

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

Arizona Department of Health Services
Annual Ambulance Financial Report

Picture Rocks Fire District

Reporting Ambulance Service

Address: 12121 W. Picture Rocks RD

City: Tucson Zip: 85743

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: February 23, 2016

Print Name and Title: L. Brett Lane, Fire Chief

Phone: 520-682-7878

Mail to:

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
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AMBULANCE REVENUE AND COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Picture Rocks Fire 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)	\$ 1,049,671
<u>Settlement Amounts:</u>			
2	AHCCCS		64,622
3	Medicare		328,528
4	Subscription Service		-
5	Contractual		-
6	Other		-
7	Total	(Sum of Lines 2 through 6)	393,151
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ 656,520
Operating Expenses:			
9	Bad Debt		\$ 78,500
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	1,247,482
11	Professional Services		77,383
12	Travel and Entertainment		1,029
13	Other General Administrative		34,347
14	Depreciation		-
15	Rent / Leasing		-
16	Building / Station		56,149
17	Vehicle Expense		11,069
18	Other Operating Expense		44,668
19	Cost of Medical Supplies Charged to Patients		-
20	Interest		-
21	Subscription Service Sales Expense		-
22	Total Operating Expense	(Sum of Lines 9 through 21)	1,550,628
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ (894,108)
24	Subscription Contract Sales		-
25	Other Operating Revenue		-
26	Local Supportive Funding		-
27	Other Non-Operating Income (Attach Schedule)		-
28	Other Non-Operating Expense (Attach Schedule)		-
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ (894,108)
Provision for Income Taxes:			
30	Federal Income Tax		85,649
31	State Income Tax		29,203
32	Total Income Tax	(Line 30, plus Line 31)	114,852
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u>(1,008,960)</u>

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Picture Rocks Fire 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:	-	-	448	448
2	Number of BLS Billable Transports:	-	-	181	181
3	Number of Loaded Billable Miles:	-	-	11,350	11,350
4	Waiting Time (Hr. & Min.):	-	-	-	-
5	Canceled (Non-Billable) Runs:				272

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue			\$ 614,754
7	BLS Base Rate Revenue			236,138
8	Mileage Charge Revenue			198,779
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)		\$ 1,049,671

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SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

**** No. of FTE's**

14	Management	\$ 152,750	2.6
15	Paramedics and IEMTs	\$ 319,022	9.3
16	Emergency Medical Technician (EMT)	\$ 457,477	15.3
17	Other Personnel	\$ 17,007	0.4
18	Payroll Taxes and Fringe Benefits - All Personnel	\$ 301,226	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	\$ 1,247,482	

* 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.

**PICTURE ROCKS FIRE DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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PICTURE ROCKS FIRE DISTRICT

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**PICTURE ROCKS FIRE DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Picture Rocks Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Picture Rocks Fire District (Fire District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the Debt Service Fund and qualified audit opinions on the Governmental Activities and General Fund.

Basis for Qualified Opinions

The Fire District did not maintain sufficient internal controls or adequate records of its ambulance service accounts receivable and related revenues reported in the Governmental Activities and General Fund. Accordingly, we were unable to perform procedures sufficient to achieve the audit objectives for these accounts.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and the General Fund of the Picture Rocks Fire District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Debt Service Fund of the Picture Rocks Fire District, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Fire District implemented the provisions of the Governmental Accounting Standards Board (GASB) 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*, for the year ended June 30, 2015, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of Picture Rocks Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Picture Rocks Fire District's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 18, 2015

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

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Picture Rocks Fire District (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the fiscal year ended June 30, 2015. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

NATURE OF OPERATIONS

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

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

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

The Fire District operates from one fire station. The Fire District employs 13 career and approximately 18 part-time personnel.

FINANCIAL HIGHLIGHTS

- The Fire District's total net position of governmental activities increased \$300,583 which represents a 58 percent increase from the prior fiscal year due primarily due to an increase in charges for services revenues.
- General revenues accounted for \$1.6 million in revenue, or 54 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$1.3 million or 46 percent of total current fiscal year revenues.
- The Fire District had approximately \$2.6 million in expenses related to governmental activities, an increase of \$299,144 from the prior fiscal year.

