



Rio Rico Medical & Fire District

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

December 15, 2015

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 N. 18th Avenue, Ste 540
Phoenix, AZ 85007-3248

Reference: Fiscal Year Audited Financials for Rio Rico Fire District

Enclosed you'll find the Rio Rico Fire District's Special District Ambulance Revenue and Cost Report for fiscal year ending June 30th, 2015 along with the audited financial in lieu of pages four and five of the report.

Feel free to contact me with any questions or comments.

Sincerely,

Marcela Ceballos
Administrative Manager
Rio Rico Fire District
mceballos@rioricofire.org
(520) 761-0110

RECEIVED
DEC 21 2015
BEMSTS-CUN & RATES

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

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

RIO RICO FIRE DISTRICT
Reporting Ambulance Service

Address: 822 PENDLETON DRIVE

City: RIO RICO Zip: 85648

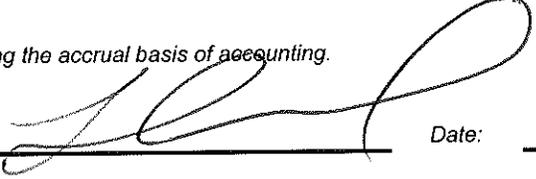
Report Fiscal Year

From: July 1, 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: December 11, 2015

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

Phone: 520-281-8421 X 7501

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

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

STATISTICAL SUPPORT DATA

Line No.	<u>DESCRIPTION</u>	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:	-	1,285	-	1,285
2	Number of BLS Billable Transports:	-	554	-	554
3	Number of Loaded Billable Miles:	-	112,554	-	11,554
4	Waiting Time (Hr. & Min.):	-	-	-	-
5	Canceled (Non-Billable) Runs:				41

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue				\$ 1,294,511
7	BLS Base Rate Revenue				581,072
8	Mileage Charge Revenue				1,644,407
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
11	Nurses Charge Revenue				-
12	Standby Charge Revenue (Attach Schedule)				-
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE			(Post to Page 3, Line 1)	\$ 3,519,989

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:		** No. of FTE's
14	Management	\$ 312,946 5.0
15	Paramedics and IEMTs	\$ 691,380 19.0
16	Emergency Medical Technician (EMT)	\$ 955,518 28.0
17	Other Personnel	\$ 237,980 4.0
18	Payroll Taxes and Fringe Benefits - All Personnel	\$ 807,734 56
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	\$ 3,005,558

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

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

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

SCHEDULE OF REVENUES AND EXPENSES

Line No.	<u>DESCRIPTION</u>		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>3,519,989</u>
Settlement Amounts:			
2	AHCCCS		<u>329,168</u>
3	Medicare		<u>788,547</u>
4	Subscription Service		<u>-</u>
5	Contractual		<u>200,007</u>
6	Other		<u>4,682</u>
7	Total	(Sum of Lines 2 through 6)	<u>1,322,404</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>2,197,585</u>
Operating Expenses:			
9	Bad Debt		\$ <u>242,970</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>3,005,558</u>
11	Professional Services		<u>25,307</u>
12	Travel and Entertainment		<u>14,777</u>
13	Other General Administrative		<u>35,069</u>
14	Depreciation		<u>495,838</u>
15	Rent / Leasing		<u>-</u>
16	Building / Station		<u>60,296</u>
17	Vehicle Expense		<u>183,308</u>
18	Other Operating Expense		<u>329,977</u>
19	Cost of Medical Supplies Charged to Patients		<u>-</u>
20	Interest		<u>11,219</u>
21	Subscription Service Sales Expense		<u>-</u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>4,404,319</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(2,206,734)</u>
24	Subscription Contract Sales		<u>-</u>
25	Other Operating Revenue	Training, Wildland, Grants	<u>209,132</u>
26	Local Supportive Funding		<u>-</u>
27	Other Non-Operating Income	(Attach Schedule)	<u>-</u>
28	Other Non-Operating Expense	(Attach Schedule)	<u>-</u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>(1,997,602)</u>
Provision for Income Taxes:			
30	Federal Income Tax		<u>-</u>
31	State Income Tax		<u>-</u>
32	Total Income Tax	(Line 30, plus Line 31)	<u>-</u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u>(1,997,602)</u>

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: _____ RIO RICO FIRE DISTRICT _____

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

BALANCE SHEET

Current audited financial statements may be submitted in lieu of these pages.

ASSETS

Financial Statements Submitted

CURRENT ASSETS

1	Cash	\$ _____	
2	Accounts Receivable	_____	
3	Less: Allowance for Doubtful Accounts	_____	
4	Inventory	_____	
5	Prepaid Expense	_____	
6	Other Current Assets	_____	
7	TOTAL CURRENT ASSETS		_____

9	PROPERTY & EQUIPMENT		_____
10	Less: Accumulated Depreciation		_____

11	OTHER NON CURRENT ASSETS		_____
----	--------------------------------	--	-------

12	TOTAL ASSETS		=====
----	--------------------	--	-------

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

LIABILITIES & EQUITY

CURRENT LIABILITIES

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

21	NOTES PAYABLE		_____
22	LONG-TERM DEBT, OTHER	_____	
23	TOTAL LONG-TERM DEBT		_____

EQUITY & OTHER CREDITS

Paid-In Capital:

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

32	TOTAL LIABILITIES & EQUITY		\$ =====
----	----------------------------------	--	----------

AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: _____

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

STATEMENT OF CASH FLOWS

Current audited financial statements may be submitted in lieu of these pages.

