through the Center for Public Safety Excellence (CPSE). Attaining accreditation promotes excellence within the District, encourages quality improvement, defines missions and goals to personnel and the public, identifies strengths and weaknesses, fosters development of strategic plans, and promotes pride within the District and to its customers. This accreditation procedure takes approximately eighteen months to complete and consist of comprehensive internal self-evaluation and external peer evaluation systems. The initial steps to complete the self-evaluation requires the generation of a self-assessment manual and a standards of coverage manual. The external evaluations are conducted by unbiased, objective reviewers who compare the District to a set of national standards and then make recommendations on how to elevate the professionalism and level of service delivery within the District.

In August 2010, the District completed the accreditation process and achieved Accredited Agency status, held for a period of five years. In 2015, the District completed the re-accreditation process and again was awarded Accredited Agency Status, for the period of 2015-2020. There are fewer than 150 accredited agencies out of approximately 49,000 fire departments throughout the country and less than a dozen accredited agencies in Arizona. This accreditation status verifies that District has met the highest standards for effectiveness and efficiency in responding to emergencies. With the receipt of this recognition, the District possesses a major resource for continuous improvement. The Commission on Fire Accreditation International (CFAI), its professionalism and its quality of service lend credence to the District's administrative and operational performance. Formal receipt of accreditation has the potential of raising the District's standing in the application process for the receipt of grant funds.

Financial Policies

Establishing and following sound fiscal policies enhances the District's financial health as well as its image and credibility with its citizens and the public in general. The Board is charged with establishing financial policies and the staff is responsible for implementing those policies in the day-to-day management of District finances.

The District's budget is closely aligned with the financial policies established by the Governing Board. These policies serve to strengthen the current and long-term financial health of the organization and are revisited, at a minimum, on an annual basis to ensure they represent the most current and realistic framework for decision-making. A balanced budget is the foundation of the District's financial policies. The Board and District staff members define a balanced budget as one that matches required expenditures necessary to provide the District's established service goals with available, sustainable resources. The Board and the staff spend an extensive period of time detailing expenditures and identifying and verifying the revenue sources that are available to support those expenditures. As expenditures fluctuate, so must revenues. However, the Board and staff strive to ensure that these fluctuations do not negatively impact service levels.

Fund Balance: During the beginning months of each fiscal year, generally between July and mid-September, the District receives little or no property tax revenues. This is a direct result of the State of Arizona's property tax billing and collection cycle. Property taxes are levied and billed to taxpayers annually and payments are due in two installments. The first installment is due during October and the balance is due in April of each fiscal year. The Board and administrative staff are charged with determining, on a monthly basis during these times of revenue shortfalls, if the District should utilize the cash available in the capital projects fund or obtain short-term borrowing.

The capital projects fund monies can be borrowed to serve as working capital for the first few months of the fiscal year. The District may also choose to use short-term borrowing or registered warrants obtained through the Maricopa County Treasurer's Office. A combination of both options has been used in recent years. During times of low earnings interest rates, it is generally more beneficial for the District to borrow from the capital projects fund than to pay the interest costs associated with registered warrants. During times where the District can invest funds to earn higher interest rates, short-term borrowing usually results in lower costs when compared against the high interest revenues produced from the investment of capital funds. After sufficient property taxes are received through Maricopa County to support monthly expenditures, any monies borrowed are returned to the capital projects fund.

Capital Improvement Plan: The purpose of the Capital Improvement Plan (CIP) is to systematically identify, plan, schedule, finance, track capital assets, and to monitor capital projects to ensure cost effectiveness as well as conformance with established policies and priorities. The CIP is reviewed and updated annually, at a minimum, and outlines direct costs associated with capital projects and asset purchases. Required ongoing operational costs are identified and presented as a part of each project allowing the Board the opportunity to determine the feasibility of each project. Funding sources for each project or purchase are acknowledged within the plan.

Fiscal Planning and Budgeting: The Fire District’s policy concerning fiscal planning and budgeting is to govern the preparation, monitor the expenditures, and analyze the effectiveness of the Annual Budget and Operational Plan. Part of this process includes incorporating a long-term perspective and a system of identifying available and sustainable resources and allocating those resources among competing purposes. The District presents an annual operating budget that is balanced, meaning that planned expenditures are equal to or less than current revenues and ongoing expenditures will only be paid for with ongoing revenues. The District will not postpone expenditures, use one-time (nonrecurring) revenue sources to fund ongoing (recurring) uses or use external borrowing for operational requirements. The District identifies and allocates funding resources amongst various service needs. It is increasingly important to incorporate a long-term perspective and to monitor the performance of programs competing to receive funding.

The District’s audited, fund basis, financial statements are presented using the modified accrual basis of reporting; therefore, District budgeting is also done on a modified accrual basis. Under the modified accrual basis, expenditures are recorded when goods or services are actually received, rather than when the invoices are paid. The exception to this general rule is interest on general long-term debt, which is recognized when due. Revenues are recorded in the accounting period in which they become measurable and available.

Expenditure Control: The District has established policies which govern the compliance of the legally adopted budget by instituting processes for setting and modifying appropriation and expenditure limits and safeguarding the organization from possible “overspending”. The operating budget is controlled at the organizational level, but the Capital Improvement Plan is controlled at the project level.

Cash Management and Investing: The Maricopa County Treasurer serves as the District’s fiduciary agent, and is responsible for custody of tax levy monies. Maricopa County collects real property taxes and Fire District Assistance Taxes (FDAT) on behalf of NCFMD and the District recognizes tax receipts after notification by the Treasurer. Tax revenues are deposited by the Maricopa County Treasurer and invested in a pooled account called the Local Government Investment Pool (LGIP). The District maintains a Secondary General Fund account for fees for services collected, a Payroll Fund account for payroll processing, a Medical Services Fund account for ambulance transport fees collected, Capital Projects Fund account, and the Special Revenue Fund account at a locally accessible banking institution. The District participates in Automated Clearing House (ACH) and check fraud protection, as well as pooled pledge collateralization of its accounts and Federal Deposit Insurance Corporation (FDIC) protection through its financial institutions.

In 2013 the Arizona State Legislature passed House Bill 2619 enacting the mandatory Arizona Pooled Pledging Program, all qualified public depository entities are required to hold collateral for all public funds on a pooled basis in a custody account established for the Arizona State Treasurer’s Office as the State of Arizona Pool Pledging State Administrator. All District accounts held by banking entities other than the Maricopa County or the Arizona State Treasurer are collateralized through pledges to and monitored by the Arizona State Treasurer’s Office.

Risk Management: The District maintains insurance coverage for worker's compensation through CopperPoint Western Insurance Company, formerly known as the State Compensation Fund (SCF) of Arizona Premier, and professional and general liability insurance through Volunteer Firefighter Insurance Services (VFIS) of Arizona. In addition, the District participates in the Fire Department Safety Officer's Association (FDSOA) and supports a successful employee safety program which includes regular employee safety training, worksite safety inspections, Incident Safety Officer's in the field daily, accident investigation procedures, and the use of the DriveCam program in all of the District's apparatus.

Pension and Other Post-Employment Benefits

The District contributes to the Public Safety Personnel Retirement System (PSPRS), agent multiple-employer public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for all eligible suppression personnel. All benefit provisions and other requirements are established by state statutes. Employees were required to contribute 11.05% of their wages to PSPRS in the fiscal year ending June 30, 2015. The District is required to contribute the remaining amounts necessary to fund PSPRS, as determined by the actuarial basis specified by statute. The employer rate for the fiscal year ending June 30, 2015 was 24.03% of covered payroll.

All PSPRS annuitants and non-suppression employees contribute to the Arizona State Retirement System (ASRS). The ASRS is a cost sharing, multiple-employer, public employee, tax qualified, defined benefit plan (with the exception of the defined contribution portion). The ASRS Board is the governing body of the ASRS and is responsible for the administration and management of the ASRS and its trust fund. For the fiscal year ending June 30, 2015, participating employees were required to contribute 11.48% for retirement and 0.12% for long-term disability. The District is required to contribute at the same percentage rates.

Awards and Acknowledgements

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) created the Certificate of Achievement for Excellence in Financial Reporting (CAFR Program) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare Comprehensive Annual Financial Reports (CAFR) that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

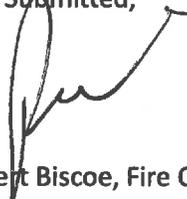
Reports submitted to the CAFR program are reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee (SRC), which comprises individuals with expertise in public-sector financial reporting and includes financial statement reviewers, independent auditors, academics, and other finance professionals.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North County Fire & Medical District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This is the fifth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements: The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Financial Services Section and the District Administrative staff. We wish to express our appreciation to all members of the District who assisted and contributed to the preparation of this report. Appreciation is also extended to the District's Governing Board, the employees and citizens of the District whose continued support is vital to the financial health of the North County Fire & Medical District.

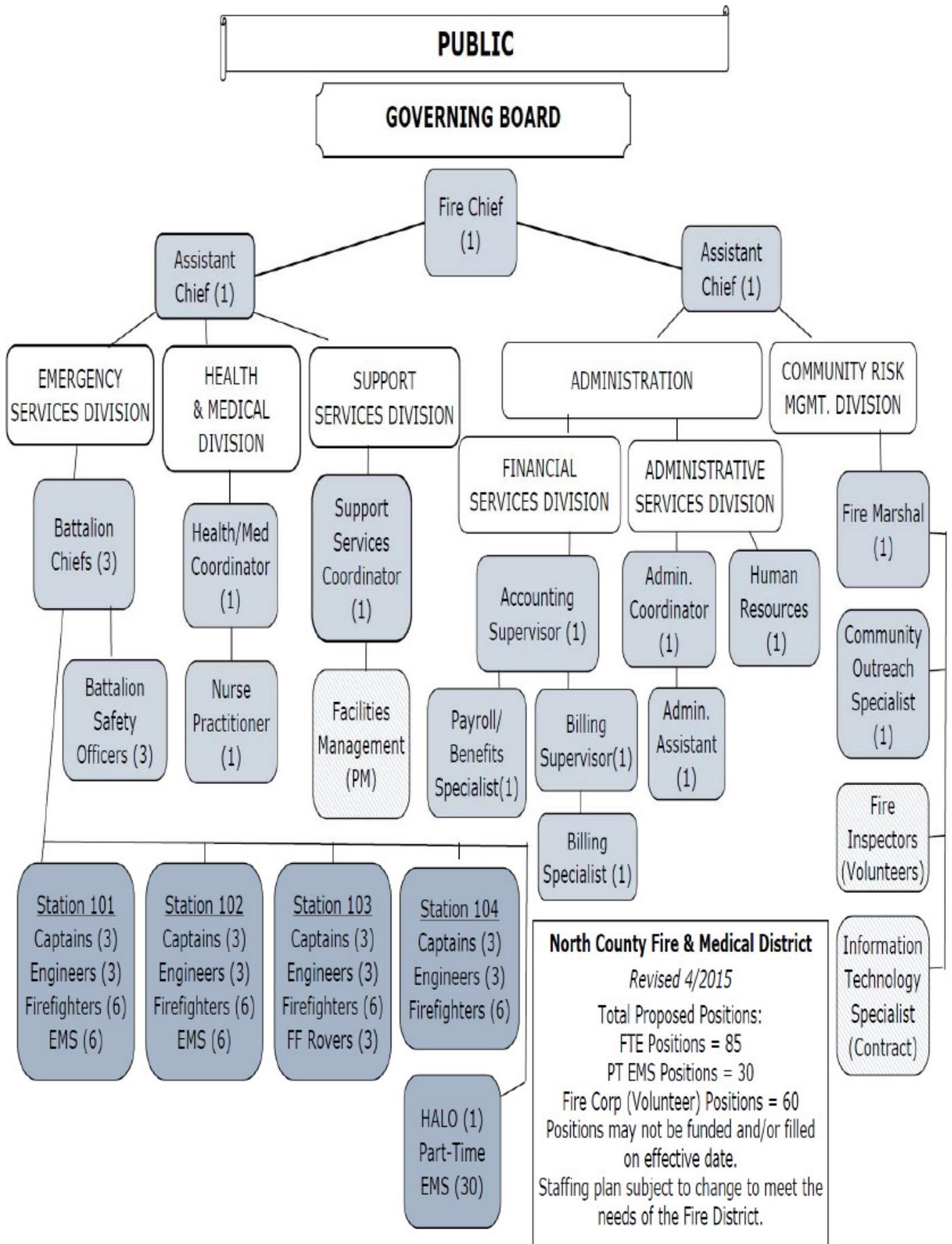
Respectfully Submitted,



Robert Biscoe, Fire Chief



Coaleen Poland, Accounting Supervisor



**North County Fire & Medical District
ELECTED AND APPOINTED OFFICIALS
June 30, 2015**

<u>Elected Officials</u>	<u>Board Title</u>	<u>Originally Elected</u>	<u>Current Term Expires</u>
David Wilson	Board Chairman	November 2004	November 2016
Dusty Rhodes	Board Clerk	November 2004	November 2016
William Hamel	Board Member	November 2002	November 2018
John 'Jack' Meyer	Board Member	November 2006	November 2018
Russell 'Smitty' Smith	Board Member	November 2012	November 2016

<u>Appointed Officials</u>	<u>Title</u>	<u>Section</u>
Robert L. Biscoe	Fire Chief	District-wide