**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL HIGHLIGHTS

- The General Fund had \$2.1 million in current fiscal year revenues, which primarily consisted of property taxes and charges for services, and \$1.8 million in expenditures. The General Fund's fund balance increased from \$275,145 at the prior fiscal year end to \$552,399 at the end of the current fiscal year primarily due to an increase in charges for services revenues.
- The Debt Service Fund had \$229,133 in current fiscal year revenues, which primarily consisted of property taxes, and \$209,096 in expenditures. The Debt Service Fund's fund balance increased from \$229,692 at the prior fiscal year end, to \$249,729 at the end of the current fiscal year.

RESULTS OF OPERATIONS

There were a number of significant accomplishments during the 2015 fiscal year. They included:

- Ran a total of 1,112 calls
- Fire calls numbered 211
- Emergency Medical Service calls numbered 901
- Teach CPR to area residents during the year
- Gave away car seats and smoke detectors to area residents
- Continued teaching fire safety at all three public schools located in the Fire District

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets and deferred outflows exceeded liabilities and deferred inflows by \$817,088 at the current fiscal year end.

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

The following table presents a summary of the Fire District's net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	<u>As of June 30, 2015</u>	<u>As of June 30, 2014</u>
Current assets	\$ 1,509,296	1,122,775
Capital assets, net	2,991,702	3,047,251
Total assets	<u>4,500,998</u>	<u>4,170,026</u>
Deferred outflows	<u>646,482</u>	
Current liabilities	43,180	81,005
Long-term liabilities	4,064,618	2,578,493
Total liabilities	<u>4,107,798</u>	<u>2,659,498</u>
Deferred inflows	<u>222,594</u>	
Net position:		
Net investment in capital assets	679,128	527,460
Restricted	263,098	242,202
Unrestricted	(125,138)	740,866
Total net position	<u>\$ 817,088</u>	<u>\$ 1,510,528</u>

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Fire District's financial position is the product of several financial transactions including the net result of activities, the payment of debt, the acquisition of capital assets, and the depreciation of capital assets. The most significant current year transaction that had an impact on the Statement of Net Position was the addition of \$1.7 million in pension liabilities due to the implementation of new pension reporting standards.

Changes in net position. The Fire District's total revenues for the current fiscal year were \$2.9 million. The total cost of all programs and services was \$2.6 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	Fiscal Year Ended <u>June 30, 2015</u>	Fiscal Year Ended <u>June 30, 2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,223,952	\$ 935,625
Operating grants and contributions	2,354	16,000
Capital grants and contributions	118,648	29,772
General revenues:		
Property taxes, levied for general purposes	1,103,035	1,093,757
Property taxes, levied for debt purposes	228,489	225,448
Fire district assistance taxes	217,502	218,630
Investment income	2,510	2,350
Miscellaneous	27,900	44,741
Total revenues	<u>2,924,390</u>	<u>2,566,323</u>
Expenses:		
Public safety	2,385,160	2,126,404
Administration	104,226	52,465
Interest on long-term debt	134,421	145,794
Total expenses	<u>2,623,807</u>	<u>2,324,663</u>
Changes in net position	300,583	241,660
Net position, beginning, as restated	516,505	1,268,868
Net position, ending	<u>\$ 817,088</u>	<u>\$ 1,510,528</u>

- The cost of all governmental activities this year was \$2.6 million.
- Property taxes and fire district assistance taxes (county aid) provided funding of \$1.3 million and \$217,502, respectively.
- Ambulance revenues and other charges for services provided funding of \$1.2 million.

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

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

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

The financial performance of the Fire District as a whole is reflected in its governmental funds. As the Fire District completed the year, its governmental funds reported a combined fund balance of \$802,128, an increase of \$297,291.

The General Fund is the principal operating fund of the District. The increase in fund balance of \$277,254 to \$552,399 as of fiscal year end was a result of an increase in revenues for charges for services. General Fund revenues increased \$231,441 as a result of an increase in charges for services.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the Fire District's actual financial activity for the General Fund is provided in this report as required supplementary information. The unfavorable variance of \$278,998 in intergovernmental revenue and the favorable variance of \$274,927 in capital outlay expenditures was a result of an anticipated public safety grant that was ultimately not approved. The favorable variance of \$519,128 in public safety expenditures was substantially due to the reduced expenditures on personnel salaries and related costs.