Financial Statements Submitted

OPERATING ACTIVITIES:

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

INVESTING ACTIVITIES:

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

FINANCING ACTIVITIES:

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

SUPPLEMENTAL DISCLOSURES:

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

RIO RICO FIRE DISTRICT

YEAR ENDED JUNE 30, 2015

RECEIVED

DE 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
YEAR ENDED JUNE 30, 2015

CONTENTS

	Page
Independent auditors' report	1 - 2
Management's discussion and analysis	3 - 11
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	12
Statement of activities	13
Fund financial statements - governmental funds:	
Balance sheet	14
Reconciliation of the balance sheet to the statement of net position	15
Statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities	17
Notes to financial statements	18 - 42
Required supplementary information:	
Schedule of revenues, expenditures and changes in fund balances - budget to actual - general fund	43
Schedule of the District's proportionate share of the net pension liability - cost-sharing plan (ASRS)	44
Schedule of changes in the net pension liability (asset) and related ratios - agent retirement plan (PSPRS)	45
Schedule of pension contributions	46
Notes to schedule of pension contributions	47
Schedule of funding progress - post-retirement health insurance subsidy - agent retirement plan (PSPRS)	48
Report on internal control and on compliance:	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	49 - 50
Schedule of findings and responses	51
Other report:	
Report on compliance with A.R.S. 48-805.02, subsection G	52



BEACHFLEISCHMAN

Independent Auditors' Report

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rio Rico Fire District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in note 1, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability - cost sharing plans, schedule of changes in the net pension liability (asset) and related ratios - agent retirement plan, schedule of pension contributions, schedule of funding progress - post-retirement health insurance subsidy - agent retirement plan, 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 U.S. generally accepted auditing standards, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of Rio Rico 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 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 Rio Rico Fire District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
November 24, 2015

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

As management of the Rio Rico Fire District (the District), we offer readers of these financial statements, this narrative overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. The District understands the importance of transparency in everything we do, and so this discussion and analysis is intended to be an easily readable breakdown of the District's financial activities based on currently known facts, decisions and conditions. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative.

FINANCIAL HIGHLIGHTS

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

- In the government-wide financial statements, the assets of Rio Rico Fire District exceeded its liabilities at the close of the fiscal year by \$3.7 million (net position). Of this amount, \$2.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors and to further the purpose of the District. The District also reported \$45,298 in restricted net position to be used for debt service.
- The District's total net position increased by \$219,771, primarily due to increased alternate revenue, such as ambulance fees and third-party medical billing revenue, outweighing the decrease in property tax revenues. In addition, Rio Rico Fire District managed to maintain its expenditures under the budgeted amount.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.3 million, an increase of \$16,000 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.1 million, or 30% of total General Fund expenditures, which totaled \$3.7 million for the fiscal year.
- The District's general obligation bonds and capital leases decreased 4.3% during the current fiscal year as the District repaid approximately \$227,000. The debt reduction was a planned, end-of-year strategy by Rio Rico Fire District's management team, if funding was secured during the year, in order to reduce the interest costs and debt-ratio, improving the District's financial position.
- The District adopted GASB No. 68 – *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* - where employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangements are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions. The District also adopted GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment to GASB No. 68* – the objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by an employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* (page 12) presents information on all of the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* (page 13) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term acquisition and use of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements. Thus, the emphasis is placed on measurable and available financial resources rather than on the net changes in assets. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

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

The District adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget and is presented on page 43.

The basic governmental fund financial statements and reconciliations can be found on pages 14 – 17 of his report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 – 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$3.7 million (net position) as of June 30, 2015. The District's net position increased by \$219,771 for the fiscal year ended June 30, 2015.

By far, the largest portion of net position (\$2,822,128 or 76%), reflects the District's unrestricted net assets, that may be used to meet ongoing obligations of the District to citizens and creditors.

The net investment in capital assets (\$824,115 or 22%) reflects the District's investment in capital assets (land, buildings and improvements, fire apparatus, and vehicles), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be liquidated to service these liabilities.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

The following table reflects the condensed Statement of Net Position.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

Rio Rico Fire District
Condensed Statement of Net Position
 As of June 30, 2015

	<u>Governmental Activities</u>		Increase/ (Decrease)
	2015	2014	
Cash and investments	\$ 2,119,887	\$ 2,164,237	\$ (44,350)
Receivables	1,013,909	895,351	118,558
Capital assets, net	5,863,949	6,126,225	(262,276)
Other assets	404,833 *	-	404,833
Deferred outflows	408,338 *	-	408,338
Total assets and deferred outflows	9,810,916	9,185,813	625,103
Current liabilities	389,789	325,902	63,887
Long term liabilities	5,382,632 *	5,259,044	123,588
Deferred inflows	346,954 *	-	346,954
Total liabilities and deferred inflows	6,119,375	5,584,946	534,429
Net Investment in capital assets	824,115	859,610	(35,495)
Restricted for debt service	45,298	69,086	(23,788)
Unrestricted	2,822,128 *	2,672,171	149,957
Total net position	\$ 3,691,541	\$ 3,600,867	\$ 90,674

*Due to implementation of GASB 68, a prior period adjustment of \$129,097 is reflected in June 2015. The restated beginning net position for fiscal year 2015 is \$3,471,770. Please see note 2 for details. Restatement of the comparative financial data for the prior period presented is not practical due to the limited information obtainable from the pension plans.

Statement of Activities – The net position of the District from governmental activities increased 6%, or \$219,771. Key elements of this increase are as follows:

- Property tax revenues decreased approximately \$200,000 or 8% due to decreases in property value assessments within the District. The District's property tax rate did not change from the prior year.
- Fees for Service revenue increases about \$382,772 or 23% due to an increased oversight of medical coding by field personnel as well as close oversight of billing timeframes and practices which yielded an increase in net collection rate.
- Expenditures for the District as a whole increased by \$55,647 due to decreases in debt interest and expenditures for fire and emergency services. The District did not reduce operational personnel, but restructure officer positions to assist with administrative oversight and training, while assisting with on-shift response for most of the fiscal year.

- The district continues to focus on operational staffing needs focused on historical call data. Part-time suppression employees are scheduled based on historical call volume. Part-time training instructors continue to provide the District the flexibility to train employees on shift and therefore reducing overtime costs.