ADMINISTRATIVE OFFICES

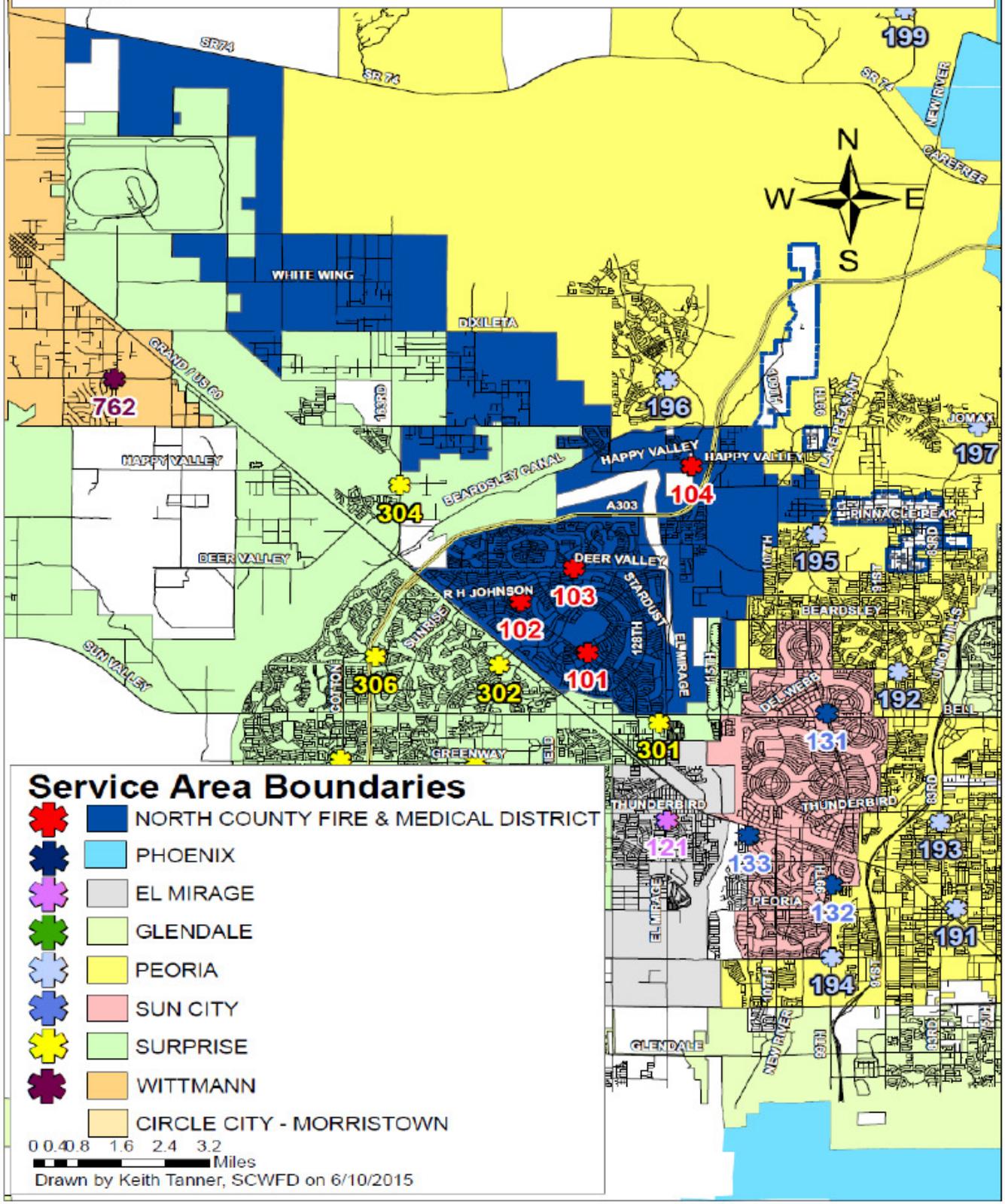
North County Fire & Medical District
18818 N. Spanish Garden Drive
Sun City West, Arizona 85375

LEGAL COUNSEL

Bonnett, Fairbourn, Friedman & Balint, P.C.
2901 N Central Avenue, Suite 1000
Phoenix, Arizona 85012



North County Fire & Medical District 2015 Service Area Map





Government Finance Officers Association

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Achievement
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Reporting**

Presented to

**Fire District of Sun City West
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section



Independent Auditor's Report

To the Board of Directors
North County Fire & Medical District
Sun City West, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire & Medical District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire & Medical District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, North County Fire & Medical District adopted new accounting pronouncements, Governmental Accounting Standards Board Statement (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are 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 on pages 4 through 17, the budgetary comparison information on pages 49 through 50, the pension information on page 47 (schedule of agent retirement plan's funding progress) and the pension information on pages 51 to 54, 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 North County Fire & Medical District's basic financial statements. The introductory section, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Compliance with Title 48, Chapter 5, Article 1 Applicable to Debt and Warrant Issuance Limitations

In connection with our audit, nothing came to our attention that caused us to believe that North County Fire & Medical District failed to comply with the provisions of Title 48, Chapter 5, Article 1 limiting the amount of certain debt and warrants that can be issued by North County Fire & Medical District, insofar as such compliance relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding North County Fire & Medical District's noncompliance with Title 48, Chapter 5, Article 1, insofar as they relate to accounting matters.

The communication related to compliance with the provisions of Title 48, Chapter 5, Article 1 referred to in the preceding paragraph is intended solely for the information and use of members of the Arizona State Legislature, the Board of Directors, management, and other responsible parties within North County Fire & Medical District and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of North County Fire & Medical District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North County Fire & Medical District's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
December 16, 2015



Management's Discussion and Analysis

(Required Supplementary Information)

**North County Fire & Medical District
Management's Discussion and Analysis
June 30, 2015**

As management of North County Fire & Medical District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 18.

Financial Highlights

- At the close of the most recent fiscal year, the liabilities of the District exceeded assets by \$2,127,434. This was a significant change from the prior year and was the result of the implementation of the Government Accounting Standards Board (GASB), Statement #68. GASB #68 mandated the recognition of the District's \$13,328,717 in unfunded pension liabilities. This change in the District's financial statements created a negative unrestricted net position balance of \$5,594,377. The net investment in capital assets equated to \$3,410,445 net of related debt.
- During the year, the District's total net position increased by \$1,631,167. These activities include increased collections from property tax and program revenues such as annual operational inspection and permit services, wildland services, and the newly implemented Interfacility, Non-Emergency Ambulance Transport Services. This combined with the due diligence of the District to minimize budget expenses for personnel services, supplies, general operating expenses and unspent contingency funds during the year ended June 30, 2015 also contributed to the overall increase in net position for this fiscal period.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,093,867, a decrease of \$1,018,745 from prior year. Approximately 31.9% of this total amount, or \$2,264,336, is available for spending at the government's discretion (unassigned fund balance). Of the remaining fund balance, there were no funds identified as non-spendable, \$546,893 is assigned for the employee benefit liability account, \$52,949 is legally restricted (from donations) for community service and safety programs, the remaining balance of \$4,229,689 has been committed to future capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,264,336 or 17.1% of the 2015 fiscal year's total budgeted operating expenditures.
- At the onset of budget preparation for the year ended June 30, 2015, the District's board of directors mandated that the District maintain adequate controls over the budgeting process to minimize any potential for increased burden on the District's taxpayers. The budget for the year ended June 30, 2015 accomplished this task.
- For tax year 2014, the District's net assessed valuation increased by 3.0%, despite a 6.0% increase in the operating budget, the tax levy rate remained \$2.9177 per \$100 of secondary assessed valuation. Although due to an increased median home value of \$124,800, the estimated annual fire district tax of \$364 per home was a 1.7% increase over the prior year.

Management's Discussion and Analysis - Continued

Financial Highlights - Continued

It is important to note that despite the 6.0% increase in the overall budget, the District limited the tax levy increase to 3.0% as a result of increased alternative revenue sources. Actual fire district property tax revenues increased 2.5%, from \$9,959,620 to \$10,208,325. This increase can be attributed to a combination of property annexations and the increase in the District's tax levy.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 18-19 of this report.

Management's Discussion and Analysis - Continued

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains three (3) individual governmental funds: the general fund, the capital projects fund and the special projects fund (a special revenue fund). Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, all of which are considered to be the major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB). While the special revenue fund is a non-major fund, it is the only fund meeting this criterion and is thus discreetly reported.

The District adopts an annual appropriated budget to levy taxes and provide for its general fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on pages 49 and 50. The District revises the capital improvement plan annually to outline anticipated replacements and projects to be completed during the year using the capital projects fund.

Management's Discussion and Analysis - Continued

There is no budget generated for the special revenue fund as it is generally comprised of restricted monies that carryover from year-to-year for the purpose of supporting specified projects or programs as related to the funding received. Detailed tracking of these resources and the associated expenditures are continuously maintained to ensure funds are used for their intended purpose.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures, as described earlier and can be found on pages 49 and 50 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of North County Fire & Medical District, liabilities exceeded assets by \$2,127,434 at the close of the 2015 fiscal year. This represents a 122.3% variance from the prior year, the majority of which can be contributed to the GASB #68 recognition of the unfunded pension liabilities.

A portion of the District's net position (\$3,410,445) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. \$56,498 of the District's net position is restricted funds for the purpose of supporting specified projects or programs related to donated funds. The remaining unrestricted net position totaling a deficit of \$5,594,377 is unrestricted and may be used for apparatus purchases, future fire station property and construction costs, and to improve the quality of fire protection and emergency medical services within the District's boundaries.

Management's Discussion and Analysis - Continued

The District's \$9,637,691 in capital assets consists of three fully staffed fire stations which are strategically placed throughout the District's thirty-five square mile service area and one dual purpose administration and fleet maintenance facility. The District maintains a fleet of approximately thirty fire apparatus, ambulances and staff vehicles, all of which are in above average condition. The District also has acquired state-of-the art medical and firefighting equipment which is all well-maintained in order to provide the highest level of care. The remaining assets consist mainly of cash and cash equivalents, investments and property tax receivables, ambulance transport and other program revenue receivables which are used to meet the District's ongoing obligations to its citizens.

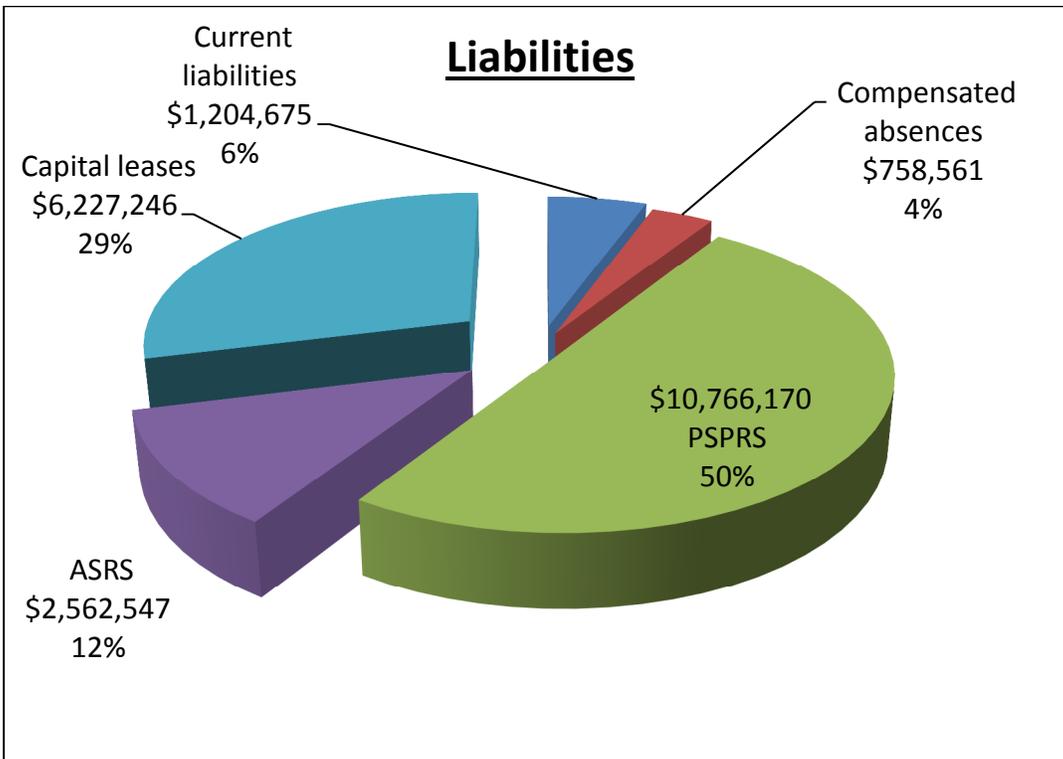
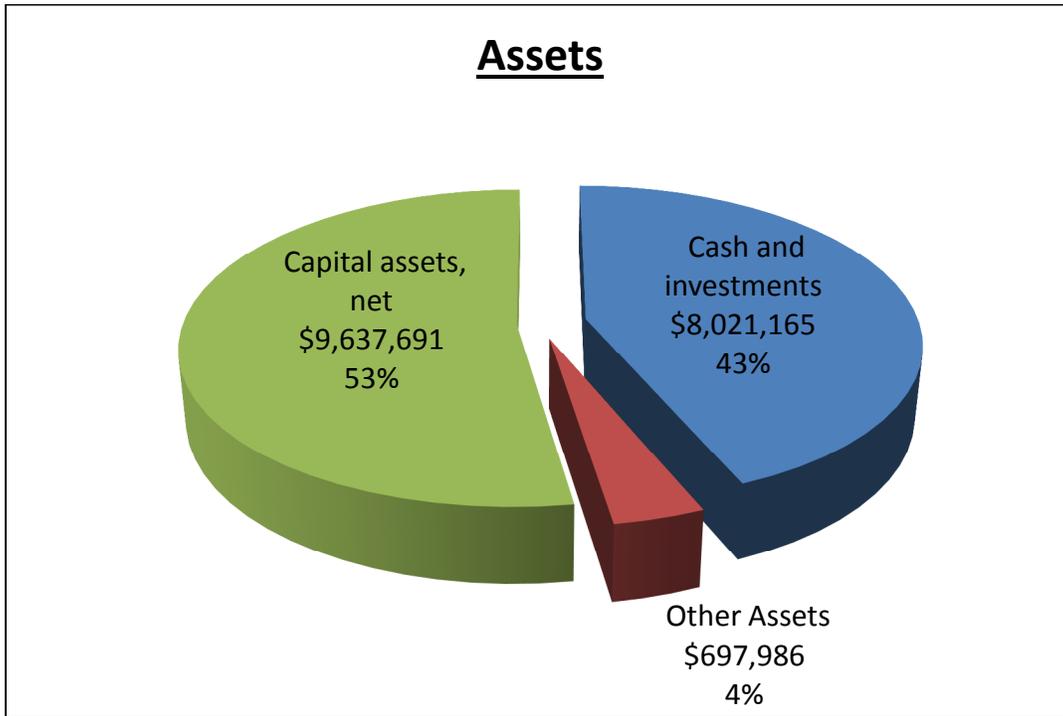
The following page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