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Fire District had invested \$4.6 million in capital assets, including land, buildings, equipment, and vehicles. Total depreciation expense for the current fiscal year was \$180,622.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2015 and June 30, 2014.

	As of June 30, 2015	As of June 30, 2014
Capital assets – non-depreciable	\$ 427,700	\$ 427,700
Capital assets – depreciable, net	2,564,002	2,619,551
Total	\$ 2,991,702	\$ 3,047,251

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

Debt Administration. At year end, the Fire District had \$2.3 million in long-term debt outstanding, \$216,824 due within one year.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the Fire District's administration during the process of developing the fiscal year 2015-16 budget. Among them was declining assessed values which continued for the fourth straight year, and the declining reimbursement revenue for emergency medical service transportation.

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

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**PICTURE ROCKS FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budgeted expenditures in the General Fund decreased six percent to \$2.4 million in fiscal year 2015-16. Property taxes are expected to be the primary funding sources. No new programs were added to the 2015-16 budget.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**PICTURE ROCKS FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 640,474
Property taxes receivable	104,911
Accounts receivable	763,911
Total current assets	1,509,296
Noncurrent assets:	
Capital assets, non-depreciable	427,700
Capital assets, depreciable (net)	2,564,002
Total noncurrent assets	2,991,702
Total assets	4,500,998
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan items	646,482
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	10,647
Accrued payroll and employee benefits	32,533
Compensated absences payable	28,000
Bonds payable	102,000
Lease payable	114,824
Total current liabilities	288,004
Noncurrent liabilities:	
Compensated absences	16,351
Bonds payable	1,785,000
Lease payable	310,750
Net pension liability	1,707,693
Total noncurrent liabilities	3,819,794
Total liabilities	4,107,798
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension plan items	222,594
 <u>NET POSITION</u>	
Net investment in capital assets	679,128
Restricted for:	
Debt service	263,098
Unrestricted	(125,138)
Total net position	\$ 817,088

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

**PICTURE ROCKS FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety	\$ 2,385,160	\$ 1,223,952	\$ 2,354	\$ 118,648	\$ (1,040,206)
Administration	104,226				(104,226)
Interest on long-term debt	134,421				(134,421)
Total governmental activities	<u>\$ 2,623,807</u>	<u>\$ 1,223,952</u>	<u>\$ 2,354</u>	<u>\$ 118,648</u>	<u>(1,278,853)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	1,103,035
Property taxes, levied for debt purposes	228,489
Fire district assistance taxes	217,502
Investment income	2,510
Miscellaneous	27,900
Total general revenues	<u>1,579,436</u>

Changes in net position

300,583

Net position, beginning of year, as restated

516,505

Net position, end of year

\$ 817,088

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FUND FINANCIAL STATEMENTS

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**PICTURE ROCKS FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 395,123	\$ 245,351	\$ 640,474
Property taxes receivable	87,164	17,747	104,911
Accounts receivable	763,911		763,911
Total assets	<u>\$ 1,246,198</u>	<u>\$ 263,098</u>	<u>\$ 1,509,296</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 10,647	\$	\$ 10,647
Accrued payroll and employee benefits	32,533		32,533
Total liabilities	<u>43,180</u>		<u>43,180</u>
Deferred inflows of resources:			
Unavailable revenues - property taxes	66,028	13,369	79,397
Unavailable revenues - charges for services	584,591		584,591
Total deferred inflows of resources	<u>650,619</u>	<u>13,369</u>	<u>663,988</u>
Fund balances:			
Restricted		249,729	249,729
Unassigned	552,399		552,399
Total fund balances	<u>552,399</u>	<u>249,729</u>	<u>802,128</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 1,246,198</u>	 <u>\$ 263,098</u>	 <u>\$ 1,509,296</u>

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

**PICTURE ROCKS FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total governmental fund balances **\$ 802,128**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 4,591,064	
Less accumulated depreciation	<u>(1,599,362)</u>	2,991,702

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Property taxes	79,397	
Ambulance service charges	<u>584,591</u>	663,988

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	646,482	
Deferred inflows of resources related to pensions	<u>(222,594)</u>	423,888

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(44,351)	
Obligations under capital leases	(425,574)	
Net pension liability	(1,707,693)	
Bonds payable	<u>(1,887,000)</u>	<u>(4,064,618)</u>

