AMBULANCE REVENUE and COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

Sun Lakes Fire District
Reporting Ambulance Service

Address: **25020 S. Alma School Rd.**

City: **Sun Lakes** Zip: **85248**

Report Fiscal Year

From: **July 1, 2014** (Mo. Day Year) To: **June 30, 2015** (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:* 12/29/15

Print Name and Title: **Troy Maloney, Fire Chief**

Phone: **480-895-9343**

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
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:			1,488	1,488
2	Number of BLS Billable Transports:			247	247
3	Number of Loaded Billable Miles:			13,885	13,855
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue	$	2,067,565
7	BLS Base Rate Revenue		342,993
8	Mileage Charge Revenue		275,244
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)	$	2,685,802

SALARY AND WAGE EXPENSE DETAIL

Line No.	GROSS WAGES:		** No. of FTE's
14	Management	$ 90,208	1.0
15	Paramedics and IEMTs	$ 447,590	6.0
16	Emergency Medical Technician (EMT)	$ 368,679	6.0
17	Other Personnel	$ 44,191	1.0
18	Payroll Taxes and Fringe Benefits - All Personnel	$ 475,334	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	$ **1,426,002**	14

* 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.

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION		
	Operating Revenues:		
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	$ 2,685,802
	Settlement Amounts:		
2	AHCCCS		23,079
3	Medicare		1,648,861
4	Subscription Service		
5	Contractual		
6	Other		180,856
7	Total	(Sum of Lines 2 through 6)	1,852,796
8	Total Operating Revenue	(Line 1 minus Line 7)	$ 833,006
	Operating Expenses:		
9	Bad Debt		$ 20,092
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	1,426,002
11	Professional Services		63,616
12	Travel and Entertainment		3,500
13	Other General Administrative		-
14	Depreciation		180,563
15	Rent / Leasing		-
16	Building / Station		24,974
17	Vehicle Expense		35,466
18	Other Operating Expense		317,393
19	Cost of Medical Supplies Charged to Patients		-
20	Interest		-
21	Subscription Service Sales Expense		-
22	Total Operating Expense	(Sum of Lines 9 through 21)	2,071,606
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	$ (1,238,600)
24	Subscription Contract Sales		
25	Other Operating Revenue		
26	Local Supportive Funding		1,238,600
27	Other Non-Operating Income (Attach Schedule)		
28	Other Non-Operating Expense (Attach Schedule)		
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	$ -
	Provision for Income Taxes:		
30	Federal Income Tax		
31	State Income Tax		
32	Total Income Tax	(Line 30, plus Line 31)	
33	**Ambulance Service Net Income (Loss)**	(Line 29, minus Line 32)	-

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

OTHER OPERATING EXPENSES

Communications	210,823
Training	4,052
Medical Supplies NOT Billed to Patient	52,725
Immunizations	4,949
Wellness Supplies	243
Other-EMS Repair	5,344
Capital Expense-EPCR Tablets	39,257
Total	317,393

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

BALANCE SHEET SEE ATTACHED AUDITED FINANCIALS

ASSETS

	CURRENT ASSETS		
1	Cash	$	
2	Accounts Receivable		
3	Less: Allowance for Doubtful Accounts		
4	Inventory		
5	Prepaid Expe		
6	Other Current Assets		
7	TOTAL CURRENT ASSETS		$
9	PROPERTY & EQUIPMENT		
10	Less: Accumulated Depreciation		
11	OTHER NON CURRENT ASSETS		
12	TOTAL ASSETS		$

1E+06

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:	1E+06	
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		$

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AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: Sun Lakes Fire District

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

STATEMENT OF CASH FLOWS SEE ATTACHED AUDITED FINANCIALS

OPERATING ACTIVITIES:

1	Net (loss) Income		$
	Adjustments to Reconcile Net Income to Net Cash		
	Provided by Operating Activities:	Note: a increase in these accounts improves cash flow	
2	Depreciation Expense		
3	Deferred Income Tax		
4	Loss (gain) on Disposal of Property & Equipment		
	(Increase) Decrease in:	Note: a decrease in these accounts improves cash flow	
5	Accounts Receivable		
6	Inventories		
7	Prepaid Expenses		
	Increase (Decrease) in:	Note: a increase in these accounts improves cash flow	
8	Accounts Payable		
9	Accrued Expenses		
10	Deferred Subscription Income		
		1426002	
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:

	New Borrowings:		
20	Long-Term		
21	Short-Term		
		1238600	
	Debt Reduction:		
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:

Non-cash Investing and Financing Transactions:

30			
31			
32			
33	Interest Paid (Net of Amounts Capitalized)		
34	Income Taxes Paid		$

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Sun Lakes Fire District

Basic Financial Statements

Year ended June 30, 2015

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Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors
Sun Lakes Fire District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension liability schedules on pages 3 through 12, 42 through 43, and pages 44 through 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, on our consideration of Sun Lakes 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 Sun Lakes Fire District's internal control over financial reporting and compliance.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
January 19, 2016

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Sun Lakes Fire District
Management's Discussion and Analysis
June 30, 2015

As management of Sun Lakes Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. 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 liabilities of the District exceeded its assets at the close of the fiscal year by $2,063,788 (net position). Of this amount, $(4,674,178) represents a deficit in unrestricted net position and $2,610,390 represents the District's net investment in capital assets.

- The District's total net position increased by $287,129 compared to the prior year's decrease of $182,362. Revenues increased by $469,403 and expenses increased by $211,103 from the prior year.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,126,025, an increase of $398,314 from the prior year. Approximately 49% percent of this total amount, or $555,713, is available for spending at the government's discretion (unassigned). The remaining fund balance is either non-spendable, legally restricted, or has been committed or assigned for capital projects.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $555,713, or 7.7% percent of total general fund expenditures for the fiscal year.