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

Rio Rico Fire District
Condensed Statement of Activities
 For the Year Ended June 30, 2015

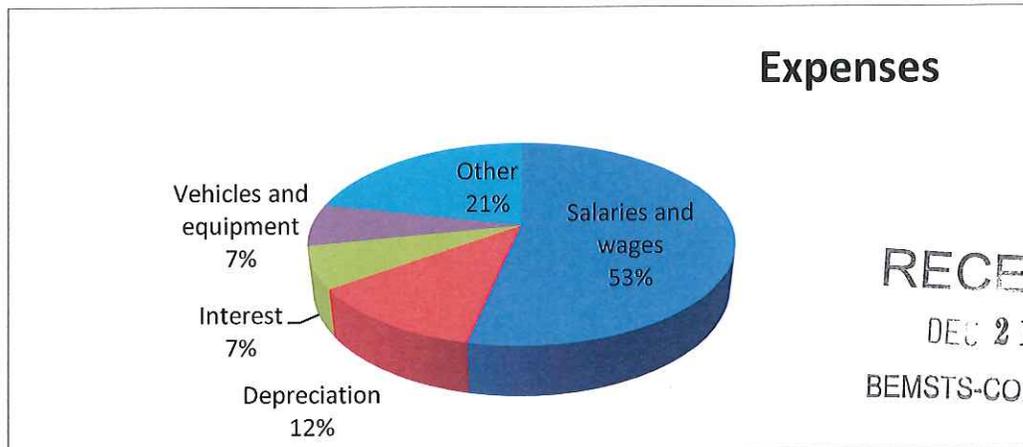
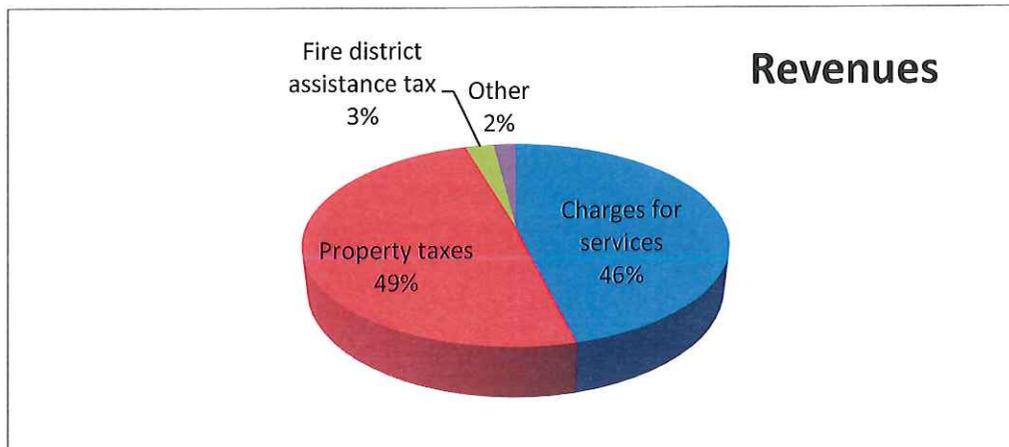
	Governmental Activities		Increase/ (Decrease)
	2015	2014	
Revenues			
Property taxes	\$ 2,168,603	\$ 2,359,452	\$ (190,849)
Fire district assistance tax	112,653	121,748	(9,095)
Charges for services	2,030,130	1,647,358	382,772
Other	88,249	21,789	66,460
Total Revenues	4,399,635	4,150,347	249,288
Expenses			
Salaries and wages	2,230,487	2,081,383	149,104
Depreciation	495,838	491,967	3,871
Interest	278,572	284,676	(6,104)
Other	1,174,967	1,266,191	(91,224)
Total Expenses	4,179,864	4,124,217	55,647
Change in net position	219,771	26,130	193,641
Beginning Net Position, as restated	3,471,770 *	3,574,737	(102,967)
Ending Net Position	\$ 3,691,541	\$ 3,600,867	\$ 90,674

*Due to implementation of GASB 68, a prior period adjustment of \$129,097 is reflected in June 2015. The restated beginning net position for fiscal year 2015 is \$3,471,770. Please see note 2 for details. Restatement of the comparative financial data for the prior period presented is not practical due to the limited information obtainable from the pension plans.

RECEIVED
 DEC 21 2015
 BEMSTS-CON & RATES

RECEIVED
 DE 21 AM
 BEMSTS-CON & RATES

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



RECEIVED
 DEC 21 2015
 BEMSTS-CON & RATES

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds - The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Governing Board.

At June 30, 2015, the governmental funds of the District reported a combined fund balance of \$2.3 million, an increase from last year of \$16,159 or 0.7%. The increase includes various alternate sources of revenue established by management, higher fees for service collection rates and reduction of overall expenditures to offset reduction of tax revenue and wildland reimbursements. The District also received funding for health grants to promote its Community Healthcare Integrated Paramedicine Program (CHIPPP).

General Fund - The General fund accounts for all of the financial resources of the District, which are not accounted for in any other fund. As of June 30, 2015, total fund balance was \$1,111,692, which was all unassigned. As a measure of the General fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures.

Capital Projects Fund - The Capital Projects fund accounts for the accumulation of resources for future construction costs for new and existing facilities and for the purchase of large fire apparatus. As of June 30, 2015, the ending fund balance in the Capital Projects fund was \$1,137,649.

Debt Service Fund - The debt service fund accounts for the property tax levy dedicated to the payment of principal and interest on general obligation bonds. As of June 30, 2015, the ending fund balance in the Debt Service fund was \$21,442.

BUDGETARY HIGHLIGHTS

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

- Revenues were less than the budgeted amounts (by \$20,849 or 0.5%) primarily due to the budget including \$300,000 in grants applied for and not received within the fiscal year and reduced out of district wildland revenue. Fortunately, the District received confirmation of a HRSA grant award at the end of the fiscal year which will offset ERE and operational costs of the CHIPP.
- Expenditures were less than the budgeted amounts (by \$263,736 or 6.6%) due to the proactive management of expenditures by management.
- Personnel costs decreased during the year, even though the District provided employees a 5% wage increase after three years of a wage freeze. The District restructured operational positions to provide training and support and maintained staffing levels with part-time employees scheduled according to call volume. The District maintained restrictions on some employee benefits such as vacation buy-back and reduction of health plan contributions. Other benefits and contributions were paid at six-month intervals once management ensured that funding was available.

Rio Rico Fire District
Condensed Budget to Actual
 As of June 30, 2015

	General Fund		Variance with budget
	Budget	Actual	
Total Revenues	\$ 3,984,312	\$ 3,963,463	\$ (20,849)
Total Expenses	3,984,312	3,720,576	(263,736)
Net Change in Fund Balance	\$ -	\$ 242,887	\$ (211,306)

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets for its governmental type activities as of June 30, 2015 totaled \$5.9 million (net of accumulated depreciation). These assets include land, buildings and improvements, fire apparatus and vehicles, and general fire suppression and emergency medical equipment, as well as information technology and communications equipment.