Condensed Statement of Net Position

	Governmental Activities	
	2015	2014 (as restated)
Assets & Deferred Outflows:		
Current and investments	\$ 8,021,165	\$ 8,382,912
Other assets	697,986	602,631
Capital assets, net	9,637,691	8,302,665
Deferred outflows related to pensions	3,111,774	1,778,340
Total assets & deferred outflows	21,468,616	19,066,548
Liabilities & Deferred Inflows:		
Current liabilities	1,204,675	532,567
Compensated absences	758,561	642,320
Capital leases	6,227,246	6,584,363
PSPRS pension liability	10,766,170	10,766,170
ASRS pension liability	2,562,547	2,562,547
Deferred inflows related to pensions	2,076,851	1,737,182
Total liabilities & deferred inflows	23,596,050	22,825,149
Net position:		
Net investment in capital assets	3,410,445	1,718,302
Restricted for community services	56,498	51,227
Unrestricted	(5,594,377)	(5,528,130)
Total net position	(\$ 2,127,434)	\$ (3,758,601)

Management's Discussion and Analysis - Continued

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



Management's Discussion and Analysis - Continued

During 2015, governmental activities increased the District's net position by \$1,631,167. Key elements of this increase are as follows:

- District program revenues such as plan reviews, construction permits, and inspection fees have increased for the year, which is consistent with increases in new and remodel construction within the District. The District also continued to experience a steady increase in emergency ambulance transport revenues and other intergovernmental and contractual arrangements. The District generated wildland revenues and maintained an inter-governmental agreement (IGA) with the Glendale Fire Department to provide staffing personnel for their helicopter air-medical logistical operations (HALO) program. The District generated additional program revenues through the operational permitting program, providing annual fire inspections and operational permits to commercial occupancies within District boundaries. Lastly, the District began experiencing a significant increase in the inter-facility non-emergency ambulance transport services, this program began late in the year ended June 30, 2014.
- Budgeted tax revenues increased significantly due to the need to cover the increase in the adopted budget expenses. These increases correlated to increases in health and liability insurance costs, dispatching fees, fuel and utility costs and increases in retirement contributions.
- The District acquired capital assets in the amount of \$1,934,502, which included: (i) the purchase of new Heart Monitors (ii) continued construction-in-progress related to construction of Station 104 and the renovation of Station 103, (iii) continued construction-in-progress of the Tyler Technologies Encode Accounting and Human Resource Information Systems (HRIS) software system, (iv) and the construction in progress of various apparatus, including two ambulances and an engine.
- Due to continued increases in call volumes and both emergency and non-emergency ambulance transports, some operating expenses such as fuel, utilities, communications and dispatching services, and medical supplies increased. In addition, the District saw ongoing increases in employee health insurance, workers' compensation insurance, and building maintenance supply expenses. However, in spite of these increases, expenses were well managed and fell below budgeted expense totals, with savings in administration and support services, salaries and benefits, operations, services and supplies.

Management's Discussion and Analysis - Continued

- The receipt of the previously mentioned unanticipated revenues, combined with the District's efforts to strictly and effectively manage expenses during the year ended June 30, 2015, impacted the District by notably increasing net position. As a result, District management increased the employee benefit liability account to utilize current resources to begin funding the previously unfunded liabilities associated with compensated absences.

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

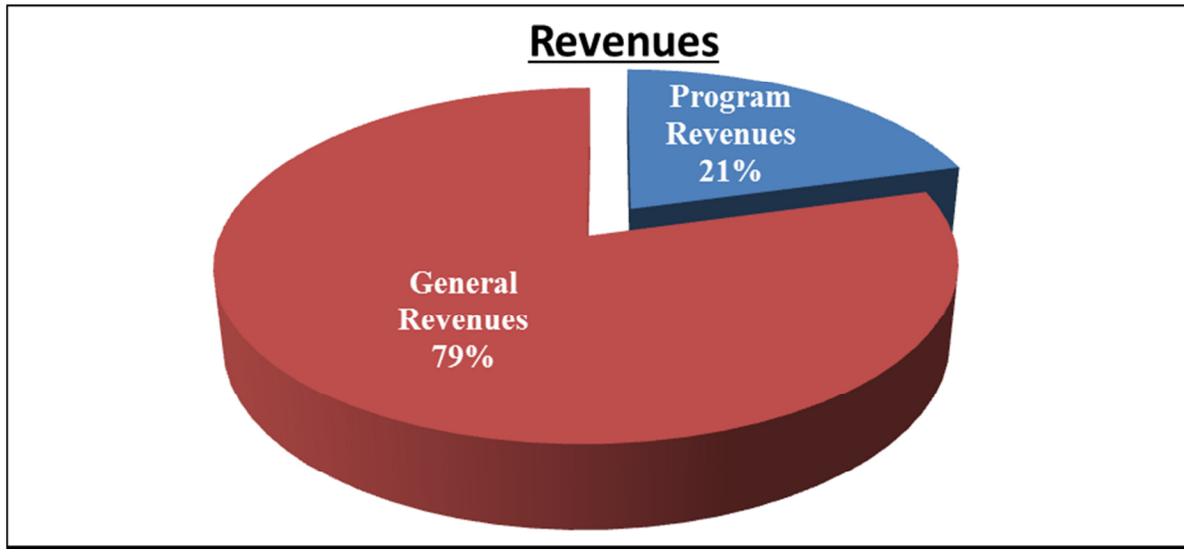
Condensed Statement of Changes in Net Position

	Governmental Activities	
	2015	2014 (as restated)
Revenues:		
Program revenue:		
Charges for services	\$ 2,844,763	\$ 2,536,503
Operating grants and contributions	12,817	16,111
General revenues:		
Taxes	10,809,996	10,461,160
Investment and other	107,230	103,112
Total revenues	13,774,806	13,116,886
Expenses:		
Public safety	12,143,639	12,486,053
Total expenses	12,143,639	12,486,053
Increase in net position	1,631,167	630,833
Net position, beginning	(3,758,601)	(4,389,434)
Net position, ending	\$ (2,127,434)	\$ (3,758,601)

The cost of all governmental activities for the year ended June 30, 2015 was \$12,143,639. Property taxes, fire district assistance taxes (county aid) and fire insurance premium taxes provided funding of \$10,280,074, \$407,122, and \$122,800, respectively. Due to legislative changes in 2011, the District is now eligible to receive \$400,000 in county aid revenue annually, an increase of \$100,000 over the previous legislative limit. Ambulance revenues combined with other program revenues such as permits provided net revenues of \$2,844,763.

Management's Discussion and Analysis - Continued

The following chart highlights the significant sources of revenues.



Financial Analysis of the Governmental Funds

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

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,093,867 a decrease of \$1,018,745 in comparison with the prior year's balance. The largest component of the decrease is associated with the significant expenditures associated with the capital projects underway during 2015. Revenues increased by \$629,259 over the previous fiscal year which included a significant increase in ambulance revenues. This combined with an increase in expenditures during 2015, which were \$2,484,624 more than the prior year; resulted in the District realizing an overall decrease in fund balances.

Management's Discussion and Analysis - Continued

Of the \$7,093,867 total combined governmental fund balance, the amount committed by the Board to capital projects totaled \$4,229,689; \$52,949 is legally restricted (from donations) for community service and safety programs. The remaining amount, comprised of non-spendable prepaid items, fund balance assigned to the employee benefit liability account in the amount of \$546,893 and \$2,264,336 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,264,336. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 17.8% of total general fund expenditures of \$12,709,406.

The capital projects fund accounts for the accumulation of financial resources allocated for the following: future construction costs for new and existing facilities; for the purchase or replacement of fire, emergency medical response, staff and maintenance apparatus; significant fire and emergency medical services equipment replacements such as Self Contained Breathing Apparatus (SCBA) equipment and heart monitor/defibrillators; communications equipment such as 800 MHz radios; and major administrative management equipment such as copiers and computer servers. As of June 30, 2015, the ending fund balance in the capital projects fund was \$3,646,039. The District's Governing Board has determined that cash available in the general fund as of the fiscal year ended June 30, 2015, net of encumbrances, totaling of \$583,650 would be transferred into the capital projects fund and committed to future capital development.

The special projects fund is a special revenue fund established for the collection and disbursement of funds for specified programs such as paramedic training, fire corps, fire and life safety, and the child safety seat loaner programs. These funds are contributed by citizens and local organizations for a specific purpose and are strictly utilized in accordance with the donors' wishes. Program funding and expenditures generally cross over fiscal years and therefore are managed within the special revenue fund. As of June 30, 2015, the ending fund balance in the special revenue fund was \$52,949.

Budgetary Highlights

During fiscal year 2015 there were no modifications to the originally adopted budget. Total revenues were \$386,437 more than budgeted revenues while total expenditures were \$538,220 less than budgeted expenditures. The positive expenditure variance resulted primarily from an overall effort to reduce operating costs and the fact that the District did not incur expenditures that would necessitate the use of the contingency line item.

Capital Asset and Debt Administration

Capital Assets – The District's investment in capital assets as of June 30, 2015, totaled \$9,637,691 (net accumulated depreciation). These assets include land, buildings and improvements, apparatus and general fire, emergency medical, communications and administrative equipment.

Management's Discussion and Analysis - Continued

Major capital asset transactions during the year included the following:

The District acquired capital assets in the amount of \$1,934,502, which included: (i) the purchase of new Heart Monitors (ii) continued construction-in-progress related to construction of Station 104 and the renovation of Station 103, (iii) continued construction-in-progress of the Tyler Technologies Encode Accounting and Human Resource Information Systems (HRIS) software system, (iv) and the construction in progress of a various apparatus, including two ambulances and an engine.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by the expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. The District's threshold for capitalization was maintained at \$5,000 to \$50,000 which is consistent with the minimum threshold as recommended by the Government Finance Officers Association (GFOA). Additional information on the District's capital assets can be found in Note 4 in the basic financial statements on page 32.

Subsequent to June 30, 2015, the District continued its practice of significant capital project funding to ensure the highest level of services to the public. Through careful planning and monitoring of the District's capital asset replacement schedule, the District has determined an annual funding requirement to provide for the timely replacement of a majority of the District's larger, and more expensive, apparatus and equipment. The capital projects funding requirement, for the year ended June 30, 2015, was a minimum of \$447,000 as determined by the District's capital asset replacement schedule. In addition to the minimum annual funding requirement, the District's governing board has stated that any general fund unencumbered fund balance is to be transferred into the capital projects fund to support future capital development.

Long-term Liabilities - The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2015, the District had long-term outstanding liabilities of \$19,555,963 (excluding compensated absences) resulting from lease purchase agreements and unfunded pension liabilities. The remaining debt associated with the lease-purchase agreement (\$6,227,246), requires debt service payments totaling \$6,665,591 during the fiscal year ending June 30, 2016 through 2028. As a result of the implementation of the Government Accounting Standards Board (GASB) Statement #68, the District recognized the long-term debt associated with unfunded pension liabilities. These liabilities are recorded as \$10,766,170 in Public Safety Personnel Retirement System (PSPRS) and \$2,562,547 in Arizona State Retirement System (ASRS) unfunded liabilities. This long-term debt will be satisfied through actuarially established annual contributions rates.

The remaining capital lease pertaining to the solar panels requires annual payments of approximately \$45,000 until April 1, 2033, when this debt will be fully satisfied, provided no additional debt is issued and the current debt is not retired early.

Management's Discussion and Analysis – Continued

All debt is backed by the full faith and credit of the District and pledged assets. Additional information on the District's long-term liabilities can be found in Note 5 in the basic financial statements on page 33-34.

Economic Factors and Next Year's Budgets and Rates

Arizona Revised Statutes limit the amount the District can assess property tax revenues to \$3.25 per \$100 of secondary assessed value. Additionally, with the passage of Senate Bill 1421, fire districts are now limited to an 8% annual property tax levy increase based on the 2008 tax levy; this increase is cumulative, even if not fully utilized in one year, and adjusted annually for annexations and new construction. Each year the maximum levy limit is recalculated based on the aforementioned factors. As of June 30, 2015, under Senate Bill 1421, the District has a maximum tax levy limit of approximately \$15.1 million; however, the maximum levy amount still cannot exceed the tax rate of \$3.25 per \$100 of net assessed value, which is approximately \$11.4 million.

The District continues to work hard to keep the tax levy as low as feasibly possible while providing quality public safety services. Some of the initiatives the District has undertaken to maintain its financial stability include:

- During 2015, the District received an Insurance Services Office (ISO) grading of Class 1 which is an upgrade from previous years. This grading reduces the risk loss for property owners and helps keep fire insurance premiums lower for District property taxpayers. The District is the first and only fire service provider within the state of Arizona to achieve this Class 1 grading.
- Maintaining a strong general fund position, combined with additional revenue flexibility from the unrestricted capital projects fund, which is committed by the governing board to capital project purchases outlined in the capital improvement plan, and a low debt service burden are factors that are helping the District to remain financially stable.
- In August 2010, the District was awarded Accredited Agency Status by the Commission on Fire Accreditation International (CFAI). There are fewer than 220 accredited agencies out of approximately 49,000 fire departments throughout the country and only a dozen accredited agencies in Arizona. This accreditation status verifies that the District has met the highest standards for effectiveness and efficiency in responding to emergencies. With receipt of this recognition, the District possesses a major resource for continuous improvement. The CFAI, its professionalism and its quality of service lend credence to the District's administrative and operational performance. This certification is held for a period of five years and entities must undergo the re-evaluation and peer assessment process again to re-qualify for accreditation. NCFMD completed this re-evaluation process, and in August of 2015, was once again awarded accredited agency status.
- Additionally, in 2010, the District produced its first ever comprehensive annual financial report (CAFR) and submitted it to the Government Finance Officers Association (GFOA)

Management's Discussion and Analysis – Continued

for participation in their certificate of achievement for excellence in financial reporting award program. The District was successful in receiving this award for the last five fiscal years ended June 30.

Although slower, the District is still anticipating continued growth over the next five years. The following factors are expected to play a role in the District's economic outlook:

- Rancho Cabrillo and Coldwater Ranch sub-divisions, which had previously been in the planning stages, have continued construction of single-family residences, which will result in additional tax revenues.
- The District continues to seek new property annexations, expanding the boundaries and the deepening the tax base.
- A large portion of the District's emergency response calls continue to be medically related, which typically result in emergency ambulance transport and associated revenues. During the latter part of fiscal year 2012/2013, the District also expanded the ambulance transport services to include non-emergency interfacility ambulance transports, which currently generate higher revenues than emergency transports and positively impact ambulance revenues.