- At the onset of budget preparation for the year ended June 30, 2015, the District's Board of Directors mandated that the District maintain adequate controls over the budgeting process to minimize any potential for increased burden on the District's taxpayers. The budget for the year ended June 30, 2015 accomplished this task. However, the tax levy rate changed from $3.19 to $3.25 in April 2015 per $100 of secondary assessed valuation, generating an estimated fire district annual property tax of $629, based on a median home value of $193,600 in Sun Lakes zip code 85248, per the Maricopa County Assessor's Office. During the year ended June 30, 2015, actual fire district property tax revenues increased by approximately 8.1% from $5,855,198 to $6,328,266 to support the public safety functions for the community.

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Financial Highlights – Continued

- During the fiscal year, the District was awarded one operating grant to supplement the budget on behalf of the Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS); the Staffing for Adequate Fire and Emergency Response (SAFER) award in the amount of $559,220 for grant period of FY12/13 to FY15/16. During the FY14/15 the district was awarded $210,639.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

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.

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

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Government-wide Financial Statements - Continued

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

The District maintains three major governmental funds: the general fund, the capital projects fund, and the special revenue fund. Information for each fund is presented separately on the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances. There are no non-major governmental funds.

The District adopts an annual appropriated budget for its general fund and the capital projects fund. A budgetary comparison statement for the general fund has been provided as part of supplementary information following the basic financial statements to demonstrate compliance with the budget.

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.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning a comparison of the District's budget to actual revenues and pension plan information.

As noted earlier, net position may serve over time as a useful indicator of the District's financial condition.

The following table contains a comparative analysis between the current and the prior fiscal year. The liabilities and deferred inflows of the District exceeded assets and deferred outflows by $2,063,788 as of June 30, 2015. The District's net position increased by $287,129 for the fiscal year ended June 30, 2015.

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Government-wide Financial Analysis

The largest portion of the District's net position are investments in capital assets at $2,610,390. Capital assets include land, buildings, machinery, and equipment. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At June 30, 2015, the District has accumulated $165,892 in general revenue monies in the capital projects fund which are assigned for future capital projects.

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

	Governmental Activities	
	2015	2014, As restated
Assets		
Cash and cash investments	$ 961,938	$ 757,444
Other assets	344,911	307,428
Capital assets	2,610,390	2,800,144
Total assets	3,917,239	3,865,016
Deferred outflows of resources related to pensions	1,828,579	724,185
Liabilities		
Accounts payable and accrued payroll and related	72,266	273,117
Long-term liabilities	6,154,537	6,667,001
Total liabilities	6,226,803	6,940,118
Deferred inflows of resources related to pensions	1,582,803	-
Net position:		
Net investment in capital assets	2,610,390	2,800,144
Unrestricted	(4,674,178)	(5,151,061)
Total net position	$(2,063,788)	$(2,350,917)

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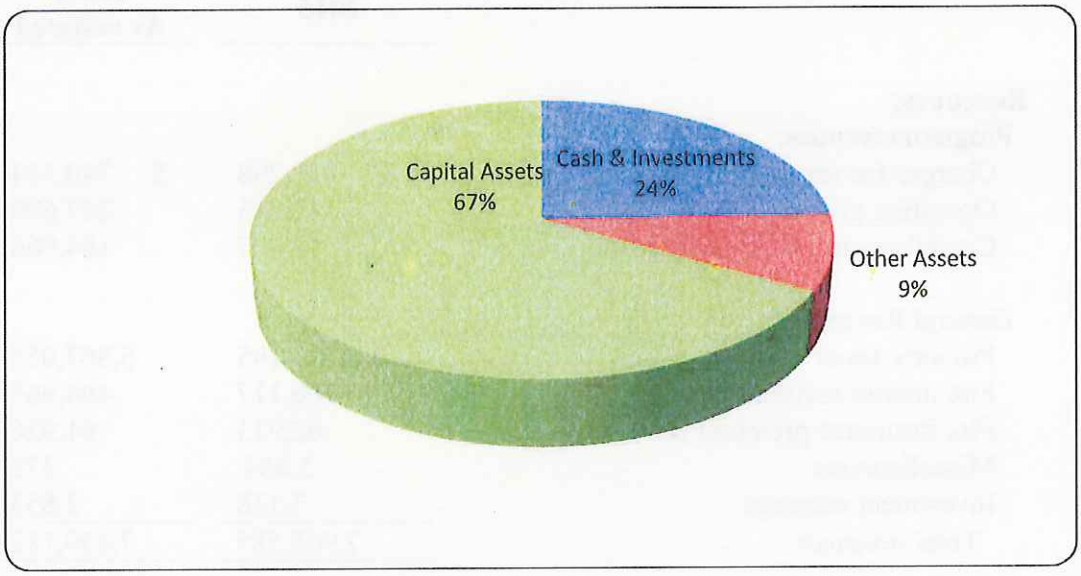
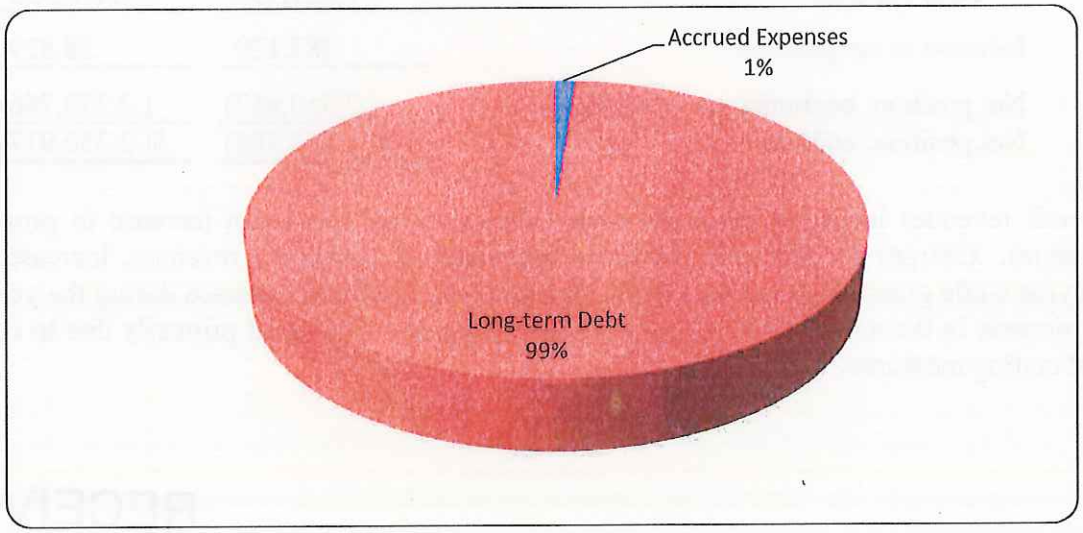
Government-wide Financial Analysis - Continued