During the year, the District purchased capital assets of \$233,563, which included an ambulance and other small equipment as well as necessary updates to the District's IT Infrastructure.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 26.

Changes in Capital Assets

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 6,126,225	\$ 6,536,515
Additions	233,563	81,677
Depreciation	<u>(495,839)</u>	<u>(491,967)</u>
Ending balance	\$ 5,863,949	\$ 6,126,225

RECEIVED
 Dec. 21 2015
 BEMSTS-CON & RATES

Long-term Liabilities – At June 30, 2015, the District had \$5.6 million in long-term liabilities outstanding, a net increase of \$162,000, or 3% from the prior year. The increase is due to the addition of the District's net pension liability, in accordance with GASB 68, of \$357,000 and a decrease of \$195,000 in other long term liabilities due to principal repayments.

The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2015, the District had total long-term debt (bonds and capital leases) outstanding of \$5,039,834. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$480,000. All debt is backed by the full faith and credit of the District.

In accordance with GASB 68, the District is required to include the net pension liability (asset) on the financial statements. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. A net pension asset is recorded at June 30, 2015 relating to the District's participation in the Public Safety Personnel Retirement System (PSPRS) of \$404,833, and a net pension liability is recorded at June 30, 2015 relating to the District's participation in the Arizona State Retirement System (ASRS) of \$356,753.

Additional information regarding the long-term debt of the District can be found in the notes to the financial statements on pages 26-28 of this report, and information regarding the pension plans can be found on pages 30-42.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

As property values have continued to decline, tax revenues to the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while providing the highest level of service to the community.

The District's property valuation is projecting to decrease for year ending June 30, 2016. Based on Santa Cruz County (SCC) preliminary assessment, we are expecting a decrease in values to be around 4.5% countywide. For next fiscal year, the District adopted a rate 3.11 per \$100 of assessed valuation, keeping the same rate for the fiscal year. Under current statute, the tax rate is limited to \$3.25. The political and regulatory climate for fire districts remain adverse, with Proposition 117 being implemented in the upcoming fiscal year and limiting property valuation methods that impact the tax levy. With that said, the District maintains a positive outlook for the short-term and long-term goals and financial health.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions regarding the report or need additional financial information, please contact the District's administrative office at (520) 281-8421, located at 822 Pendleton Drive, Rio Rico Arizona, 85648.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

Basic Financial Statements

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 2,103,908
Cash and investments, restricted	15,979
Receivables:	
Property taxes	293,355
Ambulance, net	651,479
Other	69,075
Land	182,390
Other capital assets, net of accumulated depreciation	5,681,559
Net pension assets	<u>404,833</u>
Total assets	<u>9,402,578</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	<u>408,338</u>
Total deferred outflows of resources	<u>408,338</u>
Liabilities:	
Accounts payable	45,592
Accrued payroll and related benefits	132,228
Noncurrent liabilities:	
Due within one year	211,969
Due in more than one year	<u>5,382,632</u>
Total liabilities	<u>5,772,421</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	<u>346,954</u>
Total deferred inflows of resources	<u>346,954</u>
Net position:	
Net investment in capital assets	824,115
Restricted	45,298
Unrestricted	<u>2,822,128</u>
Total net position	<u>\$ 3,691,541</u>

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES 12

See notes to financial statements.

RIO RICO FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Governmental activities</u>
Program expenses:	
Public safety, fire protection and emergency services:	
Administration	\$ 34,172
Communications	99,926
Depreciation	495,838
Insurance	55,509
Other	62,222
Payroll taxes and employee benefits	550,410
Professional services	26,102
Repairs and maintenance	55,586
Salaries and wages	2,230,487
Supplies	38,688
Training and related	14,354
Utilities and station	56,718
Vehicles and equipment	181,280
Interest	<u>278,572</u>
Total program expenses	<u>4,179,864</u>
Program revenues:	
Charges for services	2,030,130
Operating grants and contributions	<u>68,195</u>
Total program revenues	<u>2,098,325</u>
Net program expenses	<u>2,081,539</u>
General revenues:	
Property taxes	2,168,603
Fire district assistance tax	112,653
Investment earnings	221
Other	<u>19,833</u>
Total general revenues	<u>2,301,310</u>
Change in net position	219,771
Net position, beginning of year, as restated	<u>3,471,770</u>
Net position, end of year	<u>\$ 3,691,541</u>

See notes to financial statements.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General	Capital projects	Debt service	Total governmental funds
Assets:				
Cash and investments	\$ 966,259	\$ 1,137,649	\$ -	\$ 2,103,908
Cash and investments, restricted	-	23	15,956	15,979
Receivables:				
Property taxes	264,013	-	29,342	293,355
Ambulance, net	651,479	-	-	651,479
Other	69,075	-	-	69,075
Total assets	\$ 1,950,826	\$ 1,137,672	\$ 45,298	\$ 3,133,796
 Liabilities:				
Accounts payable	\$ 45,592	\$ -	\$ -	\$ 45,592
Accrued payroll and related benefits	132,228	-	-	132,228
Total liabilities	177,820	-	-	177,820
 Deferred inflows of resources:				
Unavailable revenue - property taxes	238,149	-	23,856	262,005
Unavailable revenue - ambulance	423,165	-	-	423,165
Total deferred inflows of resources	661,314	-	23,856	685,170
 Commitments and contingencies				
 Fund balances:				
Restricted	-	23	21,442	21,465
Committed	-	1,137,649	-	1,137,649
Unassigned	1,111,692	-	-	1,111,692
Total fund balances	1,111,692	1,137,672	21,442	2,270,806
Total liabilities, deferred inflows of resources and fund balances	\$ 1,950,826	\$ 1,137,672	\$ 45,298	\$ 3,133,796

RECEIVED

DEC 21 2015

RIO RICO FIRE DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total fund balances - governmental funds	\$ 2,270,806
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.	5,863,949
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	685,170
Net pension assets held in trust for future benefits are not available for District operations and, therefore, are not reported in the funds.	404,833
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(198,014)
Obligations under capital leases	(214,834)
General obligation bonds	(4,825,000)
Net pension liability	(356,753)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	408,338
Deferred inflows of resources related to pensions	<u>(346,954)</u>
Net position of governmental activities	<u>\$ 3,691,541</u>