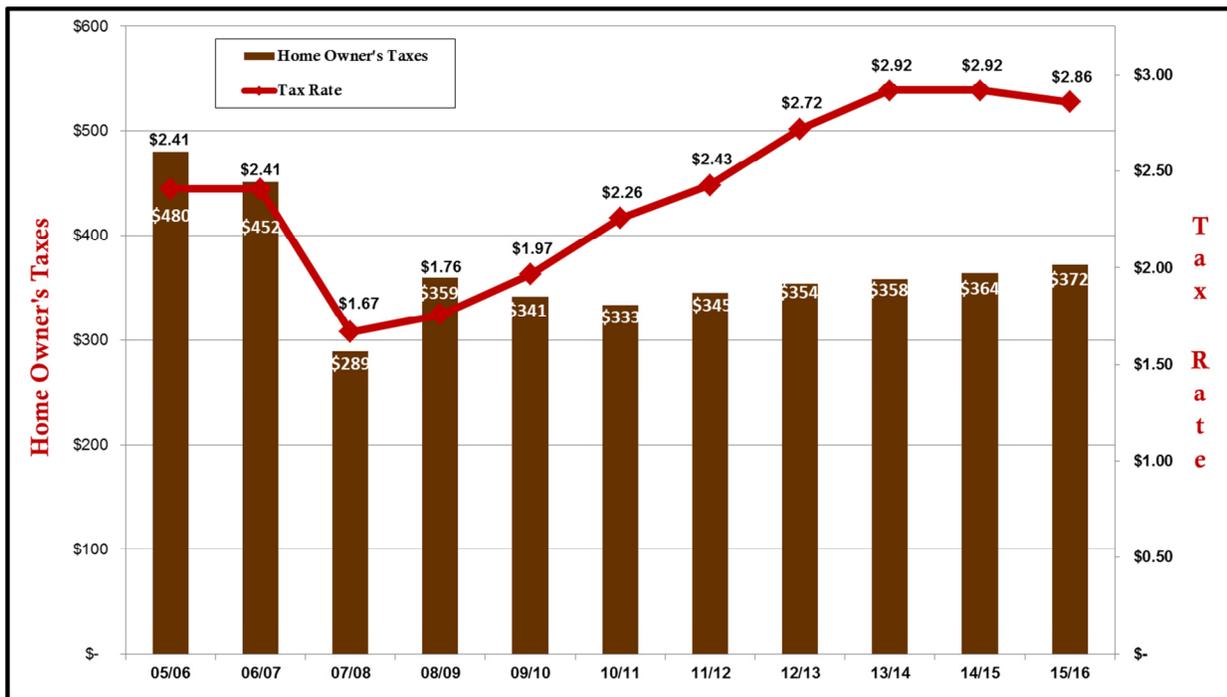
During the year ended June 30, 2015, 78.8% of the District's actual revenues were derived from real property, fire insurance premium and fire district assistance taxes. Due to the potential for future increased housing development within its boundaries, the District is well positioned to benefit from the following elements:

- Potential development of frontier property within areas annexed into the District during recent fiscal years;
- Completion of additional housing developments within the District's boundaries; and,
- Continued increases in program service revenues, specifically ambulance emergent and non-emergent transports, within the District.

The adopted amended budgeted expenditures for the year ended June 30, 2016 are approximately \$14.4 million with approximately \$0.9 million to be provided for retirement of debt and for future capital projects funding. This leaves a net operating budget of \$13.5 million which represents a 9.5% increase compared to the current year's net operating budget. The District was also able to minimize the property tax levy increase to 3.7% from the current year through increases in alternative revenue sources. Due to the increase in the District's levy, combined with a 5.8% increase in net assessed property valuations as set by the Maricopa County Assessor's Office, the District was able to maintain the property tax levy rate at \$2.9177 per \$100 of secondary assessed valuation.

Management’s Discussion and Analysis - Continued

During the annual budgeting process, the District Board considers the impact of the projected levy on the median valued homeowner within the District. The estimated property taxes for the 2015 tax year reflected a slight increase from the previous year due to an increase in the median valued home of 4.4%, this was further compounded with the reduced assessment ratio for commercial property from 19.0% to 18.5% and vacant land remained at 15.0%, which increased the tax burden for residential homeowners. The assessment ratio for commercial property will reduce another 0.5% in tax year 2016 settling at 18.0% in the fiscal year ending June 30, 2017, continuing the transfer of the tax burden from commercial to residential property owners. The chart below reflects the tax rates and the estimated property taxes for the median valued homeowner for more recent years.



Request for Information

The District’s financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District’s finances and to demonstrate the District’s accountability. As always, we appreciate your feedback. We take your responses seriously. Please keep your ideas coming – both favorable and critical. If you have any questions about this report or need additional financial information, please contact the District’s administrative office at (623) 544-5400. Copies of the District’s annual financial reports for the last five years can be found on the District’s website at www.ncfmd.az.gov under the financial section. You may also obtain copies of current and historical financial reports from the administrative office located at 18818 N Spanish Garden Drive, Sun City West, Arizona 85375.



**Basic
Financial
Statements**

North County Fire & Medical District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and investments	\$ 2,447,762
Cash and investments held by fiscal agent	5,573,403
Receivables:	
Property taxes	104,304
Ambulance billings, net	571,124
General accounts	22,558
Capital assets, not being depreciated	2,368,949
Capital assets, being depreciated, net	7,268,742
Total assets	18,356,842
Deferred outflows of resources related to pensions	3,111,774
Total assets and deferred outflows of resources	21,468,616
Liabilities	
Accounts payable	808,063
Accrued payroll and related	386,781
Accrued liabilities	9,831
Noncurrent liabilities:	
Due within one year:	
Compensated absences	99,810
Long-term debt	373,838
Due in more than one year:	
Compensated absences	658,751
Long-term debt	5,853,408
Public Safety Retirement System net pension obligation	10,766,170
Arizona State Retirement System net pension obligation	2,562,547
Total liabilities	21,519,199
Deferred inflows of resources related to pensions	2,076,851
Total liabilities and deferred inflows of resources	23,596,050
Net position	
Net investment in capital assets	3,410,445
Restricted for:	
Community services	56,498
Unrestricted (deficit)	(5,594,377)
Total net position	\$ (2,127,434)

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

North County Fire & Medical District
Statement of Activities
Year Ended June 30, 2015

	Governmental Activities
Expenses:	
<i>Public safety-fire protection and emergency medical services:</i>	
Salaries and wages	\$ 6,841,096
Employee benefits	2,724,010
Materials and supplies	351,765
Administrative	83,724
Professional services	451,991
Utilities and communications	509,204
Repairs and maintenance	189,922
Training and related	85,709
Insurance - general	59,668
Other and grants	58,525
Interest expense	188,549
Depreciation	599,476
Total program expenses	12,143,639
Program revenues:	
Charges for services	
Ambulance fees	2,521,711
Program revenues	323,052
Total program revenues	2,844,763
Net program expense	9,298,876
General revenues:	
Taxes:	
Real and personal property taxes	10,280,074
Fire district assistance tax	407,122
Firefighter relief and pension	122,800
Intergovernmental	53,522
Investment earnings	53,708
Other and contributions	12,817
Total general revenue	10,930,043
Change in net position	1,631,167
Net position - beginning of year, as restated	(3,758,601)
Net position - end of year	\$ (2,127,434)

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

North County Fire & Medical District
Balance Sheets -
Governmental Funds
June 30, 2015

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Projects	
Assets:				
Cash and investments	\$ 1,934,015	\$ 457,249	\$ 56,498	2,447,762
Cash and investments, held by fiscal agent	462,140	5,111,263	-	5,573,403
Receivables (net of allowance for uncollectibles):				
Property taxes	104,304	-	-	104,304
Ambulance billings, net	571,124	-	-	571,124
General accounts	22,558	-	-	22,558
Due from other funds	1,553,421	-	-	1,553,421
Total assets	<u>\$ 4,647,562</u>	<u>\$ 5,568,512</u>	<u>\$ 56,498</u>	<u>\$ 10,272,572</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 435,462	\$ 372,601	\$ -	\$ 808,063
Due to other funds	-	1,549,872	3,549	1,553,421
Accrued payroll and related	386,781	-	-	386,781
Accrued expenditures	9,831	-	-	9,831
Total liabilities	832,074	1,922,473	3,549	2,758,096
Deferred inflows of resources:				
Unavailable revenues				
Property tax receivables	71,750	-	-	71,750
Ambulance receivables	348,859	-	-	348,859
Total deferred inflows of resources	420,609	-	-	420,609
Fund balances:				
Restricted for community services	-	-	52,949	52,949
Committed - capital projects	583,650	3,646,039	-	4,229,689
Assigned	546,893	-	-	546,893
Unassigned	2,264,336	-	-	2,264,336
Total fund balances	<u>3,394,879</u>	<u>3,646,039</u>	<u>52,949</u>	<u>7,093,867</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,647,562</u>	<u>\$ 5,568,512</u>	<u>\$ 56,498</u>	<u>\$ 10,272,572</u>

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

**North County Fire & Medical District
Reconciliation of the Balance Sheet - Governmental Funds,
to the Statement of Net Position
Year Ended June 30, 2015**

Total fund balances	\$	7,093,867
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,525,195 and the accumulated depreciation is \$5,887,504.</p>		9,637,691
<p>Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		420,609
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		(20,314,524)
<p>Some deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds:</p>		
Deferred outflows of resources related to pensions		3,111,774
Deferred inflows of resources related to pensions		(2,076,851)
Net position of governmental activities	<u>\$</u>	<u>(2,127,434)</u>

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

North County Fire & Medical District
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2015

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Projects	
Revenues:				
<i>Taxes:</i>				
Property taxes	\$ 10,208,325	\$ -	\$ -	\$ 10,208,325
Fire district assistance tax	407,122	-	-	407,122
Ambulance fees	2,513,216	-	-	2,513,216
Program revenues	323,052	-	-	323,052
Firefighter relief and pension	122,800	-	-	122,800
Intergovernmental	53,522	-	-	53,522
Investment earnings	5,745	47,947	16	53,708
Other and contributions	281	-	12,536	12,817
Total revenues	13,634,063	47,947	12,552	13,694,562
Expenditures:				
<i>Public safety-fire protection and emergency medical services:</i>				
<i>Current:</i>				
Salaries and wages	6,724,855	-	-	6,724,855
Employee benefits	3,717,777	-	-	3,717,777
Materials and supplies	340,935	-	10,830	351,765
Administrative	83,680	44	-	83,724
Professional services	451,991	-	-	451,991
Utilities and communications	509,204	-	-	509,204
Repairs and maintenance	189,922	-	-	189,922
Training and related	85,709	-	-	85,709
Insurance - general	59,668	-	-	59,668
Other and grants	-	58,525	-	58,525
Capital outlay	-	1,934,502	-	1,934,502
<i>Debt service:</i>				
Principal	357,117	-	-	357,117
Interest	188,549	-	-	188,549
Total expenditures	12,709,407	1,993,071	10,830	14,713,308
Excess of revenues over (under) expenditures	924,656	(1,945,124)	1,722	(1,018,746)
Fund balances, beginning of year	2,470,223	5,591,163	51,227	8,112,613
Fund balances, end of year	\$ 3,394,879	\$ 3,646,039	\$ 52,949	\$ 7,093,867

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

**North County Fire & Medical District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2015**

Net change in fund balances - total governmental funds	\$	(1,018,746)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Expenditure for general capital outlay		1,934,502
Depreciation expense		(599,476)
Property tax revenues and certain charges for services reported in the Statement of Activities that do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.		80,244
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities (includes both PSPRS & ASRS):		
District pension contributions		1,333,435
Pension expense		(339,669)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(116,240)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, activity related to debt consisted of principal paid.		
		<u>357,117</u>
Change in net assets of governmental activities	\$	<u>1,631,167</u>

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

North County Fire & Medical District
Notes to Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

Reporting Entity

The District was established in 1981 pursuant to Arizona Revised Statute Title 48 and is a special purpose local government governed by a separately elected governing body. The District is legally separate and fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

Basis of Presentation

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

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

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

Program revenues include:

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

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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

The effect of interfund activity has been eliminated from the government-wide financial statements to minimize the duplicate reporting of internal activities.

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *capital projects* fund is used to account for activities related to the acquisition or construction of significant capital assets.
- The *special projects* fund is a special revenue fund used to account for restricted donations and related expenditures for community service programs.

Basis of Accounting

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

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

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

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

All other revenue items are considered to be measureable and available only when cash is received by the government.

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).

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Nonspendable fund balance - amounts that cannot be expended because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances - amounts that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances - amounts with self-imposed limitations approved by the District's board of directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the board through a formal resolution.

Assigned fund balances - amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for specific purposes.

Unassigned fund balance - the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

Commitments of Fund Balance

The District has adopted a policy whereby it will transfer any unassigned and unencumbered revenues to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. As of June 30, 2015, the District's governing board has committed \$583,650 of the general fund balance to be transferred and used for future capital projects.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Assignments of Fund Balance

Effective June 30, 2015, the District has adopted a policy whereby it will assign unencumbered revenues equivalent to the unexpended budgeted wages and benefits to the employee benefit liability account (EBLA) within the general fund. This assignment will provide for the funding of previously unfunded liabilities associated with compensated absences. The EBLA will be evaluated annually and monies assigned based on the unexpended budget associated with wages and benefits, the fiscal year end compensated absence liability and current balance of the EBLA. Such assignments are not restricted by state statute and can be unassigned upon board approval. As of June 30, 2015, \$546,893 was assigned for this purpose.

Cash and Investments

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

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

Prepaid Items

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

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

Receivables and Payables

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

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

All program service receivables are shown net of an allowance for uncollectible accounts. The amount of the estimated uncollectible program service receivables at June 30, 2015, was \$1,093,854, which represents 64.8% of the current program service receivables balance of \$1,687,536.

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

Capital Assets

Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<u>Capital asset class</u>	<u>Threshold</u>	<u>Estimated useful life</u>
Buildings	\$ 50,000	30 to 40 years
Improvements, other than buildings	\$ 50,000	30 to 40 years
Vehicles, furniture and equipment	\$ 5,000	3 to 15 years

Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Restricted Assets

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

Note 1 – Summary of Significant Accounting Policies - Continued

Compensated Absences

Effective July 1, 2012, the District modified the accrued leave management policy which directly affects compensated absences. With the adoption of the changes to this policy, the District classified employees into two categories: tier 1 employees are employees hired after July 1, 2012, and tier 2 employees are employees hired prior to July 1, 2012.