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

Assets
June 30, 2015



Liabilities
June 30, 2015



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Government-wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by $287,129 The key elements of this increase is as follows:

	Governmental Activities	
	2015	2014, As restated
Revenues:		
Program revenues:		
Charges for services	$ 828,298	$ 740,344
Operating grants and contributions	282,813	257,600
Capital grants and contributions	12,407	104,966
General Revenues:		
Property taxes	6,309,195	5,867,056
Fire district assistance tax	406,117	404,965
Fire insurance premium tax	62,933	61,926
Miscellaneous	3,684	372
Investment earnings	3,138	2,853
Total revenues	7,908,585	7,439,182
Expenses:		
Public safety	7,621,456	7,410,353
Total expenses	7,621,456	7,410,353
Increase in net position	287,129	28,829
Net position, beginning, as restated	(2,350,917)	(2,379,746)
Net position, ending	$(2,063,788)	$(2,350,917)

Overall revenues increased from the prior year primarily due to an increase in property tax revenues. Charges for services, which are comprised of ambulance revenues, increased during the year while grant remained consistent. Property tax revenues increased during the year due to an increase in the mil rate and property values. Expenses decreased primarily due to continued cost cutting measures.

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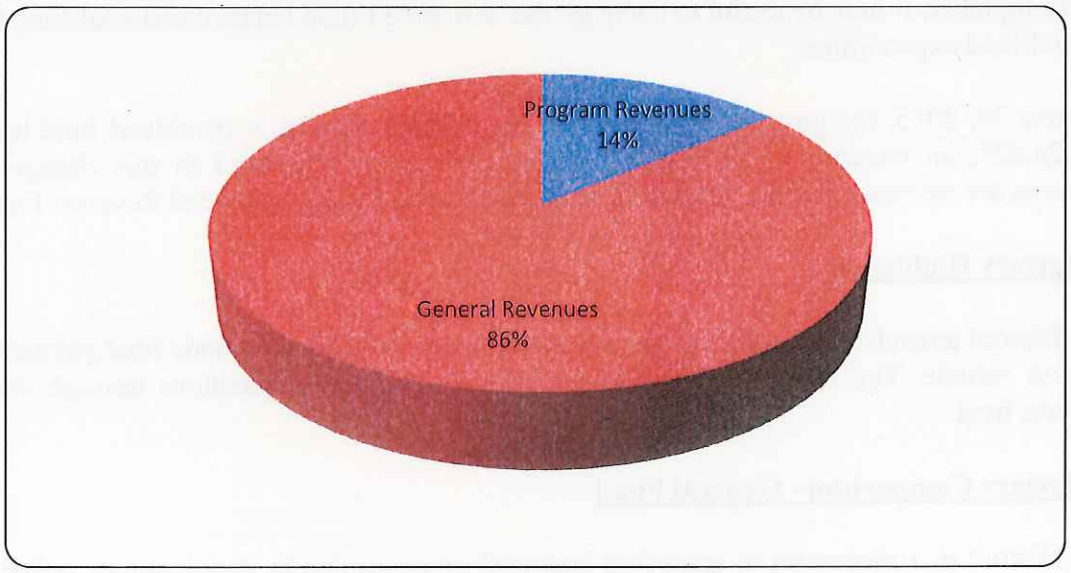
Government-wide Financial Analysis – Continued

The cost of all governmental activities for the year ended June 30, 2015 was $7,869,574. Property taxes, fire district assistance taxes, and fire insurance premium taxes provided funding of $6,309,195, $406,117, and $62,933 respectively. Additional revenue was realized from grants, contributions, miscellaneous and investment earnings in the amount of $302,042. Ambulance revenues and related charges for services totaled $828,298.

The following chart highlights the significant sources of revenues (see the statement of activities for reference):



Program revenues consist of charges for services and operating and capital grants. General revenues consist of property taxes, fire district assistance tax and investment earnings.

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Financial Analysis of the District's Funds

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

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $555,713. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance and total fund balances to total fund expenditures.

At June 30, 2015, the governmental funds of the District reported a combined fund balance of $1,126,025, an increase of $398,314 from the prior year. Included in this change in fund balances are increases in fund balance in both the General Fund and Special Revenue Funds.

Budgetary Highlights

The District amended the capital projects budget during the year to include final payment of one support vehicle. The District continues to fund major capital acquisitions through the capital projects fund.

Budgetary Comparison - General Fund

The District was successful in achieving budgeted revenues due to strong county collections of property tax revenue and fire district assistance tax. Ambulance revenues were 0.4% less than original forecasted figures. Expenditures were greater than expected due to changes in staffing including: the resignation of the Financial Manager (August 2014), retirement of a Battalion Chief (October 2014), and resignation of the Fire Chief (April 2015). All three required payout of accrued vacation and sick time per policies in addition to temporary move-ups of operations personnel and office staff with resultant vacancies being filled by overtime. In the case of the Financial Manager, a contract accountant was needed until a replacement was named thus increasing the professional goods and services expenditures. A Firefighter was also hired, equipped and trained but did not complete probation and was released requiring payout of accrued time and overtime to cover the vacancy.

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Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2015, totaled $2,610,390 (net of accumulated depreciation). These assets include buildings, improvements, apparatus and general equipment.

Major capital asset transactions during the year include the following:

- Acquisition of five EPCr tablets;
- Acquisition of six 800 MHz portable radios;
- Replacement of water heaters at Stations 231 and 232.