Net position of governmental activities **\$ 817,088**

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**PICTURE ROCKS FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	General Fund	Debt Service	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,111,389	\$ 227,630	\$ 1,339,019
Fire district assistance taxes	217,502		217,502
Intergovernmental	121,002		121,002
Charges for services	639,361		639,361
Investment income	1,007	1,503	2,510
Miscellaneous	27,900		27,900
Total revenues	<u>2,118,161</u>	<u>229,133</u>	<u>2,347,294</u>
Expenditures:			
Current -			
Public safety	1,480,949		1,480,949
Administration	102,343		102,343
Capital outlay	125,073		125,073
Debt service -			
Principal retirement	110,217	97,000	207,217
Interest and fiscal charges	22,325	112,096	134,421
Total expenditures	<u>1,840,907</u>	<u>209,096</u>	<u>2,050,003</u>
Changes in fund balances	<u>277,254</u>	<u>20,037</u>	<u>297,291</u>
Fund balances, beginning of year	275,145	229,692	504,837
Fund balances, end of year	<u>\$ 552,399</u>	<u>\$ 249,729</u>	<u>\$ 802,128</u>

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

**PICTURE ROCKS FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net changes in fund balances - total governmental funds **\$ 297,291**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 125,073	
Less current year depreciation	<u>(180,622)</u>	(55,549)

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(7,495)	
Ambulance service charges	<u>134,550</u>	127,055

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal retirement	110,217	
Bond principal retirement	<u>97,000</u>	207,217

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	92,853	
Pension expense	<u>(382,635)</u>	(289,782)

Compensated absences 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.

14,351

Changes in net position in governmental activities **\$ 300,583**

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

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2015, the Fire District implemented the provisions 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*. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

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

A. Reporting Entity

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

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

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

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

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

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

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

The Fire District reports the following major governmental funds:

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

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

D. Cash and Investments

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

E. Investment Income

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

F. Receivables and Payables

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

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

G. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Prepaid Items

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

I. Capital Assets

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

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

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

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

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

J. Deferred Outflows/Inflows of Resources

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Compensated Absences

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

L. Pensions

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

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Interfund Activity

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

O. Net Position Flow Assumption

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

P. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Fire District’s deposits may not be returned to the Fire District. The Fire District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Fire District’s deposits was \$43,341 and the bank balance was \$56,486.

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

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	223 days	<u>\$ 597,133</u>

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

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 427,700	\$	\$	\$ 427,700
Total capital assets, not being depreciated	<u>427,700</u>			<u>427,700</u>
Capital assets, being depreciated:				
Buildings and improvements	2,687,237			2,687,237
Equipment – administrative	61,058			61,058
Equipment – fire	172,096	125,073		297,169
Vehicles	1,117,900			1,117,900
Total assets, being depreciated	<u>4,038,291</u>	<u>125,073</u>		<u>4,163,364</u>
Less accumulated depreciation for:				
Buildings and improvements	(406,682)	(67,043)		(473,725)
Equipment – administrative	(61,058)			(61,058)
Equipment – fire	(116,391)	(28,117)		(144,508)
Vehicles	(834,609)	(85,462)		(920,071)
Total accumulated depreciation	<u>(1,418,740)</u>	<u>(180,622)</u>		<u>(1,599,362)</u>
Total capital assets, being depreciated, net	<u>2,619,551</u>	<u>(55,549)</u>		<u>2,564,002</u>
Governmental activities capital assets, net	<u>\$ 3,047,251</u>	<u>\$ (55,549)</u>	<u>\$</u>	<u>\$ 2,991,702</u>

Depreciation expense of \$175,934 and \$4,688 were charged to the public safety and administration governmental functions, respectively.