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2015

	General	Capital projects	Debt service	Total governmental funds
Revenues:				
Property taxes	\$ 1,888,071	\$ -	\$ 402,928	\$ 2,290,999
Fire district assistance tax	112,653	-	-	112,653
Charges for services	1,874,527	-	-	1,874,527
Grants and contributions	68,195	-	-	68,195
Investment earnings	184	1	36	221
Other	19,833	-	-	19,833
Total revenues	3,963,463	1	402,964	4,366,428
Expenditures:				
Public safety:				
Fire protection and emergency services	3,610,557	-	-	3,610,557
Administration and support	-	-	796	796
Capital outlay				
Buildings and improvements	-	29,975	-	29,975
Fire equipment	17,019	62,804	-	79,823
Vehicles	-	123,765	-	123,765
Debt service:				
Principal	81,781	-	145,000	226,781
Interest	11,219	-	267,353	278,572
Total expenditures	3,720,576	216,544	413,149	4,350,269
Revenues over (under) expenditures	242,887	(216,543)	(10,185)	16,159
Other financing sources (uses):				
Transfers in (out)	(454,193)	454,193	-	-
Total other financing sources (uses)	(454,193)	454,193	-	-
Net change in fund balances	(211,306)	237,650	(10,185)	16,159
Fund balances, beginning of year	1,322,998	900,022	31,627	2,254,647
Fund balances, end of year	\$ 1,111,692	\$ 1,137,672	\$ 21,442	\$ 2,270,806

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO 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 change in fund balances - governmental funds	\$ 16,159
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	233,563
Depreciation expense	(495,838)
Certain revenues relating to property taxes and ambulance services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	33,207
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.	
Pension contributions	351,026
Pension expense	(112,465)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(32,662)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amount consists of:	
Principal paid	<u>226,781</u>
Change in net position of governmental activities	<u>\$ 219,771</u>

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies:

The accounting policies of Rio Rico Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2015, the District implemented 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*. GASB 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

Reporting entity:

The District, established in 1976 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries.

In accordance with the GASB Statement No. 14, the financial reporting entity consists of a primary government and its component units. The 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 District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

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

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

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

- charges to customers for services provided
- grants and contributions

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Government-wide and fund financial statements (continued):

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

Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Measurement focus, basis of accounting and financial statement presentation:

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

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

Real and personal property taxes are levied 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. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Santa Cruz County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Leases and investment earnings 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

RECEIVED
DEC 21 2015 19
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources except those required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources that are restricted, committed or assigned for the acquisition or construction of major capital assets.

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

Estimates:

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

Cash and investments:

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. Investments maintained in the Santa Cruz County Investment Pool are carried at cost, which approximates fair value, and can be liquidated as needed.

The District places its cash and investments with various credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and investments.

Investment earnings are comprised primarily of interest earnings only.

Cash and investments, restricted:

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

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Accounts and property taxes receivables, which have been remitted within 60 days subsequent to year-end, are considered measurable and available and recognized as revenues in the fund financial statements. All other receivables are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property on the first day of January preceding assessment and levy.

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to year-end are recorded as deferred inflows of resources in the fund financial statements.

Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at 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 assets lives are not capitalized.

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

Land	Not depreciated
Buildings and improvements	40 years
Fire equipment	3 - 10 years
Vehicles	10 - 15 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of organization and summary of significant accounting policies (continued):

Long-term obligations:

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

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances.

Deferred outflows and inflows of resources:

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

Pensions:

For purposes of measuring the net pension liability or asset, 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 plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board

RECEIVED

DEC 21 2015

22

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

RECEIVED
 DL 21 2015
 BEMSTS-CON & RATES

1. Description of organization and summary of significant accounting policies (continued):

Fund balance (continued):

- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds

The District applies restricted resources first when expenditures 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.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budgetary information:

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the General Fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end.

2. Change in accounting principle:

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

	Governmental activities
Net position, as previously reported, June 30, 2014	\$ 3,600,867
Adjustments - implementation of GASB 68	
Net pension liability	(362,597)
Deferred outflows - District contributions made during fiscal year 2014	233,500
	(129,097)
Net position, as restated, June 30, 2014	\$ 3,471,770

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

RECEIVED
 DEC 21 2015
 BEMSTS-CON & RATES

3. Cash and investments:

Cash and investments consist of the following:

Deposits:		
Operating accounts		\$ 602,820
Investments:		
Santa Cruz County Treasurer investment pool		1,501,088
Santa Cruz County Treasurer investment pool - restricted		<u>15,979</u>
		<u>\$ 2,119,887</u>

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At year-end, deposits with financial institutions have a carrying value of \$602,820 and a bank balance of \$616,338. The difference represents deposits in transit, outstanding checks and other reconciling items at June 30, 2015.

Investments:

Monies levied by the District are invested with the Santa Cruz County Treasurer's Office and pooled with other local governments for investment. The District's investment in the County's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Santa Cruz County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary.

The District's investments at June 30, 2015 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Santa Cruz County Treasurer's investment pool	Unrated	Not applicable	\$ 1,517,067

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

3. Cash and investments (continued):

Investments (continued):

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

Credit risk - The Arizona Revised Statutes have the following requirements for credit risk:

- Commercial Paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
- Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
- Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

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

Concentration of credit risk - The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments.

4. Receivables:

	<u>General</u>	<u>Debt service</u>	<u>Total</u>
Property taxes	\$ 264,013	\$ 29,342	\$ 293,355
Ambulance receivables	1,326,841	-	1,326,841
Other	<u>69,075</u>	<u>-</u>	<u>69,075</u>
	1,659,929	29,342	1,689,271
Less allowance for doubtful accounts and contractual adjustments	<u>675,362</u>	<u>-</u>	<u>675,362</u>
	<u>\$ 984,567</u>	<u>\$ 29,342</u>	<u>\$ 1,013,909</u>