The District's threshold for capitalization was maintained at $2,500, which is consistent with Article V, *Committees of the Board,* Board of Director's bylaws for capital improvements.

Subsequent to June 30, 2015, the District continued its practice of significant capital project funding to ensure the highest level of services to the public. Through careful planning and monitoring of the District's capital asset replacement schedule, the District has determined an annual funding requirement to provide for the timely replacement of a majority of the District's larger, and more expensive, apparatus and equipment. The capital projects budget, for the year ended June 30, 2015, was $76,773, as determined by the District's capital asset replacement schedule.

Economic Factors and Next Year's Budgets and Rates

Arizona Revised Statutes limit the amount the District can assess to $3.25 per $100 of secondary assessed value. However, the District works hard to keep the tax rate as low as feasibly possible while providing quality public safety services. In fact, the District maintains an Insurance Services Office (ISO) grading of Class 2. This grading reduces the risk loss for property owners and helps keep fire insurance rates lower. During the year ended June 30, 2015, 86% of the District's actual revenues were derived from real property and Fire District Assistance taxes.

Arizona Senate Bill 1421; Fire District Secondary Tax Levy Limits requires Fire Districts to report the annual secondary tax levy to the Arizona Property Tax Oversight Commission. The law used the FY07/08 fire district tax levy amount as the benchmark for future tax levy limits. The current maximum allowable tax levy limit is an 8% increase per year. However, fire districts in Arizona are also limited in their tax levy growth by A.R.S. § 42-13301 (Proposition 117) which only allows for a maximum of 5% growth rate per year. This means that even if our assessed valuation increases by 5% or more, the District can only utilize the 5%.

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Requests for Information

The District's financial statements are designed to present users with a general overview of the District's finances and demonstrate the District's accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Paul S. Wilson, Fire Chief, Sun Lakes Fire District 25020 South Alma School Road Sun Lakes Arizona, 85248. The phone number is (480) 895-9343.

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Basic Financial Statements

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Sun Lakes Fire District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and investments	$ 901,596
Cash and investments, restricted	60,342
Accounts receivable, net	145,711
Due from other governments	7,860
Taxes receivable	75,295
Prepaid expenses	116,045
Capital assets:	
Non-depreciable	129,985
Depreciable (net)	2,480,405
Total assets	3,917,239
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,828,579
Total deferred outflows of resources	1,828,579
Liabilities	
Accounts payable	28,134
Accrued payroll and related expenses	44,132
Noncurrent liabilities	
Due in more than 1 year	6,154,537
Total liabilities	6,226,803
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,582,803
Total deferred inflows of resources	1,582,803
Net Position	
Net investment in capital assets	2,610,390
Unrestricted	(4,674,178)
Total net position	$ (2,063,788)

See Accompanying Notes to Financial Statements

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Sun Lakes Fire District
Statement of Activities
Year Ended June 30, 2015

	Governmental Activities
Expenses:	
Public safety	$ 6,184,362
Administrative and support services	1,112,538
Depreciation	324,556
Total program expenses	7,621,456
Program revenues:	
Charges for services	828,298
Operating grants and contributions	282,813
Capital grants and contributions	12,407
Total program revenues	1,123,518
Net program expenses	6,497,938
General revenues:	
Property taxes	6,309,195
Fire district assistance taxes	406,117
Fire insurance premium taxes	62,933
Miscellaneous	3,684
Investment earnings	3,138
Total general revenue	6,785,067
Increase in net position	287,129
Net position - beginning of year, as restated	(2,350,917)
Net position - end of year	$ (2,063,788)

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See Accompanying Notes to Financial Statements.

Sun Lakes Fire District
Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds			
	General Fund	Capital Projects	Special Revenue Fund	Total Governmental Funds
Assets:				
Cash and investments	$ 459,338	$ 442,258	$ -	$ 901,596
Cash and investments, restricted	60,342	-	-	60,342
Accounts receivable, net	145,711	-	-	145,711
Taxes receivable	75,295	-	-	75,295
Due from other funds	-	-	288,375	288,375
Due from other governments	7,860	-	-	7,860
Prepaid expenses	116,045	-	-	116,045
Total assets	$ 864,591	$ 442,258	$ 288,375	$ 1,595,224
Liabilities:				
Accounts payable	$ 28,134	$ -	$ -	$ 28,134
Accrued payroll and related	44,132	-	-	44,132
Due to other funds	12,009	276,366	-	288,375
Total liabilities	84,275	276,366	-	360,641
Deferred inflows of resources:				
Unavailable revenues	108,558	-	-	108,558
Total deferred inflows of resources	108,558	-	-	108,558
Fund balances:				
Nonspendable-prepaid expenses	116,045	-	-	116,045
Committed	-	-	288,375	288,375
Assigned-capital projects	-	165,892	-	165,892
Unassigned	555,713	-	-	555,713
Total fund balances	671,758	165,892	288,375	1,126,025
Total liabilities, deferred inflows of resources and fund balances	$ 864,591	$ 442,258	$ 288,375	$ 1,595,224

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See Accompanying Notes to Financial Statements.

Sun Lakes Fire District
Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2015

Fund balances - Governmental Funds	$	1,126,025
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,610,390
Receivables which are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in governmental funds balance sheet.		108,558
Long-term liabilities, such as net pension liabilities and compensated absences, are not due and payable in the current period and, therefore, are not reported as a liabilitiy in the funds		(6,154,537)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds		245,776
Net position of governmental activities	$	(2,063,788)

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See Accompanying Notes to Financial Statements.