NOTE 5 – GENERAL OBLIGATION BONDS PAYABLE

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2015</u>	<u>Due Within One Year</u>
Governmental activities:					
GO, Series 2008	\$ 2,485,000	5.65%	7/1/16-7/1/28	\$ 1,887,000	\$ 102,000
Total				<u>\$ 1,887,000</u>	<u>\$ 102,000</u>

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – GENERAL OBLIGATION BONDS PAYABLE

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2016	\$ 102,000	\$ 106,616
2017	108,000	100,852
2018	114,000	94,750
2019	120,000	88,310
2020	127,000	81,530
2021-25	754,000	291,258
2026-28	562,000	64,694
Total	<u>\$ 1,887,000</u>	<u>\$ 828,010</u>

NOTE 6 – OBLIGATIONS UNDER LEASES

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

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

	Governmental Activities
Asset:	
Land	\$ 419,700
Building improvements	250,000
Vehicles	227,732
Less: accumulated depreciation	(101,189)
Total	<u>\$ 796,243</u>

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – OBLIGATIONS UNDER LEASES

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

Year Ending June 30:	Governmental Activities
2016	\$ 133,855
2017	48,097
2018	48,097
2019	40,889
2020	33,682
2021-25	168,410
2026-27	58,943
Total minimum lease payments	531,973
Less: amount representing interest	106,399
Present value of minimum lease payments	\$ 425,574
Due within one year	\$ 114,824

Operating Leases – The Fire District leases copiers under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$3,154 for the current fiscal year. The operating leases have remaining noncancelable lease terms of three years.

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

Year Ending June 30:	
2016	\$ 3,127
2017	3,127
2018	3,127
Total minimum payments required	\$ 9,381

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,984,000	\$	\$ 97,000	\$ 1,887,000	\$ 102,000
Obligations under capital leases	535,791		110,217	425,574	114,824
Net pension liability	994,023	713,670		1,707,693	
Compensated absences payable	58,702	37,987	52,338	44,351	28,000
Governmental activity long-term liabilities	<u>\$ 3,572,516</u>	<u>\$ 751,657</u>	<u>\$ 259,555</u>	<u>\$ 4,064,618</u>	<u>\$ 244,824</u>

NOTE 8 – RISK MANAGEMENT

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

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

The Fire District reported \$92,853 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 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 earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Fire District was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll. The Fire District's contributions to the pension plan for the year ended June 30, 2015 were \$3,566.

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
2015	\$	193	\$	39
2014		328		131
2013		389		144

Pension Liability. At June 30, 2015, the Fire District reported a liability of \$86,202 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Fire District’s proportion of the net pension liability was based on a projection of the Fire District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Fire District’s proportion was 0.0006 percent, which was a decrease of 0.00002 from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the Fire District recognized pension expense for ASRS of \$4,421 and reported deferred outflows of resources and 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	\$ 4,381	\$
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments		15,074
Changes in proportion and differences between contributions and proportionate share of contributions		2,879
Contributions subsequent to the measurement date	3,566	
Total	\$ 7,947	\$ 17,953

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 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	\$ (3,115)
	2017	(3,115)
	2018	(3,573)
	2019	(3,769)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

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

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

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25	3.20
Real estate	8	4.75
Commodities	4	4.50
Total	<u>100%</u>	

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability	\$108,955	\$86,202	\$73,857

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

B. Public Safety Personnel Retirement System

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

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

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

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

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.

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the agent pension plan’s benefit terms:

	<u>PSPRS – Fire</u>
Retirees and beneficiaries	10
Inactive, non-retired members	9
Active members	14
Total	33

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll

	<u>PSPRS – Fire</u>
Active members – pension	11.05%
Fire District:	
Pension	15.89
Health insurance	1.28

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

	<u>PSPRS – Fire</u>
Pension:	
Contributions made	\$ 89,287
Health insurance premium benefit:	
Annual OPEB cost	7,192
Contributions made	7,192

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Liability. At June 30, 2015, the Fire District reported \$1,621,491 in net 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 liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption

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

	<u>PSPRS</u>
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
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 actuarial experience study for the five-year period ended June 30, 2011.

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 4,263,415	\$ 3,244,355	\$ 1,019,060
Changes for the year:			
Service cost	174,131		174,131
Interest on the total pension liability	330,162		330,162
Changes of benefit terms	128,629		128,629
Differences between expected and actual experience in the measurement of the pension liability	(73,861)		(73,861)
Changes of assumptions or other inputs	669,694		669,694
Contributions – employer		120,390	(120,390)
Contributions – employee		79,415	(79,415)
Net investment income		440,441	(440,441)
Benefit payments, including refunds of employee contributions	(289,182)	(289,182)	
Administrative expense		(3,547)	3,547
Other changes		(10,375)	10,375
Net changes	939,573	337,142	602,431
Balances at June 30, 2015	\$ 5,202,988	\$ 3,581,497	\$ 1,621,491

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS – Fire:			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$2,289,845	\$1,621,491	\$1,072,662

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

Pension Expense. For the year ended June 30, 2015, the Fire District recognized \$378,214 as pension expense.