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

5. Capital assets:

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 182,390	\$ -	\$ -	\$ 182,390
Total capital assets, not depreciated	<u>182,390</u>	<u>-</u>	<u>-</u>	<u>182,390</u>
Capital assets, depreciated:				
Buildings and improvements	4,737,517	29,975	-	4,767,492
Fire equipment	1,558,133	79,823	(20,891)	1,617,065
Vehicles	3,599,118	123,765	(78,770)	3,644,113
Total capital assets, depreciated	<u>9,894,768</u>	<u>233,563</u>	<u>(99,661)</u>	<u>10,028,670</u>
Less accumulated depreciation for:				
Buildings and improvements	(882,629)	(127,649)	-	(1,010,278)
Fire equipment	(1,170,558)	(100,256)	20,891	(1,249,923)
Vehicles	(1,897,746)	(267,934)	78,770	(2,086,910)
Total accumulated depreciation	<u>(3,950,933)</u>	<u>(495,839)</u>	<u>99,661</u>	<u>(4,347,111)</u>
Total capital assets, depreciated, net	<u>5,943,835</u>	<u>(262,276)</u>	<u>-</u>	<u>5,681,559</u>
Total capital assets, net	<u>\$ 6,126,225</u>	<u>\$ (262,276)</u>	<u>\$ -</u>	<u>\$ 5,863,949</u>

6. General obligation bonds:

Series A (2008):

The District, pursuant to a special bond election, received voter approval to issue up to \$8,000,000 in general obligation debt to construct a training facility, construct and improve fire stations and purchase apparatus. The Series 2008A General Obligation Bonds were issued by the District in the aggregate amount of \$3,835,000. The interest rate ranges from 2.25% to 4.30% and the bonds mature July 1, 2037.

Series B (2011):

The Series 2011B General Obligation Bonds were issued by the District in the aggregate amount of \$1,695,000. The interest rate ranges from 5% to 7% and the bonds mature July 1, 2030.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

REC

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

6. General obligation bonds (continued):

Future principal and interest payments are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 155,000	\$ 260,106	\$ 415,106
2017	160,000	253,256	413,256
2018	170,000	246,206	416,206
2019	180,000	237,006	417,006
2020	185,000	228,175	413,175
2021 - 2025	1,080,000	981,814	2,061,814
2026 - 2030	1,435,000	629,800	2,064,800
2031 - 2035	990,000	270,750	1,260,750
2036 - 2037	470,000	35,500	505,500
	<u>\$ 4,825,000</u>	<u>\$ 3,142,613</u>	<u>\$ 7,967,613</u>

Bond payments are due semi-annually on January 1 and July 1. Prior to June 30, 2015, management had released the July 1, 2015 principal and interest payments of \$278,678, which is held in escrow.

7. Capital leases:

The assets acquired through capital leases are as follows:

Buildings and improvements	\$ 1,000,740
Less accumulated depreciation	<u>277,288</u>
	<u>\$ 723,452</u>

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

7. Capital leases (continued):

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

Year ending <u>June 30,</u>	\$
2016	63,765
2017	63,765
2018	63,765
2019	<u>39,817</u>
Total minimum lease payments	231,112
Less amount representing interest	<u>16,278</u>
Net present value of minimum lease payments	214,834
Less current portion	<u>56,969</u>
	<u><u>\$ 157,865</u></u>

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

8. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2015 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 165,352	\$ 32,662	\$ -	\$ 198,014	\$ -
General obligation bonds - Series A (2008)	3,430,000	-	(85,000)	3,345,000	90,000
General obligation bonds - Series B (2011)	1,540,000	-	(60,000)	1,480,000	65,000
Capital leases	296,615	-	(81,781)	214,834	56,969
Net pension liability	<u>395,133</u>	<u>-</u>	<u>(38,380)</u>	<u>356,753</u>	<u>-</u>
	<u>\$ 5,827,100</u>	<u>\$ 32,662</u>	<u>\$ (265,161)</u>	<u>\$ 5,594,601</u>	<u>\$ 211,969</u>

9. Line of credit:

On behalf of the District, the Board of Supervisors of Santa Cruz County established a line of credit with JPMorgan Chase Bank, which covers all the Districts in Santa Cruz County. In accordance with the Arizona Revised Statutes, the line of credit can only be drawn on by the County Treasurer in order to pay warrants issued by the District to fund operations prior to the collection of the property tax levy in the current year. Borrowings are limited to 45% of the direct property tax levy. At June 30 of each year, the aggregate obligations outstanding under the line of credit are required to be \$0. The balance on the line at June 30, 2015 was \$0.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

10. Ambulance service revenue:

The District provides emergency medical services within the same geographic region as it provides fire prevention and suppression services and interfacility transportation services originating within the Nogales city limits. Revenue from such emergency medical and transportation services are recognized as charges for services. These charges for services are reported at their estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care.

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

Ambulance service revenues	\$ 3,594,671
Less contractual adjustments, provision for bad debts and uncompensated services	<u>1,846,491</u>
	<u>\$ 1,748,180</u>

11. Risk management:

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

12. Commitments and contingencies:

Intergovernmental agreements:

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

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

12. Commitments and contingencies (continued):

Legal proceedings:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

13. Pension plans:

The District contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). These plans are component units of the State of Arizona.

At June 30, 2015, the District reported on the Statement Net Position and Statement of Activities the following aggregate amounts related to pensions for all plans to which it contributes:

	RECEIVED	<u>Governmental Activities</u>
Net pension assets	DEC 21 2015	\$ 404,833
Net pension liabilities		356,753
Deferred outflows of resources	BEMSTS-CON & RATES	408,338
Deferred inflows of resources		346,954
Pension expense		109,706

The District reported \$351,026 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS):

Plan description - District employees not covered by the other pension plan described below 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 its website at www.azasrs.gov.

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Arizona State Retirement System (ASRS) (continued):

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:

	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 consecutive months of last 120 months	Highest 60 consecutive 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 year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6% (11.48% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6% (10.89% for retirement, 0.59% for health insurance premium benefit, and 0.12% for long-term disability) of the active members' annual covered payroll.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Arizona State Retirement System (ASRS) (continued):

The District's contributions to the pension plan for the year ended June 30, 2015, were \$148,794, which included the required contributions for the health insurance premium benefit and long-term disability. During fiscal year 2015, the District paid for the ASRS pension and OPEB contributions from the General Fund.