Sun Lakes Fire District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2015

	Major Funds			
	General	Capital Projects	Special Revenue Fund	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	$ 6,328,266	$ -	$ -	$ 6,328,266
Fire district assistance tax	406,117	-	-	406,117
Fire insurance premium tax	62,933	-	-	62,933
Intergovernmental	-	-	210,639	210,639
Charges for services	762,086	-	-	762,086
Licenses, permits and other fees	2,950	-	-	2,950
Contributions	-	-	84,581	84,581
Interest income	3,138	-	-	3,138
Other revenue	3,684	-	-	3,684
Total revenues	7,569,174	-	295,220	7,864,394
Expenditures:				
Public safety-fire protection and emergency medical services:				
Current:				
Emergency medical services	5,971,243	-	198,232	6,169,475
Administrative and support services	1,145,187	-	126	1,145,313
Capital outlays	29,659	117,259	4,374	151,292
Total expenditures	7,146,089	117,259	202,732	7,466,080
Net changes in fund balances	423,085	(117,259)	92,488	398,314
Fund balances, beginning of year, as restated	248,673	283,151	195,887	727,711
Fund balances, end of year	$ 671,758	$ 165,892	$ 288,375	$ 1,126,025

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See Accompanying Notes to Financial Statements.

Sun Lakes Fire District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds		$ 398,314
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures. This is the amount by which capital outlays recorded exceeded losses on disposals in the current period.		
Capital outlay	$ 136,082	
Depreciation expense	(324,556)	
Loss on disposal of assets	(1,280)	
		(189,754)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the amount by which revenues reported in the statement of activities exceeded those amounts received and reported as current financial resources in the governmental funds.		44,514
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities:		
District pension contributions	718,339	
Pension expense	(702,457)	
		15,882
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.		18,173
Change in net position of governmental activities		$ 287,129

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See Accompanying Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sun Lakes Fire District (the "District") conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB Statement No. 68 establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans.

A. Reporting Entity

The District, established in 1975 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body. The District is a legally separate entity, fiscally independent of other state and local governments. The District has no discretely presented or blended component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all governmental activities, which normally are supported by taxes and intergovernmental revenues.

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

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

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

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Note 1 – Summary of Significant Accounting Policies - Continued

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

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

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund;
- The *Capital Project Fund* is the District's fund that accounts for receipts and expenditures related to construction of property, plant and equipment;
- The *Special Revenue Fund* is the District's fund that accounts for receipts and expenditures related to grants, contributions and wildland service activity.

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues which includes all taxes and investment earning.

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

D. Cash and Investments

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

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Note 1 – Summary of Significant Accounting Policies - Continued

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

E. Receivables and Payables

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

All program service receivables are shown net of an allowance for uncollectibles. The amount of the estimated uncollectible program service receivables at June 30, 2015, was $139,997, which represents 49% of the current program service receivables balance.

F. Property Tax Levies

Arizona Senate Bill 1421; Fire District Secondary Tax Levy Limits requires Fire Districts to report the annual secondary tax levy to the Arizona Property Tax Oversight Commission. The law used the FY2007/08 fire district tax levy amount as the benchmark for future tax levy limits. The current maximum allowable tax levy limit is an 8% increase per year. The law permits two override options of a general election; a temporary override, approved by a majority of the fire district taxpayers, allows annual levies that do not exceed the fire district statutory tax cap of $3.25 per hundred dollars of assessed valuation, but eliminates the 8% per year growth limitation.

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

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Note 1 – Summary of Significant Accounting Policies - Continued

G. Deferred Outflows/Inflows of Resources

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

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period; the period of availability for the District is 60 days. Governmental funds also report deferred inflows of resources in connection with resources that have been received, but not yet earned.

H. Prepaid Items

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

I. Capital Assets

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

Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed.

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

Type of asset	Threshold	Years
Buildings	$ 50,000	30-40
Improvements, other than buildings	$ 2,500	30-40
Furniture, vehicles and equipment	$ 2,500	3-15

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Note 1 – Summary of Significant Accounting Policies - Continued

J. Compensated Absences

Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement in which there were none as of June 30, 2015.

K. Long-term Obligations

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

L. Fund Balance

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

The nonspendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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Note 1 – Summary of Significant Accounting Policies - Continued

M. Intergovernmental Grants and Aid

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

N. Use of Estimates

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

O. Budgetary Accounting

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

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

P. Subsequent Events

Management has evaluated subsequent events through January 14, 2016, the date the financial statements were available to be issued, and no events were identified requiring accrual or disclosure.

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Note 2 – Cash and Investments

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

Credit risk - State law limits deposits and investments to the Arizona State Treasurer's Local Government Investment Pool (LGIP), interest bearing savings accounts and certificates of deposit. The State law limits the investment in certificates of deposit to those with maturity dates of one year or less, and limits deposits to the amount that is federally insured, or of pledged collateral.

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

Deposits - As of June 30, 2015, the District's carrying amount of deposits with the County Treasurer's LGIP was $530,603, while demand and time deposits with local financial institutions totaled $370,893 and the bank balance was $431,186. In addition, the District has $100 in cash on hand.

The District's deposits held by banks were insured by Federal Deposit Insurance Corporation up to $250,000. Accordingly, $181,186 of the District's bank balance was exposed to custodial credit risk as of June 30, 2015.

Note 3 – Receivables

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

Taxes	$ 75,295
Program services	285,708
Gross receivables	361,003
Less allowance for uncollectibles	(139,997)
Net total receivables	$ 221,006

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Note 4 – Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land, not depreciated	$ 129,985	$ -	$ -	$ 129,985
Buildings and improvements	3,080,452	11,820	-	3,092,272
Vehicles and apparatus	1,681,948	-	(153,631)	1,528,317
Furniture and equipment	433,161	124,262	-	557,423
Total capital assets	5,325,546	136,082	(153,631)	5,307,997
Less accumulated depreciation for:				
Buildings and improvements	(1,270,400)	(110,597)	-	(1,380,997)
Vehicles and apparatus	(947,295)	(141,150)	152,351	(936,094)
Furniture and equipment	(307,707)	(72,809)	-	(380,516)
Total accumulated Depreciation	(2,525,402)	(324,556)	152,351	(2,697,607)
Total capital assets, net	$2,800,144	$(188,474)	$(1,280)	$ 2,610,390

Note 5 – Long-Term Liabilities

Long-term debt activity for the year ended June 30, 2015 was as follows:

	Beginning Balance (As restated)	Additions	Reductions	Ending Balance	Due Within 1 Year
Compensated absences	$ 743,216	$ 401,509	$ (419,682)	$ 725,043	$ 23,574
Pension liability	5,923,785	-	(494,291)	5,429,494	-
	$ 6,667,001	$ 401,509	$ (913,973)	$ 6,154,537	$ 23,574

All full-time employees of the District are allotted vacation leave on their anniversary date based on the amount stated in their policy determined by their years of service. Maximum accrual of vacation shall be 286 hours for administrative personnel, and 400 hours for emergency response personnel as of the last payday in June. Any carry-over of vacation accrual in excess of these maximums shall become void on the last day of the pay period in June. Upon separation from the District, accrued vacation is paid out.