Tier 1 employees accrue paid-time-off (PTO) on a bi-weekly basis after successful completion of six months of their initial probationary period. PTO may be utilized for vacations, personal business, illness, injury or family needs. PTO time is subject to maximum accrual limitations of 960 hours for shift personnel and 640 hours for non-shift personnel and any balances held at termination are paid in full to the employee.

Tier 2 employees receive annual accruals of sick and vacation leave on the anniversary of their date of hire. Vacation is accrued in accordance with District policy determined shift and non-shift classifications and years of service. Vacation leave must be utilized within the twelve month period after date of issue or it is forfeited under current District policy and any balances are paid in full at termination. Leave accruals are to be used throughout the year. Any unused allotments are accrued and carried forward to subsequent years. Upon separation from the District, accrued sick leave is forfeited per policy with the following exception: if (i) the employee has met all requirements of District policy, (ii) qualifies for normal retirement under the Arizona State Retirement System (ASRS) or the Public Safety Personnel Retirement System (PSPRS), and (iii) separates from the District for the purposes of formally retiring and immediately drawing retirement benefits, they will be eligible for a pay-out of remaining accrued sick leave at a ratio of 50%. Tier 2 employees will eventually be eliminated through attrition, ultimately reducing compensated absence liabilities. All compensated absence liabilities are paid by the general fund.

Long-term Obligations

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

Intergovernmental Grants and Aid

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

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

Estimates

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

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year; under statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

Note 2 – Cash and Investments

Arizona Revised Statutes (ARS) require all monies levied by the District to be collected and held by the County Treasurer's office and included in the County's Local Government Investment Pool (LGIP). Monies received by the District as part of services, contributions or proceeds from the issuance of long-term debt can be deposited with the County LGIP, the State of Arizona LGIP or with local financial institutions based on the District's policies.

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

Cash on Hand and Deposits – At June 30, 2015, the District's carrying amount of deposits with the County Treasurer's LGIP was \$462,140 and the State of Arizona LGIP was \$5,111,263. The carrying amount of the total cash in bank was \$2,447,462, and the bank balance was \$2,443,624. In addition, total cash on hand was \$300. At June 30, 2015, uninsured deposit balances were \$2,166,243, of which \$1,954,568 was insured by collateral held by the pledging financial institution's trust department in the District's name, leaving \$211,675 in uncollateralized funds.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments - Continued

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

Credit risk - State law limits deposits and investments to the Arizona State Treasurer's Local Government Investment Pool (LGIP); interest bearing savings accounts, and certificates of deposit which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In the case of demand and time deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Interest rate risk – At June 30, 2015, the District's investments can be withdrawn from the pool at will and therefore, are not subject to a significant amount of interest rate risk.

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

Note 3 – Receivables

Receivables as of June 30, 2015 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Taxes	\$ 104,304
Program services	1,664,978
Other fees and reimbursements	<u>22,558</u>
Gross receivables	1,791,840
Less allowance for uncollectibles	<u>(1,093,854)</u>
Net total receivables	<u>\$ 697,986</u>

Notes to Financial Statements - Continued

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance as restated, June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2015</u>
Capital assets not being depreciated:				
Land and improvements	\$ 355,166	\$ -	\$ -	\$ 355,166
Construction in progress	79,281	1,934,502	-	2,013,783
Total capital assets not being depreciated	434,447	1,934,502	-	2,368,949
Capital assets being depreciated:				
Buildings and improvements	8,437,323	-	-	8,437,323
Apparatus	3,857,863	-	-	3,857,863
Operations equipment	512,243	-	-	512,243
Communications and computer equipment	355,197	-	(6,380)	348,817
Total capital assets being depreciated	13,162,626	-	(6,380)	13,156,246
Less: accumulated depreciation for:				
Buildings and improvements	(2,264,443)	(294,446)	-	(2,558,889)
Apparatus	(2,328,517)	(211,369)	-	(2,539,886)
Operations equipment	(480,243)	(17,755)	-	(497,998)
Communications and computer equipment	(221,205)	(75,906)	6,380	(290,731)
Total accumulated depreciation	(5,294,408)	(599,476)	6,380	(5,887,504)
Total capital assets being depreciated, net	7,868,218	(599,476)	-	7,268,742
Total capital assets, net	<u>\$ 8,302,665</u>	<u>\$ 1,335,026</u>	<u>\$ -</u>	<u>\$ 9,637,691</u>

Notes to Financial Statements - Continued

Note 5 – Changes in Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2015 follows:

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2015</u>	<u>Due Within 1 Year</u>
Compensated absences	\$ 642,320	\$ 271,720	\$(155,479)	\$ 758,561	\$ 99,810
PSPRS pension obligation	10,766,170	-	-	10,766,170	-
ASRS pension obligation	2,562,547	-	-	2,562,547	-
Obligations under capital leases	<u>6,584,363</u>	<u>-</u>	<u>(357,117)</u>	<u>6,227,246</u>	<u>373,838</u>
Total	<u>\$ 20,555,400</u>	<u>\$ 271,720</u>	<u>\$(512,596)</u>	<u>\$ 20,314,524</u>	<u>\$ 473,648</u>

Capital Leases

In previous years, the District acquired buildings, vehicles, and equipment under an agreement that was refinanced during the 2014 fiscal year. The proceeds from the new lease totaled \$6,202,391 in which \$5,199,894 was used to repay the outstanding principal and accrued interest on the old lease and the issuance costs. The remaining \$1,002,497 was placed in escrow for future improvements and equipment purchases. The refinanced lease extends the term from 2025 to 2028 while the interest rate decreased from 4.30% to 2.99%. The total increase in future principal and interest payments because of the new debt is \$1,524,855. The estimated economic gain because of this transaction was \$143,551 and the difference between the carrying value of the old debt and the reacquisition price was not considered material to record as a deferred outflow in the government-wide financial statements. Upon the final payment, title to the leased assets transfers to the District.

During the 2013 fiscal year, the District entered into a purchase agreement with a company to lease solar equipment for up to 20 years. The District used its implicit borrowing rate of 3% to calculate the present value of future minimum payments which resulted in a net present value of minimum lease payments of \$800,539. The agreement provides a buyout option which extends through the end of the lease period.

At June 30, 2015, assets acquired through capital leases are as follows:

Buildings and improvements	\$ 6,639,308
Less: accumulated depreciation	<u>(1,387,828)</u>
Net carrying value	<u>\$ 5,251,480</u>

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2015 were as follows:

Notes to Financial Statements - Continued

Note 5 – Changes in Long-Term Liabilities - Continued

<u>Year ended June 30,</u>	
2016	\$ 560,035
2017	557,738
2018	557,738
2019	557,738
2020	557,738
2021-2025	2,788,689
2026-2030	1,763,212
2031-2033	345,000
Total minimum lease payments	<u>7,687,888</u>
Less: amount representing interest	<u>(1,460,642)</u>
Present value of minimum lease payments	<u>\$ 6,227,246</u>

Note 6 – Operating Leases

The District leases the land upon which Fire Station 104 will be constructed under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. The terms of the operating lease are \$1 annually for 50 years, with renewal options for 5-year terms thereafter. The effect of this lease on current and future reporting periods is nominal.

Note 7 – Tax and Revenue Anticipation Line of Credit

On behalf of the District, the Maricopa County Treasurer’s Office established a line of credit in the amount of \$3,000,000, with a local financial institution; interest is calculated at approximately 60% of the current prime rate. The line of credit can only be drawn by the County Treasurer to pay warrants issued by the District prior to the collection of the property tax levy in the current year. Pursuant to Arizona Revised Statute §48-807(H), the balance on the line of credit may not exceed 90% of the District’s tax levy outstanding and to be collected. The line of credit is paid by the County Treasurer upon receipt of property taxes or as cash is available. During the year ended June 30, 2015, the District did not utilize the line of credit.

Note 8 – Net Revenue

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

Notes to Financial Statements - Continued

Note 8 – Net Revenue - Continued

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2015 are reported in the fund financial statements as follows:

Gross program service revenues	\$ 7,444,819
Contractual adjustments and uncompensated services	<u>(4,871,603)</u>
Net program service revenue	<u>\$ 2,513,216</u>

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these payers not cover the entire amount of the services rendered, such differences are adjusted as uncompensated services with the remaining amounts necessary to support the program being subsidized with property tax revenues.

Note 9 – Commitments and Contingencies

Construction Commitments

The District had major contractual commitments related to various capital projects as of June 30, 2015 as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining</u>
Station 103	\$ 759,666	\$ 450,078
Station 104	977,730	290,784
Water tender	-	290,000
Engine pumper	-	537,000
Ambulances (2)	-	550,000

The remaining contractual commitments of \$2,117,862 include major renovations of existing facilities and construction of a new fire station, and the production of four large apparatus units.

Inter-governmental Agreements and Indemnifications

The District has a cancelable agreement with the City of Phoenix for computer aided dispatching and mobile digital communications equipment. The agreement renews each year unless cancelled by one or both parties at least three months prior to the first of July for the upcoming year. Should the District not renew the contract, substantial costs would be incurred to construct the necessary dispatching and communications infrastructure. The annual expense under this agreement for the year ended June 30, 2015 was \$379,560. The District is not responsible for repairs and maintenance expenses related to equipment used in their District, these costs are covered under the annual agreement.

Notes to Financial Statements - Continued

Note 9 – Commitments and Contingencies – Continued

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

Additionally, the District has received a certificate of necessity from the Arizona Department of Health Services to provide ambulance services within the District's boundaries. Should the certificate be terminated, the District would be unable to provide the extended ambulance services currently provided within the community. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management

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

Note 10 – Interfund Receivables, Payables and Transfers

Interfund balances resulted from cash being pooled in the general fund on behalf of other funds or expenditures that occurred within the general fund and were later reimbursed by other funds. At June 30, 2015, the general fund had an interfund receivable from the capital projects fund totaling \$1,549,873 and \$3,549 from the special projects fund.

Note 11 – Employee Retirement Systems and Post Employment Plans

The District and employees contribute to two retirement plans. These plans are the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

At June 30, 2015, the District reported the following aggregate amounts related to pensions for which it contributes:

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension liability	\$ 2,562,547	\$ 10,766,170	\$ 13,328,717
Deferred outflows of resources	321,810	2,789,964	3,111,774
Deferred inflows of resources	607,448	1,469,403	2,076,851
Pension expense	191,574	1,141,861	1,333,435

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

A. Arizona State Retirement System

Plan Description: The District contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained online at www.azasrs.gov, by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

Benefits Provided - Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree’s average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents. 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	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
Years of service and receive benefits	Sum of years and age equals 80 10 years age 62 any years age 65	30 years age 55 25 years age 60 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%

* 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 earning. 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 contribution and employer’s contributions, plus interest earned.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members’ and the County’s contribution rates. 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 year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent retirement, .59 percent for health insurance premiums and .12 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to ASRS for the year ended June 30, 2015 was \$191,574.

The District’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long- Term Disability Fund
2015	\$ 179,848	\$ 9,744	\$ 1,982
2014	164,006	9,197	3,678
2013	160,217	10,160	3,751

During fiscal year 2015, the District paid for ASRS from the general fund.

Pension Liability – At June 30, 2015, the District reported a liability of \$2,562,547 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all employers’ contributions for the year ended June 30, 2014. The District’s proportion measure as of June 30, 2014, was 0.017 percent, which was consistent to its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended June 30, 2015, the District recognized pension expense for ASRS of \$191,574. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to ASRS from the following sources:

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 130,236	\$ -
Net difference between projected and actual earnings	-	448,110
Changes in proportion and differences between contributions and proportionate share of contributions	-	159,338
District contributions subsequent to the measurement date	<u>191,574</u>	<u>-</u>
Total	<u><u>\$ 321,810</u></u>	<u><u>\$ 607,448</u></u>

The \$191,574 reported as deferred outflows of resources relates to ASRS pensions resulting from the District’s contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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

2016	\$(124,681)
2017	(124,681)
2018	(115,824)
2019	(112,026)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.5%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 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 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 District’s Proportionate Share of the ASRS Net Pension Liability in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
The District’s proportionate share of the net pension liability	<u>\$ 3,238,929</u>	<u>\$ 2,562,547</u>	<u>\$ 2,195,577</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

B. Public Safety Personnel Retirement System

Plan Description – During 1989, the District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. 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 of PSPRS. The reports are available on the PSPRS Web site at www.psprs.com.

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

<u>Retirement and Disability</u>	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
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 retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80% to 100% of retired members pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. 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, 2015, the following employees were covered by the agent pension plan's benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	3
Active employees	54
Total	<u>71</u>

Contributions - 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 costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015, active PSPRS members were required to contribute 11.05% of the members' annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2015, was 12.32% for the pension plan, and 0.76% for the health insurance premium benefit. Total contributions made during the year were \$1,141,861.

Pension Liability – The net pension liabilities were measured as of June 30, 2014, 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 liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Annual Pension Cost (APC) - The District's annual and required contributions for the year ended June 30, 2015, were \$1,141,861. The District's most recent actuarial valuation is for the year ended June 30, 2014. Information related to this valuation follows.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Pension actuarial assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount Rate	7.85%
Projected salary increases	4 - 8%
Inflation	4%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2011.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Pension Discount Rates - The projection of cash flows used to determine the PSPRS discount rate 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 rate 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.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 23,324,817	\$ 13,631,297	\$ 9,693,520
Changes for the current year:			
Service Cost	806,556	-	806,556
Interest on the total pension liability	1,827,197	-	1,827,197
Changes of benefit terms	277,294	-	277,294
Differences between expected and actual experience in the measurement of the pension liability	(612,082)	-	(612,082)
Change of assumptions or other inputs	1,891,492	-	1,891,492
Contributions – Employer	-	977,124	(977,124)
Contributions – Employee	-	452,080	(452,080)
Net investment income	-	1,845,051	(1,845,051)
Benefit payments, including refunds of employee contributions	(903,404)	(903,404)	-
Other changes	-	(156,448)	156,448
Net Changes	3,287,053	2,214,403	1,072,650
Balances at June 30, 2015	\$ 26,611,870	\$ 15,845,700	\$ 10,766,170

Sensitivity of the District’s net pension liability to changes in the discount rate – The following table presents the District’s net pension liability calculated using the discount rates noted above, as well as what the District’s 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% Decrease 6.85%	Current Discount Rate 7.85%	1% Increase 8.85%
Net pension liability	\$ 14,412,517	\$ 10,766,170	\$ 7,750,711

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2015, the District recognized pension expense for PSPRS of \$1,141,861. At June 30, 2015, the District reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 533,322
Changes of assumptions or other inputs	1,648,103	-
Net difference between projected and actual earnings on pension plan investments	-	936,081
District contributions subsequent to the measurement date	1,141,861	-
Total	\$ 2,789,964	\$ 1,469,403

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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,	
2016	\$ 15,525
2017	15,525
2018	15,525
2019	15,525
2020	42,071
Thereafter	74,530
	\$ 178,701

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015 were established by the June 30, 2013 actuarial valuations, and those valuations were based on the following actuarial methods and assumptions.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plan's funded status 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 plan's 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 the District and plan's members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5%
Wage growth	4.5%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

<u>PSPRS</u>	<u>Year ending June 30,</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>
Health Insurance	2015	\$ 907,227	100%
	2014	864,460	100%
	2013	809,887	100%

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Agent Plan OPEB Funding Status (Required Supplementary Information) – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow:

Health Insurance

Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2014	\$ 387,218	\$ 761,966	\$ 374,748	50.82%	\$4,471,923	8.38%
2013	-	722,537	722,537	-%	4,204,058	17.2%
2012	-	689,411	689,411	-%	3,815,526	16.9%

The actuarial methods and assumptions used are the same or all the PSPRS health insurance premium benefit plans (unless noted), and the most recent valuation date are as follows:

OPEB Funded Status

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; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8%
Wage growth	4%

C. Deferred Compensation and Post Employment Health Plans

The District has established a defined contribution deferred compensation plan for all employees to provide for supplementary retirement benefits. Contributions to the plan are administered by a third-party and totaled \$198,887 for the year ended June 30, 2015.