Pension liability - At June 30, 2015, the District reported a liability of \$356,753 for its proportionate share of the ASRS' net pension liability. 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 District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014, was 0.002411%, which was an increase of 0.000034% 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 District recognized pension expense for ASRS of \$25,189. At June 30, 2015, the District 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	\$ 18,131	\$ -
Net difference between projected and actual earnings on pension plan investments	-	62,385
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,940	-
Contributions subsequent to the measurement date	148,794	-
	\$ 170,865	\$ 62,385

The \$148,794 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

BEMSTS-CON & RATES

DEC 21 2015

RECEIVED

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Arizona State Retirement System (ASRS) (continued):

Year ending <u>June 30,</u>		
2016	\$	6,000
2017		6,000
2018		12,717
2019		<u>15,597</u>
	<u>\$</u>	<u>40,314</u>

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% 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.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Arizona State Retirement System (ASRS) (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Equity	63 %	7.03 %
Fixed Income	25 %	3.20 %
Real estate	8 %	4.75 %
Commodities	4 %	4.50 %
	<u>100 %</u>	

Discount rate - The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. 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 District's proportionate share of the ASRS net pension liability to changes in the discount rate - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	<u>1% decrease (7%)</u>	<u>Current discount rate (8%)</u>	<u>1% increase (9%)</u>
District's proportionate share of the net pension liability	\$ 450,918	\$ 356,753	\$ 305,664

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS):

Plan description - 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 (agent plans). 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 publicly available financial reports that include their financial statements and required supplementary information. The reports are 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 benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent per year of service:		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

RECEIVED
 DEC 21 2015
 BEMSTS-CON & RATES

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active member	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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% of the member's compensation for up to 12 months.

Employees covered by benefit terms - At June 30, 2015, the following employees were covered by the agent pension plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	30
	37

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. Rates are a percentage of active members' annual covered payroll.

For the year ended June 30, 2015, active PSPRS members were required to contribute 11.05% of the members' annual covered payroll and the District was required to contribute 11.82%, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.9% of covered payroll.

The District's contributions to the pension plan for the year ended June 30, 2015, were \$202,232, which included the required contributions for the health insurance premium benefit. During fiscal year 2015, the District paid for the PSPRS pension and OPEB contributions from the General Fund.

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Pension liability (asset) - At June 30, 2015, the District reported net pension assets of \$404,833. The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects the following changes of benefit terms and actuarial assumptions:

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

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2015, the District recognized pension expense for PSPRS of \$87,276. At June 30, 2015, the District 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	\$ -	\$ 154,671
Changes in assumptions or other inputs	35,241	-
Net difference between projected and actual earnings on pension plan investments	-	129,898
Contributions subsequent to the measurement date	202,232	-
	\$ 237,473	\$ 284,569

The \$202,232 reported as deferred outflows of resources related to PSPRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Year ending <u>June 30,</u>	
2016	\$ (44,395)
2017	(44,395)
2018	(44,395)
2019	(44,395)
2020	(11,921)
Thereafter	<u>(59,827)</u>
	<u>\$ (249,328)</u>

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

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

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% 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.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

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>
U.S. equity	16 %	7.60 %
Non-U.S. equity	14 %	8.63 %
Credit opportunities	13 %	8.00 %
Private equity	11 %	9.50 %
Real estate	11 %	6.50 %
GTAA	10 %	5.73 %
Real assets	8 %	5.96 %
Fixed income	7 %	4.75 %
Absolute return	4 %	6.75 %
Risk parity	4 %	6.04 %
Short-term investments	2 %	3.25 %
	<u>100 %</u>	

Discount rate - The discount rate of 7.85% was used to measure the total pension liability. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability (asset) -

	<u>Total pension liability</u> (a)	<u>Plan fiduciary net position</u> (b)	<u>Net pension liability (asset)</u> (a) - (b)
Balances at June 30, 2014	\$ 2,636,744	\$ 2,669,280	\$ (32,536)
Changes for the year:			
Service cost	300,723	-	300,723
Interest on the total pension liability	218,299	-	218,299
Changes of benefit terms	(8,846)	-	(8,846)
Differences between expected and actual experience in the measurement of the pension liability	(170,110)	-	(170,110)
Changes of assumptions or other inputs	38,759	-	38,759
Contributions - employer	-	210,245	(210,245)
Contributions - employee	-	154,550	(154,550)
Net investment income	-	386,327	(386,327)
Benefit payments, including refunds of employee contributions	(12,442)	(12,442)	-
Net changes	<u>366,383</u>	<u>738,680</u>	<u>(372,297)</u>
Balances at June 30, 2015	<u>\$ 3,003,127</u>	<u>\$ 3,407,960</u>	<u>\$ (404,833)</u>

Sensitivity of the District's net pension liability to changes in the discount rate - The following table presents the District's net pension liability (asset) calculated using the discount rate noted above, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85%) or 1 percentage point higher (8.85%) than the current rate:

	<u>1% decrease</u> (6.85%)	<u>Current discount rate</u> (7.85%)	<u>1% increase</u> (8.85%)
District's net pension liability (asset)	\$ 128,179	\$ (404,833)	\$ (836,037)

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

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2015 were established by the June 30, 2013 actuarial valuations.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the 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 the District and plans' members understand it and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	23 years for unfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value 80%/120% market
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5%
Wage growth	4.5%

RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

13. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

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

Year ending June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
2014	\$ 6,346	100%	\$ -
2013	15,058	100%	-
2012	13,688	100%	-

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, follow.

	Health insurance
Actuarial value of assets (a)	\$ 121,603
Actuarial accrued liability (b)	\$ 117,192
Unfunded actuarial accrued liability (b) - (a)	\$ (4,411)
Funded ratio (a) / (b)	104%
Covered payroll (c)	\$ 1,544,058
Unfunded actuarial accrued liability as a percentage of covered payroll ((b) - (a) / (c))	0%