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Note 5 – Long-Term Liabilities - Continued

Additionally, full-time employees receive an allotment of sick leave hours on their anniversary date, to be used throughout the year. Part-time employees who regularly work at least 20 hours per week receive prorated sick leave. Any unused allotments are accrued and carried forward to subsequent years. Upon voluntary termination or retirement, personnel who have sick leave accrual shall be compensated at 50% of the excess hours, or elect to have the 50% rolled into the employee's Post Employment Health Plan (PEHP). In the event of the death of an employee, the beneficiary designated by the employee to receive retirement benefits shall be paid deceased employee sick leave separation pay at a rate of 50% of the excess hours.

Note 6 – Tax and Revenue Anticipation Line of Credit

On behalf of the District, the Maricopa County Treasurer's Office established a line of credit in the amount of $1,200,000, with a local financial institution. Interest is calculated at approximately 61% of the current Prime Rate. The line of credit can only be drawn on by the County Treasurer to pay District warrants issued prior to the collection of the property tax levy in the current year. Pursuant to Arizona Revised Statute §11-604.01.5 the balance on the line of credit may not exceed 45% of the district's "nonrestricted operating revenues" of the preceding year. The line of credit is paid by the County Treasurer as cash is available. As of June 30, 2015, there was no balance outstanding on the line of credit.

Note 7 – Net Revenue

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

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

	Governmental Activities
Gross program revenues/charges	$ 821,595
Contractual adjustments and uncompensated services	(83,818)
Net program service revenues	$ 737,777

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Note 7 – Net Revenue - Continued

The District relies on payments from third-party payers, such as Medicare and private insurance carriers, to support the emergency medical transportation services provided. Should these third-party payers not cover the entire amount of the services rendered, such differences are adjusted as uncompensated services with the remaining amounts necessary to support the program subsidized with tax revenues for district residents. Should these third-party payers not cover the entire amount of services rendered for non-district residents, these individuals are personally responsible for the remaining balance.

Note 8 – Commitments and Contingencies

A. Inter-governmental Agreements and Indemnifications

The District has a cancelable agreement with the City of Phoenix for computer-aided dispatching and mobile digital communications equipment. The agreement renews each year unless cancelled by one or both parties at least three months prior to the first of July for the upcoming year. Should the District not renew the contract, substantial costs would be incurred to construct the necessary dispatching and communications infrastructure. The annual expense under this agreement for the year ended June 30, 2015 was $157,929. Additionally, the District is responsible for repairs and maintenance expenses related to equipment used in their District. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business, pursuant to which it may be obligated to provide services outside of its geographic boundaries and may receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements. Additionally, the District has received a Certificate of Necessity from the Arizona Department of Health Services to provide ambulance services within the District's boundaries. Should the certificate be terminated, the District would be unable to provide the extended ambulance services currently provided within the community.

B. Risk Management

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

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Note 8 – Commitments and Contingencies - Continued

C. Supplemental Benefit Plan

In accordance with ARS 38-961 "Supplemental Benefits Plan" the District herby establishes a Supplemental Benefits Plan for public safety officers, employees in the Public Safety Retirement System, effective September 25, 2012 until September 2014. The public safety employee must be receiving workers' compensation benefits pursuant to A.R.S. Title 23, Chapter 6. The District Supplemental Benefits Plan will pay the employee, for eligible workers compensation injuries, the difference between the workers' compensation payment and the employee's base salary (not including FLSA, Overtime or Holiday pay,) so that the employee will receive approximately the identical base pre-injury salary, less the amount of taxes the employee was paying. The District shall offer the Supplemental Benefits Plan for an initial six-month period. The District may determine if the plan shall be extended, on an individual basis, an additional six months, for a maximum of one year.

Note 9 – Employee Retirement Systems and Post Employment Plans

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

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

	ASRS	PSPRS	Total
Net pension liability	$ 951,762	$ 4,477,732	$ 5,429,494
Deferred outflows of resources	112,160	1,716,419	1,828,579
Deferred inflows of resources	351,502	1,231,301	1,582,803
Pension expense	(17,833)	720,290	702,457

A. Arizona State Retirement System

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

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

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

Benefits Provided - Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement initial membership date	
	Before July 1, 2011	*On or after July 1, 2011*
Years of service and receive benefits	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

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

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

The District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent retirement, .59 percent for health insurance premiums and .12 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to ASRS for the year ended June 30, 2015 was $63,789.

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

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 59,885	$ 3,244	$ 660
2014	61,925	3,472	1,390
2013	72,485	4,597	1,697

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

Pension Liability – At June 30, 2015, the District reported a liability of $951,762 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all employers' contributions for the year ended June 30, 2014. The District's proportion measure as of June 30, 2014, was 0.006 percent, which was consistent to its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended June 30, 2015, the District recognized pension expense for ASRS of $(17,833). 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	$ 48,371	$ -
Net Difference between projected and actual earnings	-	166,434
Changes in proportion and differences between contributions and proportionate share of contributions	-	185,068
District contributions subsequent to the measurement date	63,789	-
Total	$ 112,160	$ 351,502

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

The $63,789 reported as deferred outflows of resources relates to ASRS pensions resulting from the District's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	$ 101,042
2017	101,042
2018	59,438
2019	41,609

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

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

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

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

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

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The District's proportionate share of the net pension liability	$ 1,202,979	$ 951,762	$ 815,465

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

B. Public Safety Personnel Retirement System

Plan Description – During 1989, the District entered into a Joinder Agreement with the Arizona State Public Safely Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information of PSPRS. The reports are available on the PSPRS Web site at www.psprs.com.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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:	
Retirement and Disability	**Before January 1, 2012**	**On or after January 1, 2012**
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired members pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	5
Active employees	38
Total	53

Contributions - State statues establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015, active PSPRS members were required to contribute 11.05% of the members' annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2015, was 16.46% for the pension plan, and 0.76% for the health insurance premium benefit.