The District has also established a defined contribution deferred compensation plan for all employees to provide for post employment health benefits. Contributions to the plan are administered by a third-party and provide for post-employment reimbursement of qualifying medical premiums for the benefit of employees and their dependents. Contributions for the year ended June 30, 2015 totaled \$65,917.

Notes to Financial Statements - Continued

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

The District provides neither administrative services nor investment advice. Accordingly, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for either of the aforementioned plans, are not included as a fund of the District.

Note 12 – Restatement of Net Position

Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities
Net position as previously reported at June 30, 2014	\$ 9,528,958
Prior period adjustment – implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2014)	(13,328,717)
Deferred inflows of resources – pension related	41,158
Net position as restated, July 1, 2014	<u><u>\$ (3,758,601)</u></u>



Required Supplementary Information

(Other than Management's Discussion and Analysis)

**North County Fire & Medical District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015**

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
<i>Taxes:</i>			
Property taxes	\$ 10,193,883	\$ 10,208,325	\$ 14,442
Fire district assistance tax	400,000	407,122	7,122
Ambulance fees	2,029,892	2,513,216	483,324
Program Revenues	152,175	323,052	170,877
Intergovernmental	100,000	53,522	(46,478)
Contractual & Miscellaneous	185,869	122,800	(63,069)
Investment earnings	4,000	5,745	1,745
Other	181,807	281	(181,526)
Total revenues	<u>13,247,626</u>	<u>13,634,063</u>	<u>386,437</u>
Expenditures:			
<i>Public Safety-Fire Protection and EMS</i>			
<i>Current:</i>			
Salaries and wages	6,870,664	6,724,855	145,809
Employee benefits	3,712,648	3,717,777	(5,129)
Materials and supplies	380,040	340,935	39,105
Professional services	339,961	451,991	(112,030)
Utilities and communications	607,765	509,204	98,561
Repairs and maintenance	188,874	189,922	(1,048)
Training and related	111,776	85,709	26,067
Insurance	61,224	59,668	1,556
Administrative	92,284	83,680	8,604
Contingency	350,000	-	350,000
Capital outlay	19,650	-	19,650
<i>Debt service:</i>			
Principal	340,942	357,117	(16,175)
Interest	171,798	188,549	(16,751)
Total expenditures	<u>13,247,626</u>	<u>12,709,407</u>	<u>538,219</u>
Excess of revenues over expenditures	<u>-</u>	<u>924,656</u>	<u>924,656</u>
Fund balances, beginning of year	<u>2,470,223</u>	<u>2,470,223</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,470,223</u>	<u>\$ 3,394,879</u>	<u>\$ 924,656</u>

The accompanying notes are an
integral part of this schedule.

**North County Fire & Medical District
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2015**

Note 1 – Budgetary Requirements and Basis of Accounting

The District’s budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget.

Note 2 - Expenditures in Excess of Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the general fund for the following programs:

Professional services	\$ 112,030
Interest	16,751
Principal payments	16,174
Employee benefits	5,129
Repairs and maintenance	1,048

The excesses for the above expenditures were primarily the result of unexpected expenditures incurred.

**North County Fire & Medical District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended June 30, 2015**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
District's proportion of the net pension liability	0.0173%	Information
District's proportion share of the net pension liability	\$ 2,562,547	not available
County's covered-employee payroll	1,532,764	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.18%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

**North County Fire & Medical District
Required Supplementary Information
Schedule of Changes in the
Net Pension Liability and Related Ratios
Year Ended June 30, 2015**

	Fiscal Year	
	2015	2014 through 2006
Total pension liability		
Service cost	\$ 806,556	Information not available
Interest on total pension liability	1,827,197	
Changes of benefit terms	277,294	
Difference between expected and actual experience in the measurement of the pension liability	(612,082)	
Changes of assumptions or other inputs	1,891,492	
Benefit payments, including refunds of employee contributions	(903,404)	
Net change in pension liability	3,287,053	
Total pension liability - beginning	23,324,817	
Total pension liability - ending (a)	<u>\$ 26,611,870</u>	
Plan fiduciary net position		
Contributions - employer	\$ 977,124	
Contributions - employee	452,080	
Net investment income	1,845,051	
Benefit payments, including refunds of employee contributions	(903,404)	
Administrative expense	-	
Other changes	(156,448)	
Net change in plan fiduciary net position	2,214,403	
Plan fiduciary net position - beginning	13,631,297	
Plan fiduciary net position - ending (b)	<u>\$ 15,845,700</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 10,766,170</u>	
Plan fiduciary net position as a percentage of the total pension liability	60%	
Covered-employee payroll	\$ 4,471,926	
District's net pension liability as a percentage of covered-employee payroll	241%	

See accompanying notes to pension plan schedules.

**North County Fire & Medical District
Required Supplementary Information
Schedule of Pension Contributions
Year Ended June 30, 2015**

ASRS

	Fiscal Year		2006 through 2013
	2015	2014	
Actuarially determined contribution	\$ 191,574	\$ 176,881	Information not available
District's contributions in relation to the actuarially determined contribution	<u>191,574</u>	<u>176,881</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 1,651,500</u>	<u>\$ 1,532,764</u>	
District's contributions as a percentage of covered-employee payroll	<u>11.60%</u>	<u>11.54%</u>	

PSPRS

	Fiscal Year		2006 through 2013
	2015	2014	
Actuarially determined contribution	\$ 1,141,861	\$ 977,124	Information not available
District's contributions in relation to the actuarially determined contribution	<u>1,141,861</u>	<u>977,124</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 4,867,868</u>	<u>\$ 4,471,926</u>	
District's contributions as a percentage of covered-employee payroll	<u>23.46%</u>	<u>21.85%</u>	

See accompanying notes to pension plan schedules.

**North County Fire & Medical District
Notes to Pension Plan Schedules
Year Ended June 30, 2015**

Note 1 – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

Statistical Section



**North County Fire & Medical District
Statistical Section Schedules**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends..... **56-59**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Condensed Summary of Net Position
- Changes in Net Position
- Fund Balances of Governmental Funds
- Summary Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Revenue Capacity..... **60-64**

These schedules contain information to help the reader assess the District's sources of revenue, specifically the most significant revenue source, property taxes.

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Rates
- Overlapping Tax Rate Details
- Principal Property Tax Payers
- Property Tax Levies and Collections

Debt Capacity..... **65**

This schedule presents information to help the reader assess the District's current outstanding levels of debt and the District's ability to issue additional (bonded) debt in the future.

- Outstanding Debt and Debt Limitations

Demographic and Economic Information..... **66**

This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

- County-Wide Demographic and Economic Statistics

Operating Information..... **67-68**

These schedules contain service and capital asset data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities which it performs.

- Summary of Emergency Responses
- Summary of District Assets and Employees

North County Fire & Medical District
CONDENSED SUMMARY OF NET POSITION
Last Ten (10) Years (as of June 30)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(as restated)*									
ASSETS										
Current	\$ 8,719,151	\$ 9,508,593	\$ 6,824,469	\$ 6,164,243	\$ 5,359,731	\$ 4,417,110	\$ 5,541,732	\$ 6,325,568	\$ 3,859,938	\$ 3,731,360
Capital	9,637,691	8,302,665	9,022,759	8,522,111	9,085,299	9,250,168	8,240,692	6,754,129	5,534,255	6,156,444
Total	18,356,842	17,811,258	15,847,228	14,686,354	14,445,030	13,667,278	13,782,424	13,079,697	9,394,193	9,887,804
DEFERRED OUTFLOWS OF RESOURCES										
Pension related	3,111,774	1,778,340	-	-	-	-	-	-	-	-
LIABILITIES										
Other	1,204,675	1,055,617	1,018,838	812,381	910,671	781,597	1,045,413	634,254	681,744	467,139
Long-term debt	20,314,524	20,555,400	5,774,295	5,317,188	5,652,265	6,094,122	6,438,657	6,757,859	3,479,606	3,786,646
Total	21,519,199	21,611,017	6,793,133	6,129,569	6,562,936	6,875,719	7,484,070	7,392,113	4,161,350	4,253,785
DEFERRED INFLOWS OF RESOURCES										
Pension related	2,076,851	1,737,182	-	-	-	-	-	-	-	-
NET POSITION										
Net investment in capital assets	3,410,445	1,718,302	3,264,566	3,204,923	3,433,034	3,512,632	3,626,255	3,475,631	2,195,970	2,369,798
Restricted	56,498	51,227	37,150	35,154	33,042	-	-	-	-	-
Unrestricted	(5,594,377)	(5,528,130)	5,752,379	5,316,708	4,416,018	3,278,927	2,672,099	2,211,953	3,036,873	3,264,221
TOTAL NET POSITION	\$ (2,127,434)	\$ (3,758,601)	\$ 9,054,095	\$ 8,556,785	\$ 7,882,094	\$ 6,791,559	\$ 6,298,354	\$ 5,687,584	\$ 5,232,843	\$ 5,634,019

SOURCE: The schedules on pages 53 through 56 were prepared using current and prior year audited financial statements.

NOTE: The District adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments" during the fiscal year ended June 30, 2004.

* The District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," as amended by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." during fiscal year ended June 30, 2015.

North County Fire & Medical District
 Summary of Revenues, Expenses and Changes in Net Position
 Last Ten (10) Years (as of June 30)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENSES										
Public Safety	\$ 12,143,639	\$ 12,486,053	\$ 11,727,503	\$ 11,083,145	\$ 11,017,486	\$ 10,507,355	\$ 10,437,123	\$ 9,536,847	\$ 9,018,333	\$ 8,392,341
PROGRAM REVENUES										
Charges For Services	2,844,763	2,536,503	1,863,373	1,613,248	1,862,663	1,573,683	1,685,837	1,855,738	2,273,940	1,989,677
Capital Grants	-	-	-	212,463	-	134,679	-	-	-	157,429
Intergovernmental & Operating Grants	176,322	123,940	116,575	100,672	29,655	12,094	3,758	34,568	45,706	-
NET PROGRAM EXPENSES	(9,122,554)	(9,825,610)	(9,747,555)	(9,156,762)	(9,125,168)	(8,786,899)	(8,747,528)	(7,646,541)	(6,698,687)	(6,245,235)
GENERAL REVENUES										
Property Taxes	10,280,074	9,956,685	9,735,426	9,411,765	9,891,153	8,838,269	8,876,270	7,592,110	7,026,156	6,556,821
County Aid	407,122	396,646	403,245	302,972	300,965	297,640	291,383	295,715	293,801	298,600
Other Revenues	66,525	103,112	106,193	116,716	23,585	144,195	190,645	213,457	250,230	301,134
Total General Revenues	10,753,721	10,456,443	10,244,864	9,831,453	10,215,703	9,280,104	9,358,298	8,101,282	7,570,187	7,156,555
TOTAL CHANGE IN NET POSITION	<u>\$ 1,631,167</u>	<u>\$ 630,833</u>	<u>\$ 497,310</u>	<u>\$ 674,691</u>	<u>\$ 1,090,535</u>	<u>\$ 493,205</u>	<u>\$ 610,770</u>	<u>\$ 454,741</u>	<u>\$ 871,500</u>	<u>\$ 911,320</u>

North County Fire & Medical District
 FUND BALANCES
 GOVERNMENTAL FUNDS
 Last Ten (10) Years (as of June 30)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL FUND										
Unassigned	\$ 2,264,336	\$ 1,275,677	\$ 350,935	\$ 356,784	\$ 110,039	\$ 1,125,881	\$ 1,260,272	\$ 574,402	\$ 193,518	\$ 683,016
Assigned	546,893	431,315	127,910	-	-	-	-	-	-	-
Committed	583,650	744,546	862,738	738,233	1,245,500	-	-	-	-	-
Nonspendable	-	18,685	9,092	2,979	92,900	6,990	-	71,321	76,879	-
Total	3,394,879	2,470,223	1,350,675	1,097,996	1,448,439	1,132,871	1,260,272	645,723	270,397	683,016
OTHER GOVERNMENTAL FUNDS										
Restricted	52,949	51,227	37,150	34,154	33,042	-	-	-	-	-
Committed	3,646,039	5,591,163	4,654,877	4,256,579	2,888,274	2,639,282	3,375,742	5,218,748	3,161,796	2,653,718
Total	3,698,988	5,642,390	4,692,027	4,290,733	2,921,316	2,639,282	3,375,742	5,218,748	3,161,796	2,653,718
TOTAL GOVERNMENTAL FUNDS										
General Fund	3,394,879	2,470,223	1,350,675	1,097,996	1,448,439	1,132,871	1,260,272	645,723	270,397	683,016
Other Governmental Funds	3,698,988	5,642,390	4,692,027	4,290,733	2,921,316	2,639,282	3,375,742	5,218,748	3,161,796	2,653,718
TOTAL	\$ 7,093,867	\$ 8,112,613	\$ 6,042,702	\$ 5,388,729	\$ 4,369,755	\$ 3,772,153	\$ 4,636,014	\$ 5,864,471	\$ 3,432,193	\$ 3,336,734

NOTE: The District only maintained two governmental funds, the General Fund and the Capital Projects Fund until fiscal year ending June 30, 2010. Beginning with the fiscal year starting July 1, 2010, it was determined that it was necessary to create the Special Revenue Fund to better manage the collection and disbursement of funds for specified programs such as the Paramedic Training, the Fire Corps, Fire & Life Safety, and the Child Safety Seat Loaner Programs. These funds are donated by citizens and local organizations for restricted use and are strictly utilized in accordance with the donor's request.