**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Deferred Outflows/Inflows of Resources. At June 30, 2015, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS – Fire:		
Differences between expected and actual experience	\$	\$ 60,577
Changes of assumptions or other inputs	549,248	
Net difference between projected and actual earnings on pension plan investments		144,064
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	<u>89,287</u>	
Total	<u>\$ 638,535</u>	<u>\$ 204,641</u>

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 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:	<u>PSPRS – Fire</u>
2016	\$ 71,146
2017	71,146
2018	71,146
2019	71,146
2020	60,023

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS – Fire:			
June 30, 2015	\$ 11,973	100%	\$ - 0 -
June 30, 2014	13,217	100%	- 0 -
June 30, 2013	10,606	100%	- 0 -

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

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

	<u>PSPRS</u>
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 (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.5%-8.5% 4.5%

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

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

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2014.

	PSPRS – Fire
Actuarial value of assets	\$ 180,672
Actuarial accrued liability	101,240
Unfunded actuarial accrued liability (funding excess)	(79,432)
Funded ratio	178.46%
Annual covered payroll	728,819
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	(10.90)%

C. Beginning Net Position Restatement. 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*, represents a change in accounting principle. Net position as of July 1, 2014, has been restated as follows for this change in accounting principle:

	Statement of Activities
Net position, June 30, 2014, as previously reported	\$ 1,510,528
Net pension liability	(994,023)
Net position, July 1, 2014, as restated	\$ 516,505

NOTE 10 – SUBSEQUENT EVENT

On November 11, 2015, the Fire District issued \$1.995 million in refunding bonds with an effective interest rate of 2.85 percent, to advance refund \$1.887 million of general obligation bonds, with an average interest rate of 5.65 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

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**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Property taxes	\$ 1,110,752	\$ 1,111,389	\$ 637
Fire district assistance taxes	222,150	217,502	(4,648)
Intergovernmental	400,000	121,002	(278,998)
Charges for services	643,000	639,361	(3,639)
Investment income	1,050	1,007	(43)
Miscellaneous	40,046	27,900	(12,146)
Total revenues	<u>2,416,998</u>	<u>2,118,161</u>	<u>(298,837)</u>
Expenditures:			
Current -			
Public safety	2,000,077	1,480,949	519,128
Administration	110,450	102,343	8,107
Capital outlay	400,000	125,073	274,927
Debt service -			
Principal retirement	68,201	110,217	(42,016)
Interest and fiscal charges	13,973	22,325	(8,352)
Total expenditures	<u>2,592,701</u>	<u>1,840,907</u>	<u>751,794</u>
Changes in fund balances	<u>(175,703)</u>	<u>277,254</u>	<u>452,957</u>
Fund balances, beginning of year		275,145	275,145
Fund balances (deficits), end of year	<u>\$ (175,703)</u>	<u>\$ 552,399</u>	<u>\$ 728,102</u>

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See accompanying notes to this schedule.

**PICTURE ROCKS FIRE DISTRICT
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 ARIZONA STATE RETIREMENT SYSTEM
 YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.06%
District's proportionate share of the net pension liability (asset)	\$ 86,202
District's covered-employee payroll	\$ 54,150
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	159.19%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

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PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE
YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Total pension liability	
Service cost	\$ 174,131
Interest	330,162
Changes of benefit terms	128,629
Differences between expected and actual experience	(73,861)
Changes of assumptions	669,694
Benefit payments, including refunds	(289,182)
Net change in total pension liability	<u>939,573</u>
Total pension liability—beginning	<u>4,263,415</u>
Total pension liability—ending	<u><u>\$ 5,202,988</u></u>
Plan fiduciary net position	
Contributions—employer	\$ 120,390
Contributions—employee	79,415
Net investment income	440,441
Benefit payments, including refunds	(289,182)
Administrative expense	(3,547)
Other	(10,375)
Net change in plan fiduciary net position	<u>337,142</u>
Plan fiduciary net position—beginning	<u>3,244,355</u>
Plan fiduciary net position—ending	<u><u>\$ 3,581,497</u></u>
Net pension liability—ending	<u><u>\$ 1,621,491</u></u>
Plan fiduciary net position as a percentage of the total pension liability	68.84%
Covered-employee payroll	\$ 635,154
Net pension liability as a percentage of covered-employee payroll	255.29%