Pension Liability – The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

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

The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Annual Pension Cost (APC) - The District's annual and required contributions for the year ended June 30, 2015, were $654,550. The District's most recent actuarial valuation is for the year ended June 30, 2014. Information related to this valuation follows.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

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

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

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

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

Pension Discount Rates - The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2014	$ 15,182,117	$ 10,593,099	$ 4,589,018
Changes for the current year:			
Service Cost	670,969	-	670,969
Interest on the total pension liability	1,200,867	-	1,200,867
Changes of benefit terms	165,614	-	165,614
Differences between expected and actual experience in the measurement of the pension liability	(858,274)	-	(858,274)
Change of assumptions or other inputs	1,205,501	-	1,205,501
Contributions – Employer	-	662,144	(662,144)
Contributions – Employee	-	363,486	(363,486)
Net investment income	-	1,470,333	(1,470,333)
Benefit payments, including refunds of employee contributions	(439,876)	(439,876)	-
Net Changes	1,944,801	2,056,087	(111,286)
Balances at June 30, 2015	$ 17,126,918	$ 12,649,186	$ 4,477,732

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

	1% Decrease 6.85%	**Current Discount Rate 7.85%**	**1% Increase 8.85%**
Net pension liability (asset)	$ 6,834,821	$ 4,477,732	$ 2,527,395

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2015, the District recognized pension expense for PSPRS of $720,290. At June 30, 2015, the District reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 756,013
Changes of assumptions or other inputs	1,061,869	-
Net difference between projected and actual earnings on pension plan investments	-	475,288
District contributions subsequent to the measurement date	654,550	-
Total	$ 1,716,419	$ 1,231,301

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

Year Ending June 30,	
2016	$(77,451)
2017	(77,451)
2018	(77,451)
2019	(77,451)
2020	41,371
Thereafter	99,001
	$(169,432)

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

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

Projections of benefits are based on (1) the plan as the District and plan's members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

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

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

PSPRS	Year ending June 30,	Annual OPEB Costs	Percentage Contributed
Health Insurance	2014	$ 27,005	100%
	2013	24,833	100%
	2012	26,416	100%

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

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

Health Insurance

Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2014	$ 306,398	$ 347,090	$ 40,692	88%	$3,520,423	1%
2013	-	338,427	338,427	-%	3,533,109	10%
2012	-	327,383	327,383	-%	3,100,519	11%

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

OPEB Funded Status

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8%
Wage growth	4%

C. Deferred Compensation and Post-employment Health Plans

The District has established a defined contribution deferred compensation plan for all employees to provide supplementary retirement benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). Contributions for the year ended June 30, 2015 totaled $85,907.

The District has established a defined contribution deferred compensation plan for all employees to provide post-employment health benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). The plan provides for post-employment reimbursement of qualifying medical care expenses for the benefit of employees and their dependents. Contributions for the year ended June 30, 2015 totaled $233,917.

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Note 9 – Employee Retirement Systems and Post Employment Plans – Continued

In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets, for either of the aforementioned plans, are not included as a fund of the District.

Note 10 – 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 at June 30, 2014	$ 3,059,874
Prior period adjustment – implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(5,923,785)
Deferred outflows of resources – pension related	724,185
Prior year accrued payroll	(211,191)
Net position as restated, July 1, 2014	$(2,350,917)

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Required Supplementary Information

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Sun Lakes Fire District
Required Supplementary Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2015

	Original and Final Budget	Actual Amounts	Variance with Final Budget-
Revenues:			
Property taxes	$ 6,339,809	$ 6,328,266	$ (11,543)
Fire district assistance tax	400,000	406,117	6,117
Fire insurance premium tax	-	62,933	62,933
Intergovernmental	-	-	-
Charges for services	765,000	762,086	(2,914)
Licenses, permits and other fees	1,000	2,950	1,950
Interest income	2,000	3,138	1,138
Other revenue	-	3,684	3,684
Total revenues	7,507,809	7,569,174	61,365
Expenditures:			
Current:			
Wages and benefits	6,643,928	6,271,366	372,562
Operations	828,822	874,723	(45,901)
Total expenditures	7,472,750	7,146,089	326,661
Excess (deficiency) of revenues over (under) expenditures	35,059	423,085	388,026
Other financing sources (uses):			
Transfers in	436,377	-	(436,377)
Transfers out	(471,436)	-	471,436
Total other financing sources (uses)	(35,059)	-	35,059
Net changes in fund balance	-	423,085	423,085
Fund balances, beginning of year	-	248,673	248,673
Fund balances, end of year	$ -	$ 671,758	$ 671,758

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See accompanying notes to budgetary comparison schedule.

Sun Lakes Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2015

Note 1 – Budgetary Requirements and Basis of Accounting

Arizona Revised Statutes requires certain fire districts to prepare and submit annual budgets to the applicable county board of supervisors and treasurer. The district budget must be prepared in a manner consistent with the annual financial statements. Accordingly, the District's budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles.

Note 2 - Expenditures in Excess of Appropriations

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

Operations	$ 45,901

The excess of expenditures over appropriations resulted primarily from implementation of the GASB 68, *Accounting and Financial Reporting for Pensions.*

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Sun Lakes Fire District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended June 30, 2015

Arizona State Retirement System	**Reporting Fiscal Year (Measurement Date)**	
	2015 (2014)	**2014 through 2006**
District's proportion of the net pension liability	0.00643%	Information
District's proportion share of the net pension liability	$ 951,762	not available
District's covered-employee payroll	537,617	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.03%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

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See accompanying notes to pension plan schedules.