North County Fire & Medical District
SUMMARY OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Last Ten (10) Years (as of June 30)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Property Taxes	\$ 10,208,325	\$ 9,959,620	\$ 9,793,925	\$ 9,411,765	\$ 10,072,425	\$ 8,845,395	\$ 8,837,614	\$ 7,588,003	\$ 7,028,692	\$ 6,526,885
Charges for Services	2,513,216	2,059,604	1,539,939	1,530,232	1,509,132	1,409,749	1,563,378	1,615,844	1,402,913	1,925,373
Other revenues	973,021	1,046,081	921,175	1,019,470	318,610	736,683	567,053	775,715	1,124,522	757,163
Total	13,694,562	13,065,305	12,255,039	11,961,467	11,900,167	10,991,827	10,968,045	9,979,562	9,556,127	9,209,421
EXPENDITURES										
Public Safety	12,233,140	11,502,108	10,694,922	10,345,426	10,061,441	9,708,503	9,609,838	9,056,778	8,290,784	7,682,597
Capital Projects	1,934,502	141,347	322,137	23,044	541,472	1,530,564	1,984,341	1,576,017	703,417	2,205,655
Debt Service										
Principal	357,116	407,122	359,534	335,077	441,857	344,535	319,202	321,377	307,040	269,786
Interest	188,549	178,110	225,470	237,949	257,795	272,086	283,122	192,742	159,427	196,680
Total expenditures	14,713,307	12,228,687	11,602,063	10,941,496	11,302,565	11,855,688	12,196,503	11,146,914	9,460,668	10,354,718
Excess of revenues										
Over/(Under) Expenditures	(1,018,745)	836,618	652,976	1,019,971	597,602	(863,861)	(1,228,458)	(1,167,352)	95,459	(1,145,297)
OTHER FINANCING SOURCES/USES										
Purchase lease proceeds	-	6,202,391	-	-	-	-	6,300,000	-	-	2,602,162
Payoff of lease from new debt proceeds	-	(4,969,100)	-	-	-	-	(2,700,370)	-	-	-
TOTAL CHANGE IN FUND BALANCE	\$ (1,018,745)	\$ 2,069,909	\$ 652,976	\$ 1,019,971	\$ 597,602	\$ (863,861)	\$ 2,371,172	\$ (1,167,352)	\$ 95,459	\$ 1,456,865
Debt Service as a percentage of non-capital expenditures	4.46%	5.09%	5.47%	5.54%	6.95%	6.35%	6.27%	5.68%	5.63%	6.07%

North County Fire & Medical District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten (10) Years

Fiscal Year Ended June 30,	Secondary Net Assessed Value	Direct Rate	Estimated Actual Value	Ratio of Net Assessed to Estimated
2015	\$ 349,386,465	\$2.9177	\$ 3,485,541,781	10.0%
2014	339,271,938	2.9177	3,405,655,072	10.0%
2013	355,766,535	2.7189	3,564,904,974	10.0%
2012	388,861,955	2.4280	3,894,804,295	10.0%
2011	433,885,773	2.2555	4,318,955,713	10.0%
2010	455,991,330	1.9660	4,450,495,119	10.2%
2009	505,223,198	1.7800	4,964,405,414	10.2%
2008	458,677,185	1.6670	4,448,423,105	10.3%
2007	293,512,421	2.4080	2,788,336,307	10.5%
2006	271,327,006	2.4080	2,574,213,367	10.5%

SOURCE: Maricopa County Assessors Office

NOTE: Secondary Net Assessed (or Full Cash) Values (SNAV) are based on Estimated Actual Value with an applicable rate of 10% (ARS § 42-15004) for residential property, 16%¹ (ARS § 42-15002) for Vacant Land and 19%² (ARS § 42-15001) for non-public utility and commercial property. Public utility infrastructure is centrally assessed by the Arizona Department of Revenue. Secondary Assessed Values (Estimated Actual Values) are determined each calendar year. The tax rate of the district is determined by the approved budget applicable divided by the Secondary Assessed Value as of July 1st of the respective fiscal year.

REF (1): Vacant Land Assessment Ratios are the following percentage of its full cash value, as applicable (ARS § 42-15002):

16.0% 16.0% Through December 31, 2015
15.0% 15.0% Beginning from and after December 31, 2015

REF (2): Non-Public and Commercial Property Assessment Ratios are the following percentage of its full cash value or limited valuation, as applicable (ARS § 42-15001):

25.0% Through December 31, 2005
24.5% Through December 31, 2006
24.0% Through December 31, 2007
23.0% Through December 31, 2008
22.0% Through December 31, 2009
21.0% Through December 31, 2010
20.0% Through December 31, 2012
19.5% Through December 31, 2013
19.0% Through December 31, 2014
18.5% Through December 31, 2015
18.0% Beginning from and after December 31, 2015

North County Fire & Medical District
Direct and Overlapping Tax Rates
Last Ten (10) Years

Fiscal Year Ended June 30,	Direct		Overlapping					
	North County Fire & Medical District # 11574	State of AZ Dept. of Ed. Equalization	*Total (Direct) Maricopa County	*Central AZ Water Conservation District #14755	Maricopa Community College #08230	*Peoria Unified ¹ School District #07011	*Dysart Unified ¹ School District #07089	*Other Special Districts ²
2015	\$ 2.9177	\$ 0.5089	\$ 1.5157	\$ 0.1400	\$ 1.2824	\$ 7.2708	\$ 7.1239	\$ 1.6113
2014	2.9177	0.5123	1.4637	0.1400	1.2896	7.5288	7.5770	1.6546
2013	2.7189	-	1.9107	0.1000	1.1563	7.0309	7.3864	1.4243
2012	2.4280	0.4259	1.4679	0.1000	1.0123	5.3951	5.9924	1.3199
2011	2.2555	0.3564	1.2409	0.1000	0.9728	5.3293	5.2573	1.3500
2010	1.9660	0.3306	1.1629	0.1000	0.8844	5.4540	5.0038	0.8542
2009	1.7800	-	1.2047	0.1000	0.9386	5.6621	5.5751	0.8204
2008	1.6670	-	1.2970	0.1000	0.9760	6.5425	6.0728	0.9831
2007	2.4080	-	1.4348	0.1200	1.0646	7.5974	6.9522	1.0642
2006	2.4080	0.4358	1.4611	0.1200	1.0315	7.9286	7.1551	1.2026

SOURCE: Maricopa County Annual Tax Levy Report, compiled by the Maricopa County Department of Finance

*Overlapping Tax Rate Details presented in the tables on the next page.

NOTE: Arizona Revised Statute Title 48 limits the District's direct rate to a maximum of \$3.25³ per \$100 of Secondary Net Assessed Value (SNAV). Additionally, changes in statute during the 2009 Legislative Session established further limits which impacted the maximum yearly increase in the tax levy (in dollars) for special districts in Arizona. This amount is based on a calculation which established a "base year" for special districts. The annual levy may not exceed the base year tax levy (2008 tax year), with consideration for new additions to the valuation base, plus 8% per year from the base year, in the aggregate. For the fiscal year ending June 30, 2015 (Tax Year 2014), the maximum tax levy allowable under statute based on the 8% limitation is \$15,131,705, although the effective allowable levy based on the District's direct tax rate of \$3.25 per \$100 of SNAV decreases this limit to \$11,355,060. However, the District's adopted tax levy for fiscal year ending June 30, 2015 was \$10,193,833, leaving the District with an excess tax levy capacity of approximately \$1,161,177. Future limits are established each year by the Arizona Property Tax Oversight Commission once the County Assessor has taken into account additions to the property within the District.

REF (1): Within the District, there are two separate unified school districts which many property owners reside in. These are the Peoria Unified School District #11, and the Dysart Unified School District #89. School district tax rates are assessed on the Primary (Limited) Value of properties.

REF (2): Other Special Districts include the following county street lighting improvement districts: Sun City West #13298, Sun City West Expansion 1 #13383, and SCW Expansion #17 #23324.

REF (3): During the 2012 50th legislature, Second Regular Session house Bill #2184 was passed providing for a temporary override under the heading of "County fire district assistance tax; levy limit 2012 through 2014". This temporary override allows fire districts that have experienced a combined net assessed valuation decline of twenty-five percent or more beginning with the 2008 valuation year, notwithstanding the tax rate limit established pursuant to section 48-807, subsection F, Arizona Revised Statutes, may adopt a tax rate not to exceed \$3.75, provided the proceeds do not exceed the total levy received in the prior fiscal year. Furthermore, the increased tax rate shall not be used to fund salary increases or increase the number of full-time positions within the fire district. Fire Districts utilizing this override shall not call for an override election pursuant to section 48-807, subsection G, Arizona Revised Statutes.

North County Fire & Medical District
Overlapping Tax Rate Details
Last Ten (10) Years

Peoria Unified¹ School District #11 (#07011)										
Operating Levy Tax Rates					Debt, Override, & Special Levy Tax Rates					
Fiscal Year Ended June 30,	Maintenance & Operations	Capital Outlay	Special Assessment Adjacent Ways	Total Operating Levy Tax Rates	Voter Override Capital Outlay	Voter M & O	Class A Bonds	Class B Bonds	Total Special Levy Tax Rates	Total Combined Tax Rates
2014	4.1765	-	-	4.1765	-	1.2147	0.7786	1.3590	3.3523	7.5288
2013	3.9193	0.0917	-	4.0110	-	1.1469	1.4891	0.3839	3.0199	7.0309
2012	3.5861	0.1213	0.0073	3.7147	-	1.0308	0.0009	0.6487	1.6804	5.3951
2011	2.8866	0.3542	0.0012	3.2420	-	0.8342	0.9775	0.2756	2.0873	5.3293
2010	2.6402	0.1125	0.2405	2.9932	-	0.7499	0.9197	0.7912	2.4608	5.4540
2009	3.4166	0.0280	0.3211	3.7657	-	0.7224	0.2416	0.9324	1.8964	5.6621
2008	3.5096	0.0079	0.3022	3.8197	-	0.8326	0.7513	1.1389	2.7228	6.5425
2007	3.9340	0.0148	0.3425	4.2913	-	1.1124	0.6569	1.5368	3.3061	7.5974
2006	3.7527	0.0197	0.3562	4.1286	-	1.1463	2.3030	0.3507	3.8000	7.9286

Dysart Unified¹ School District #89										
Operating Levy Tax Rates #07089					Debt, Override, & Special Levy Tax Rates					
Fiscal Year Ended June 30,	Maintenance & Operations	Capital Outlay	Special Assessment For Adjacent Ways	Total Operating Levy Tax Rates	Voter Override Capital Outlay	Voter M & O	Class A Bonds	Class B Bonds	Total Special Levy Tax Rates	Total Combined Tax Rates
2014	4.3492	0.2731	0.0009	4.6232	-	1.7621	-	1.1917	2.9538	7.5770
2013	4.6547	-	-	4.6547	-	1.6798	-	1.0519	2.7317	7.3864
2012	3.4104	-	-	3.4104	-	1.4954	-	1.0866	2.5820	5.9924
2011	2.9051	-	0.2603	3.1654	-	1.2216	-	0.8703	2.0919	5.2573
2010	3.0430	-	0.2357	3.2787	0.1063	0.9257	-	0.6931	1.7251	5.0038
2009	2.9461	0.1543	0.9521	4.0525	0.0978	0.8197	-	0.6051	1.5226	5.5751
2008	3.2287	0.1359	1.0680	4.4326	0.1170	0.8678	-	0.6554	1.6402	6.0728
2007	3.6356	0.0983	1.3805	5.1144	-	1.2959	0.1933	0.3486	1.8378	6.9522
2006	4.0494	0.3251	1.0882	5.4627	-	1.1676	0.3020	0.2228	1.6924	7.1551

Special Districts ² Tax Levies					(Direct) Maricopa County				
Fiscal Year Ended June 30,	SCW Expansion #17 #23324	Sun City West #13298	SCW Expansion #1 #13383	Total Special Levy Tax Rates	Operating Levy	Debt Service	Flood Control District	County Library District	Total Maricopa County
2014	0.5670	0.5526	0.5350	1.6546	1.2807	-	0.1392	0.0438	1.4637
2013	0.4945	0.4598	0.4700	1.4243	1.2407	-	0.1780	0.4920	1.9107
2012	0.4567	0.4241	0.4391	1.3199	1.2407	-	0.1780	0.0492	1.4679
2011	0.4993	0.3883	0.4624	1.3500	1.0508	-	0.1489	0.0412	1.2409
2010	0.2921	0.2680	0.2941	0.8542	0.9909	-	0.1367	0.0353	1.1629
2009	0.2804	0.2621	0.2779	0.8204	1.0327	-	0.1367	0.0353	1.2047
2008	0.3310	0.3378	0.3143	0.9831	1.1046	-	0.1533	0.0391	1.2970
2007	0.3379	0.3653	0.3610	1.0642	1.1794	-	0.2047	0.0507	1.4348
2006	0.4792	0.3614	0.3620	1.2026	1.1971	-	0.2119	0.0521	1.4611

Central Arizona Water Conservation District (CAWCD) #14755			
Fiscal Year Ended June 30,	Maint & Operations	Water Storage	Total CAWCD
2014	0.1000	0.0400	0.1400
2013	0.0600	0.0400	0.1000
2012	0.0600	0.0400	0.1000
2011	0.0600	0.0400	0.1000
2010	0.0600	0.0400	0.1000
2009	0.0600	0.0400	0.1000
2008	0.0600	0.0400	0.1000
2007	0.0800	0.0400	0.1200
2006	0.0800	0.0400	0.1200

SOURCE: Maricopa County Annual Tax Levy Report, compiled by the Maricopa County Department of Finance

North County Fire & Medical District
Principal Property Tax Payers
Current Tax Year and Ten (10) Years Ago