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**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
Arizona State Retirement System:	
Actuarially determined contribution	\$ 3,566
Contributions in relation to the actuarially determined contribution	<u>3,566</u>
Contribution deficiency (excess)	<u>\$</u>
District's covered-employee payroll	\$ 32,744
Contributions as a percentage of covered-employee payroll	10.89%
 Public Safety Personnel Retirement System - Fire:	
Actuarially determined contribution	\$ 89,287
Contributions in relation to the actuarially determined contribution	<u>89,287</u>
Contribution deficiency (excess)	<u>\$</u>
District's covered-employee payroll	\$ 635,154
Contributions as a percentage of covered-employee payroll	14.06%

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
Public Safety Personnel Retirement System - Fire:						
2014	180,672	101,240	(79,432)	178.46	728,819	(10.90)
2013		121,268	121,268	-	856,591	14.16
2012		142,189	142,189	-	1,080,059	13.16

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**PICTURE ROCKS FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2 – PENSION PLAN SCHEDULES

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

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

The actuarial assumptions used in the June 30, 2014, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

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OTHER SUPPLEMENTARY INFORMATION

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**PICTURE ROCKS FIRE DISTRICT
ANNUAL REPORT INFORMATION
JUNE 30, 2015**

Regular Fire Board Meetings:

Date	Time	Location
July 15, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
August 19, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
September 16, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
October 21, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
November 18, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
December 16, 2014	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
January 20, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
February 19, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
March 19, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
April 16, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
May 21, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743
June 25, 2015	6:30 pm	12121 W Picture Rocks Road, Tucson, AZ 85743

2014-2015 Board Members:

<u>Name</u>	<u>Phone Number</u>	<u>Occupation</u>
Peggy McCool	520-682-7878	Retired
David Seese	520-682-7878	Construction Foreman
Ernie Robles	520-682-7878	Retired
Sandy Watson	520-682-7878	Office Manager
David Putnam	520-682-7878	Retired

Location of Posting of Meeting Notices (all meetings):

Picture Rocks Fire District Admin Offices	12121 W. Picture Rocks Road	Tucson, AZ
Picture Rocks Fire Station 121	7341 N. Sandario Road	Tucson, AZ
Picture Rocks Hardware Store	6315 N. Sandario Road	Tucson, AZ

Legal Description of Boundary Changes:

None

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**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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**Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of
 Financial Statements Performed in Accordance with
 Government Auditing Standards**

Independent Auditor's Report

Governing Board
 Picture Rocks Fire District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Picture Rocks Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Picture Rocks Fire District's basic financial statements, and have issued our report thereon dated December 18, 2015. Our opinions on the Governmental Activities and General Fund were qualified as the Fire District did not maintain sufficient internal controls or adequate records of its ambulance service accounts receivable and related revenues. Our report also included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 68, as amended by Statement No. 71.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS-2015-001 to be a material weakness.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS-2015-002 and FS-2015-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Picture Rocks Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Picture Rocks Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the Fire District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the Fire District failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Picture Rocks Fire District's Response to Findings

Picture Rocks Fire District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Picture Rocks Fire District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 18, 2015

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**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: FS-2015-001

Type of Finding: Material Weakness

Description: Internal Controls over Ambulance Service Receivables

CRITERIA

The Fire District is responsible for implementing and maintaining a system of effective internal controls over accounts receivable for ambulance service.

CONDITION/CONTEXT

We noted the following during our audit of the ambulance services receivables and activity:

- The Fire District has not reviewed the accounts receivable ledger for validity and collectability of existing customer accounts. As a result, the Fire District has been unable to determine accounts that must be written-off.
- The accounts receivable ledger contains receivables from prior fiscal years that are unrelated to ambulance services.
- The Fire District did not estimate an allowance for doubtful accounts as of fiscal year end.