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

Required Supplementary Information

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2015

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,926,905	\$ 1,926,905	\$ 1,888,071	\$ (38,834)
Fire district assistance tax	111,357	111,357	112,653	1,296
Grants and contributions	3,550	3,550	68,195	64,645
Charges for services	1,932,000	1,932,000	1,874,527	(57,473)
Investment earnings	-	-	184	184
Other	<u>10,500</u>	<u>10,500</u>	<u>19,833</u>	<u>9,333</u>
Total revenues	<u>3,984,312</u>	<u>3,984,312</u>	<u>3,963,463</u>	<u>(20,849)</u>
Expenditures:				
Public safety:				
Emergency operations	3,857,312	3,857,312	3,610,557	(246,755)
Administration	34,000	34,000	-	(34,000)
Capital outlay	-	-	17,019	17,019
Debt service	<u>93,000</u>	<u>93,000</u>	<u>93,000</u>	<u>-</u>
Total expenditures	<u>3,984,312</u>	<u>3,984,312</u>	<u>3,720,576</u>	<u>(263,736)</u>
Revenues over expenditures	-	-	242,887	242,887
Other financing sources:				
Transfers out	<u>-</u>	<u>-</u>	<u>(454,193)</u>	<u>(454,193)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(454,193)</u>	<u>(454,193)</u>
Net change in fund balance	-	-	(211,306)	(211,306)
Fund balance, beginning of year	<u>1,322,998</u>	<u>1,322,998</u>	<u>1,322,998</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,322,998</u>	<u>\$ 1,322,998</u>	<u>\$ 1,111,692</u>	<u>\$ (211,306)</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COST SHARING PLAN (ASRS)

YEAR ENDED JUNE 30, 2015
 (schedule to be built prospectively from 2014; 2013 - 2005 information not available)

Reporting date (Measurement date)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)	2007 (2006)	2006 (2005)
District's proportion of the net pension liability	0.002411 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net pension liability	356,753	-	-	-	-	-	-	-	-	-
District's covered employee payroll	156,243	-	-	-	-	-	-	-	-	-
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	228 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	69 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

BEMSTS-CON & RATES
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2015
 (schedule to be built prospectively from 2014; 2013 - 2005 information not available)

Reporting date (Measurement date)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)	2007 (2006)	2006 (2005)
Total pension liability										
Service cost	\$ 300,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	218,299	-	-	-	-	-	-	-	-	-
Benefit changes	(8,846)	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(170,110)	-	-	-	-	-	-	-	-	-
Assumption changes	38,759	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(12,442)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	366,383	-	-	-	-	-	-	-	-	-
Total pension liability, beginning	<u>2,636,744</u>	<u>-</u>								
Total pension liability, ending (a)	<u>\$ 3,003,127</u>	<u>\$ -</u>								
Plan fiduciary net position										
Contributions - employer	\$ 210,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	154,550	-	-	-	-	-	-	-	-	-
Pension plan net investment income	386,327	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(12,442)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	738,680	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, beginning	<u>2,669,280</u>	<u>-</u>								
Plan fiduciary net position, ending (b)	<u>\$ 3,407,960</u>	<u>\$ -</u>								
Net pension liability (asset), ending (a) - (b)	\$ (404,833)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	113.48 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 1,544,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	(26.22)%	- %	- %	- %	- %	- %	- %	- %	- %	- %

RIO RICO FIRE DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

YEAR ENDED JUNE 30, 2015
 (schedule to be built prospectively from 2014; 2013 - 2005 information not available)

Reporting date (Measurement date)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)	2007 (2006)	2006 (2005)
Arizona State Retirement System (ASRS)										
Statutory required contribution	\$ 23,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ 23,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	DIV/0 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Public Safety Personnel Retirement System (PSPRS)										
Actuarially determined contribution	\$ 210,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ 210,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	1,544,058	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	13.62 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

RECEIVED
 DEC 21 2015
 BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

YEAR ENDED JUNE 30, 2015

1. Actuarially determined contribution rates:

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

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Remaining amortization period	24 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7 year smoothed market; 20% corridor
Wage growth	5%
Price inflation	3% - 4% approximate; no explicit price inflation assumption is used in this valuation.
Salary increase	5% - 9% including inflation
Investment rate of return	8%, net of investment and administrative expenses
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Assumed future permanent benefit increases	No explicit assumed permanent benefit increases assumption

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT

**SCHEDULE OF FUNDING PROGRESS - POST-RETIREMENT HEALTH INSURANCE SUBSIDY -
AGENT RETIREMENT PLAN (PSPRS)**

YEAR ENDED JUNE 30, 2015

Health Insurance Subsidy:

Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Funding Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Covered Payroll
2014	\$ 121,603	\$ 117,192	\$ (4,411)	104 %	\$ 1,544,058	0.0 %
2013	0	111,938	111,938	0 %	1,532,084	7.3 %
2012	0	102,288	102,288	0 %	1,551,903	6.6 %

NOTE TO SCHEDULE OF FUNDING PROGRESS

1. Factors that affect the identification of trends:

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

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

Report on Internal Control and on Compliance

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

Independent Auditors' 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*

Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards 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 Rio Rico Fire District, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2015-001).

Compliance and Other Matters

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

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Beach Fleishman PC

Tucson, Arizona
November 24, 2015

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

2015-001

Criteria / Condition:

The District is responsible for establishing and maintaining a system of internal control and procedures over the cash receipts process. We noted that one individual receives the checks, stores the checks until a deposit is made, prepares the deposit, and posts payments and write-offs against accounts receivable in the billing system. In addition, reports from the billing system presently do not reconcile with the general ledger system, requiring an immaterial adjustment at year-end.

Recommendation:

We recommend the District keep a log of all incoming receipts (cash and checks). All mail should be opened by someone without access to the billing system or general ledger system. This individual should keep a log of all checks and cash. After checks and cash have been logged in, they can be given to the billing supervisor to obtain all necessary information for posting in the billing system. The individual that performs the weekly deposit should be different than the individual that maintains the receipts log. After the deposit is prepared, the total from the receipts log should be compared to the deposit total. Any discrepancies should be followed up on timely.

During our testing, we also noted that the District does not have a means of depositing cash due to the lack of a nearby location of their bank. As a best practice, we would recommend the District look into opening a bank account with a local banking institution. The new account can be set to sweep into the District main operating account nightly. This will allow the District to actually deposit cash timely.

View of responsible officials:

Management agrees with this finding and is taking steps to implement procedures to address this finding.

RECEIVED
DEC 21 2015
BEMSTS-CON & RATES

Other Report

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES



BEACHFLEISCHMAN

Independent Auditors' Report

Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Rio Rico Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that Rio Rico Fire District failed to comply with the provisions of section 48-805, subsection B, section 48-806, section 48-807, and section 48-805.02, subsection F as required pursuant to section 48-805.02, subsection G of the Arizona Revised Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the Statute, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Governing Board and management of Rio Rico Fire District and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

BeachFleischman PC

Tucson, Arizona
November 24, 2015

RECEIVED

DEC 21 2015

BEMSTS-CON & RATES