	2014 Tax Year			2004 Tax Year		
	Net Assessed Valuation	Rank	Percent of SNAV	Net Assessed Valuation	Rank	Percent of SNAV
Arizona Public Service Company	\$ 7,360,747	1	2.17%	\$ 6,746,270	1	2.59%
Sun Health Properties Inc.	6,741,211	2	1.99%	3,340,494	3	1.28%
Roskamp/Sun Health Residential	4,901,470	3	1.44%	5,018,893	2	1.92%
WSL Heritage Investors V, LLC	3,110,940	4	0.92%	-	-	- %
EPCOR - Sun City West Sewer	2,344,927	5	0.69%	-	-	- %
EPCOR Sun City West Water Division*	2,330,145	6	0.69%	1,796,550	8	0.69%
Patterson Farms Inc	1,961,214	7	0.58%	1,888,600	6	0.72%
Abart Properties I, LLC	1,017,241	8	0.30%	-	-	- %
Citation Madison House Ltd	976,190	9	0.29%	-	-	- %
ALP Rancho Cabrillo, LLC	887,500	10	0.26%	-	-	- %
Tradition Senior Housing LLC	-	-	- %	2,675,494	4	1.03%
Pulte Home Corporation	-	-	- %	2,400,863	5	0.92%
Qwest Corporation	-	-	- %	1,828,342	7	0.70%
Southwest Gas Corporation (T&D)	-	-	- %	1,558,008	9	0.60%
Sun Health Properties	-	-	- %	1,460,266	10	0.56%

*Formerly Arizona-American Water Company

SOURCE: Maricopa County Assessor's Office

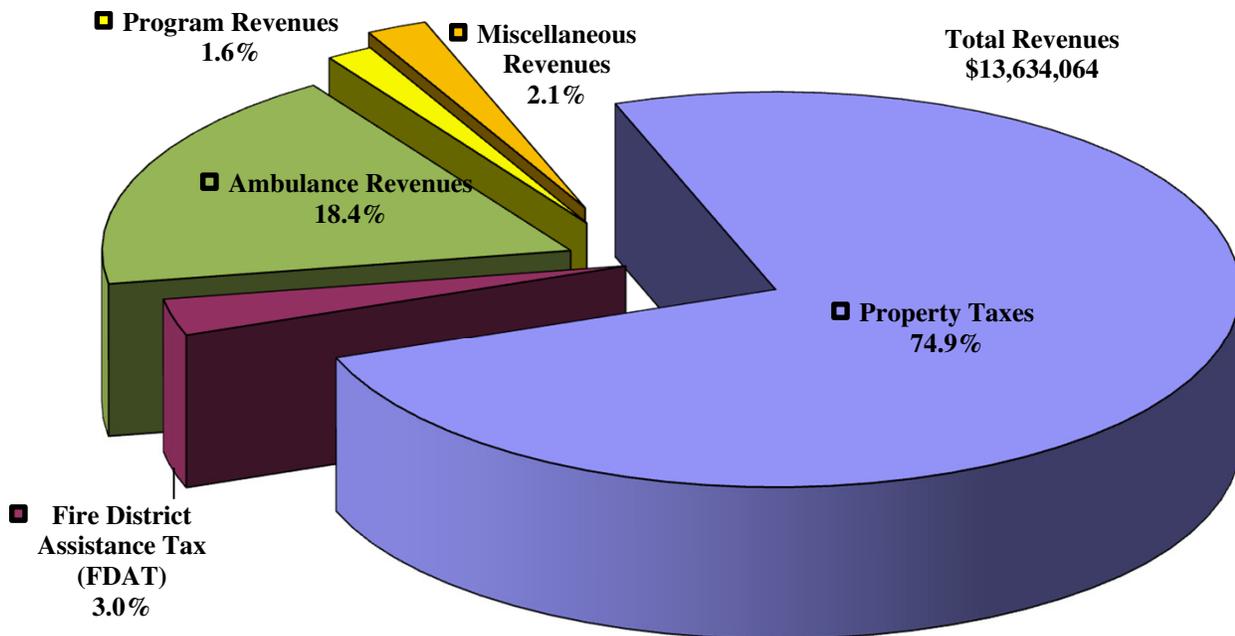
North County Fire & Medical District
Property Tax Levies and Collections
Last Ten (10) Years

Fiscal Year Ended June 30,	Tax Levied	Amount Collected in Fiscal Year		Collected In Subsequent Years	Collected in Total	
		Amount	Percent		Amount	Percent
2015	\$ 10,178,413	\$ 10,089,612	99.13%	\$ 32,554	\$ 10,122,165	99.45%
2014	9,905,503	9,834,431	99.28%	69,274	9,903,705	99.98%
2013	9,707,161	9,629,399	99.20%	77,002	9,706,401	99.99%
2012	9,443,497	9,311,628	98.60%	130,907	9,442,536	99.99%
2011	9,820,062	9,652,841	98.30%	164,778	9,817,620	99.98%
2010	8,964,790	8,766,705	97.79%	198,082	8,964,787	100.00%
2009	8,878,789	8,772,149	98.80%	106,637	8,878,786	100.00%
2008	7,646,158	7,562,203	98.90%	83,955	7,646,158	100.00%
2007	7,067,781	6,997,009	99.00%	70,775	7,067,784	100.00%
2006	6,543,502	6,490,470	99.19%	53,009	6,543,479	100.00%

SOURCE: Maricopa County Treasurer's Office

NOTES: (1) Amounts collected are on a cash basis. Amounts reported are only for secured property, unsecured property payments are not consistently reported due to timing variances. However, over 95% of unsecured property taxes are collected within 90 days.

REF (1): Revenues Collected in July and August 2015.

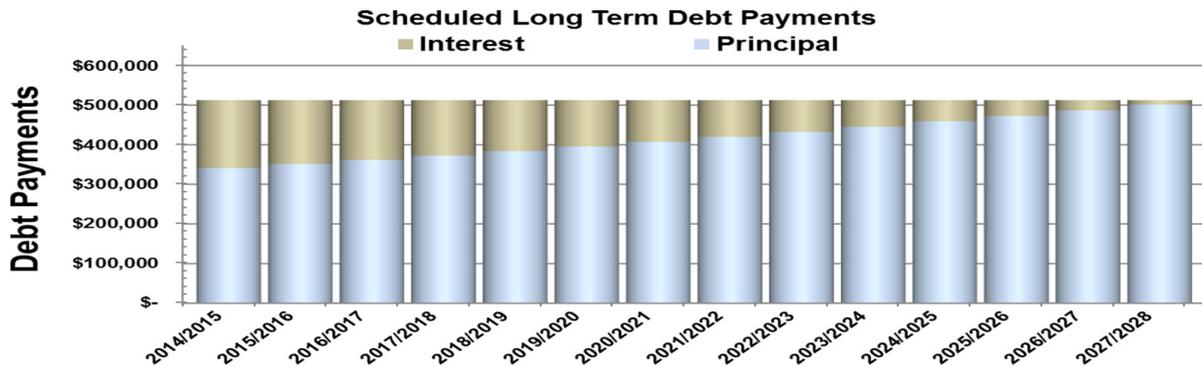


North County Fire & Medical District
Outstanding Debt and Debt Limitations
Last Ten (10) Years

Fiscal Year Ended June 30,	Purchase Lease Debt	General Obligation Bond		Total Outstanding Debt			
		Outstanding	Legal Limit	Amount	% Subject To Limit	% of Estimated Actual Value	Debt Per Capita
2015	\$ 6,985,807	\$ -	\$ 20,963,188	\$ 6,985,807	- %	0.00%	\$ 155.24
2014	7,226,683	-	20,356,316	7,226,683	- %	0.21%	160.59
2013	5,774,295	-	21,345,992	5,774,295	- %	0.16%	128.32
2012	5,317,188	-	23,331,717	5,317,188	- %	0.14%	118.16
2011	5,652,265	-	26,033,146	5,652,265	- %	0.13%	125.61
2010	6,094,122	-	27,359,480	6,094,122	- %	0.14%	135.42
2009	6,438,657	-	30,313,392	6,438,657	- %	0.13%	151.50
2008	6,757,859	-	27,520,631	6,757,859	- %	0.15%	168.95
2007	3,479,606	-	17,610,745	3,479,606	- %	0.12%	86.99
2006	3,786,646	-	16,279,620	3,786,646	- %	0.15%	94.67

SOURCE: Outstanding debt was obtained from current and prior year financial statements. The legal limit is calculated based on Secondary Assessed Valuation using the 6% rate for the legal limit of bond indebtedness.

NOTE: The District's purchase lease agreements are backed by the full faith and credit of the District. Such amounts are not subject legal limits based on property valuation; rather, the debt service is required to be paid from the primary tax levy subject to levy limitations. General Obligation Bonds are limited to the lesser of 6% of secondary assessed value in the year they are issued or the maximum amount of the voter approved offering.



North County Fire & Medical District
 County-Wide Demographic and Economic Statistics
 Last Ten (10) Calendar Years

Calendar Year Ended December 31,	Population	Personal Income	Per Capita Income	Unemployment Rate	Estimated District Population
2014	4,076,438	\$ 86,662,090,637	\$ 21,259	6.9%	45,000
2013	3,944,859	82,793,243,514	20,988	7.8%	45,000
2012	3,884,705	80,194,296,774	20,644	8.4%	45,000
2011	3,843,370	76,373,141,049	19,871	9.5%	45,000
2010	3,817,117	72,961,390,716	19,114	10.4%	45,000
2009	4,023,132	73,364,173,749	18,236	9.9%	45,000
2008	4,115,811	79,070,699,862	19,211	6.2%	42,500
2007	3,987,942	80,028,109,961	20,068	3.9%	40,000
2006	3,907,492	76,515,315,065	19,582	4.2%	40,000
2005	3,792,675	69,358,036,524	18,287	4.7%	40,000

SOURCE: The source for "Population", "Personal Income", "Per Capita" and "Unemployment Rate" information is the State of Arizona (www.azstats.gov). The estimated district population is based on analysis of registered voters, annexation and other demographic information maintained by the district.

NOTE: N/A indicates information is not available. Population and demographic data are difficult to ascertain because significant portions of the Fire District are not a census designated area. The highest population concentration lies within the original twelve square miles of the Fire District (The Community of Sun City West) at approximately 2,500 population density per square mile. The original twelve square miles of the Fire District is also designated as an active adult community of 55 years of age and older with a median age of 76 as reported in the 2010 census. The remaining twenty-three square miles of the District are not age restricted and contain multi-family housing with an average population density of approximately 650 per square mile with an undetermined median age.

North County Fire & Medical District
 Summary of Emergency Responses
 Last ten (10) Fiscal Years

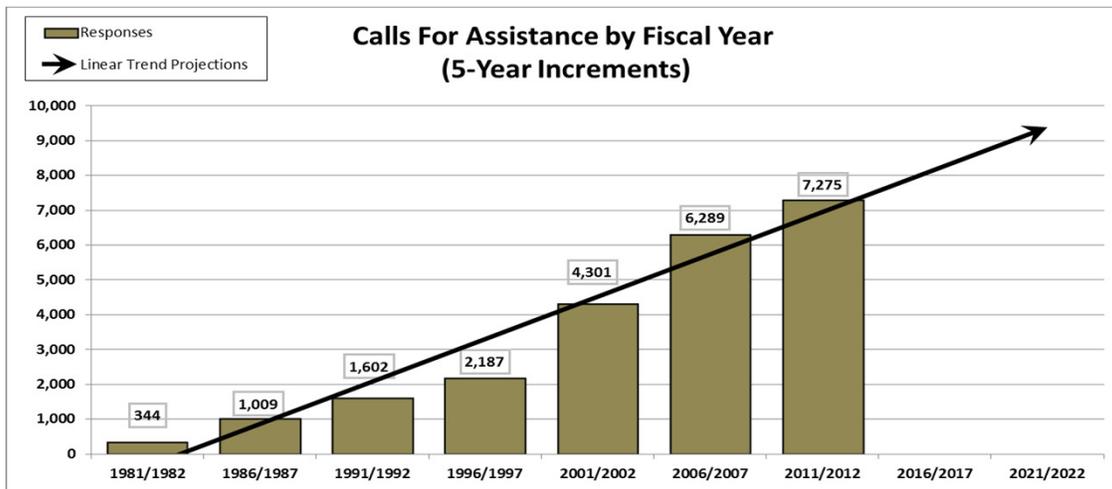
Fiscal Year Ended June 30,	Medical	Fire	Special Ops	Service Calls (Ref 1)	Good Intent (Ref 2)	False Alarm	Total Emergency Responses	Ambulance Transports
2015	7,322	65	54	871	228	426	8,966	5,573
2014	7,060	116	66	796	390	364	8,792	4,803
2013	6,279	81	49	801	285	330	7,825	4,188
2012	5,827	98	21	898	215	216	7,275	3,715
2011	5,090	73	42	1,447	319	194	7,165	3,961
2010	4,736	111	53	1,393	254	184	6,731	3,699
2009	4,654	128	50	1,383	197	156	6,568	3,756
2008	4,517	106	130	1,321	215	139	6,428	3,714
2007	4,419	116	333	901	408	112	6,289	3,472
2006	4,502	113	165	914	401	118	6,213	3,343

SOURCE: Emergency calls are tracked using the District's emergency call tracking database (FireHouse).

NOTE: N/A indicates that data was not available for presentation purposes.

REF (1): Service Calls include, but are not limited to: lock-out, water leak, animal problem/rescue, public service assist. Starting in 2012, all types of falls were codified under Incidents. This reflects the decrease in Service Calls and the increase in Medical Calls.

REF (2): Good Intent calls include, but are not limited to: dispatched & cancelled, wrong location, controlled burning.



North County Fire & Medical District
 Summary of District Assets and Employees
 Last ten (10) Fiscal Years

Fiscal Year Ended June 30,	Fire Trucks & Apparatus	ALS Ambulance	Fire Stations	Fire Fighters	EMS Personnel	Admin Personnel	Total Employees
2015	6	3	3	57	12	13	82
2014	6	3	3	57	12	12	81
2013	6	3	3	51	18	12	81
2012	6	3	3	51	18	14	83
2011	6	3	3	51	18	15	84
2010	6	3	3	51	18	15	84
2009	6	3	3	51	18	14	83
2008	6	3	3	51	18	14	83
2007	6	3	3	51	18	13	82
2006	6	3	3	51	18	13	82

Note: The District is currently in the process of constructing a fourth fire station to serve the annexed areas of the District. It is anticipated to be fully operational by January 2016.