CAUSE

- A lack of defined policies and procedures over the Fire District's billing and collection of ambulance service fees.
- No formal accounting policy or procedures governing the recognition and write-off of delinquent customer accounts.
- Employee turnover during the fiscal year.

EFFECT/POTENTIAL EFFECT

The ambulance service accounts receivable ledger maintained in the accounting system may not be valid. As a result, the accounts receivable balance and related revenues for ambulance services may not be correctly stated in the financial statements. Qualified opinions were issued on the Fire District's financial statements due to the auditor's inability to sufficiently complete the audit objects necessary to render an opinion on the ambulance service accounts receivable and related revenues.

**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: FS-2015-001

RECOMMENDATION

We recommend the following to improve internal controls and processes related to ambulance service accounts receivable.

- The Fire District should review the aged receivable balances to assess ambulance patient accounts for validity and collectability. Invalid or uncollectable accounts should be written off.
- The Fire District should consider adoption of a formal policies, procedures, and controls over the Fire District's billing and collection of ambulance services to facilitate timely and accurate reflection of ambulance patient billing and collection activity in the accounting records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

In February 2015, the Fire District entered into a contract with a professional service firm to perform the invoicing and collections of the medical services provided by the District from March 2015 (including certain invoicing to Medicare for the preceding 12 months). In connection with the services provided under this contract, the Fire District will update its existing policies, procedures, and controls to document, receive, and apply medical service transactions in coordination with the contractor.

The Fire District will continue to review its aged receivable balances to determine existence and collectability of all medical services receivables prior to March 2015. The Fire District will then utilize the policy adopted by the Board during fiscal year 2014 to send accounts to the contractor for collection or to write off uncollectable balances.

By the end of fiscal year 2016, the Fire District, in conjunction with its contractor, will attempt to write off all uncollectible balances and to adequately determine the collectability of the remaining accounts receivable in order to sufficiently provide for the reserve of uncollectable accounts subsequent to that time.

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**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: FS-2015-002

Type of Finding: Significant Deficiency

Description: Internal Controls over Compensated Absences

CRITERIA

Fire District management is responsible for establishing and maintaining internal controls related to monitoring and reporting of compensated absences. Internal controls should include preparing complete, timely, and accurate compensated leave schedules for inclusion in the Fire District's financial statements.

CONDITION/CONTEXT

Several adjustments were necessary to the compensated absences schedule that was provided by the Fire District before inclusion in the financial statements.

CAUSE

The Fire District's management did not have adequate procedures in place to accurately compile compensated absences listing.

EFFECT/POTENTIAL EFFECT

The Fire District's internal controls over compensated absences were not adequate to ensure a misstatement would be prevented and/or detected.

RECOMMENDATION

The Fire District should design and implement procedures to ensure the data used to calculate leave is accurate and the compensated absences schedule provided to auditors for inclusion in the Fire District's financial statements are prepared in accordance with Fire District policy.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Fire District will be maintaining a compensated absences schedule that is consistent with schedule ultimately utilized for this fiscal year which should result in no material adjustments in order to be included in future financial statements. Additionally, the Fire District will update its Accounting Policies and Procedures as needed to produce the Compensated Absences Schedule as describe above.

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**PICTURE ROCKS FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: FS-2015-003

Type of Finding: Significant Deficiency

Description: Accounting Policies and Procedures

CRITERIA

The Fire District is responsible for maintaining a defined system of internal control. This includes the implementation and definition of policies and procedures over significant accounting and finance areas

CONDITION/CONTEXT

The Fire District has not defined policies and procedures related to the following accounting and finance areas:

- Billing and collection of charges for services
- Employee payroll accounting and recordkeeping
- Capital asset recordkeeping and reporting

CAUSE

Lack of time and resources on behalf of the Fire District.

EFFECT/POTENTIAL EFFECT

A lack of defined polies and procedures over significant accounting and finance areas may lead to errors and inconsistencies in business office operations and financial reporting.

RECOMMENDATION

The Fire District should allocate the necessary resources toward the development and formal adoption of policies and procedures over accounting and finance operations to facilitate consistent practices, and minimize the potential for errors and inconsistencies.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

During the next fiscal year, the Fire District will continue to prioritize the creation and modification of Accounting Policies and Procedures in an effort to more adequately account for and administer the above items as well as any other matters that have or may arise.

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