Sun Lakes Fire District
Required Supplementary Information
Schedule of Changes in the District's
Net Pension Liability and Related Ratios
Year Ended June 30, 2015

	Fiscal Year	
	2015 (2014)	2014 through 2006
Total pension liability		
Service cost	$ 670,969	Information
Interest on total pension liablity	1,200,867	not available
Changes of benefit terms	165,614	
Difference between expected and actual experience in the measurement of the pension liability	(858,274)	
Changes of assumptions or other inputs	1,205,501	
Benefit payments, including refunds of employee contributions	(439,876)	
Net change in pension liability	1,944,801	
Total pension liability - beginning	15,182,117	
Total pension liability - ending (a)	$ 17,126,918	
Plan fiduciary net position		
Contributions - employer	$ 662,144	
Contributions - employee	363,486	
Net investment income	1,470,333	
Benefit payments, including refunds of employee contributions	(439,876)	
Net change in plan fiduciary net position	2,056,087	
Plan fiduciary net position - beginning	10,593,099	
Plan fiduciary net position - ending (b)	$ 12,649,186	
District's net pension liability - ending (a) - (b)	$ 4,477,732	
Plan fiduciary net position as a percentage of the total pension liability	74%	
Covered-employee payroll	$ 3,520,424	
District's net pension liability as a percentage of covered-employee payroll	127%	

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See accompanying notes to pension plan schedules.

Sun Lakes Fire District
Required Supplementary Information
Schedule of District Pension Contributions
Year Ended June 30, 2015

ASRS

	2015 (2014)	2006 through 2014
Actuarially determined contribution	$ 62,041	Information not available
District's contributions in relation to the actuarially determined contribution	62,041	
District's contribution deficiency (excess)	$ -	
District's covered-employee payroll	$ 537,617	
District's contributions as a percentage of covered-employee payroll	11.54%	

PSPRS

	2015 (2014)	2006 through 2014
Actuarially determined contribution	$ 662,144	Information not available
District's contributions in relation to the actuarially determined contribution	662,144	
District's contribution deficiency (excess)	$ -	
District's covered-employee payroll	$ 3,520,423	
District's contributions as a percentage of covered-employee payroll	18.81%	

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See accompanying notes to pension plan schedules.

Sun Lakes Fire District
Required Supplementary Information
Notes to Pension Plan Schedules
Year Ended June 30, 2015

Note 1 – Actuarially Determined Contribution Rates

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

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

Note 2 – Factors That Affect the Identification of Trends

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

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SUN LAKES FIRE DISTRICT

INDEPENDENT AUDITOR'S 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* FOR THE YEAR ENDED JUNE 30, 2015

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SUN LAKES FIRE DISTRICT
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JUNE 30, 2015

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Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

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Independent Auditor's 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*

Board of Directors
Sun Lakes Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sun Lakes Fire District (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 January 19, 2016.

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 opinions 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 District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule as 2015-1 and 2015-2 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

Sun Lakes Fire District's Response to Findings

Sun Lakes Fire District's response to the findings identified in our audit is described in the accompanying schedule. Sun Lakes Fire 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

This report is intended 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
January 19, 2016

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SUN LAKES FIRE DISTRICT
INTERNAL CONTROL DEFICIENCY
JUNE 30, 2015

PAYROLL ACCRUAL
REFERENCE: 2015 -1

CONDITION
The District records payroll expenditures as of the date paid, and not as of the date earned.

CRITERIA
In accordance with generally accepted accounting principles (GAAP) and management's assertion that the financial statements are accurate, expenses should be recorded in the period that the event causing the obligation has occurred.

EFFECT
The District's current year expenditures related to payroll expenses were overstated as of and for the year ended June 30, 2015 by $211,191. Additionally, the prior year financials statements did not include the $211,191 of payroll expense as accrued payroll, resulting in the June 30, 2014 general fund ending fund balance and the government-wide new position being overstated by the $211,191.

CAUSE
The District records payroll expenditures as of the date paid to employees.

RECOMMENDATION AND BENEFIT
Management and its consultants should establish procedures to accrue and record expenditures at fiscal year-end that have occurred/been earned as of that point in time. This will help ensure that the financial statements are accurate and assets/liabilities are recorded at the proper value.

CLIENT RESPONSE
We concur with the condition.

Individual responsible for implementation of corrective action plan:

- Gil Hendry, Financial Specialist
- "Third Party", Financial Manager
- Troy Maloney, Fire Chief

Corrective action plan:

- Will monitor fiscal year-end date to better fit into the correct fiscal year.
- Utilize a third party financial management firm to oversee all accounting processes on a regular and consistent basis in order to provide for a higher level of financial oversight and planning

Estimated completion date:

- July 2016

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SUN LAKES FIRE DISTRICT
INTERNAL CONTROL DEFICIENCY
JUNE 30, 2015

CASH
REFERENCE: 2015-2

CONDITION
The balance in the District's internal accounting records did not agree to one of the completed bank reconciliations at June 30, 2015, resulting in an overstatement of $21,513 on the District's financial statements.

CRITERIA
In accordance with management's assertion that the cash balance recorded is at the proper value, the bank reconciliation should be properly completed, including comparing the accounting book balance to the balance on the bank reconciliations.

EFFECT
The District's internally generated financial statements were incorrectly stated. Cash was overstated by $21,513.

CAUSE
While the reconciliation was completed, the balance was not compared to the accounting records to verify that the balances agreed. The variance was due to an incorrect accounting entry.

RECOMMENDATION AND BENEFIT
When performing the monthly bank reconciliations the School should verify that the reconciled balances agree to what is recorded in their internal accounting records. This will help ensure that the cash balance on the financial statements is at the proper value and accurate.

CLIENT RESPONSE
We concur with the condition.

Individual responsible for implementation of corrective action plan:

- Gil Hendry, Financial Specialist
- "Third Party", Financial Manager
- Troy Maloney, Fire Chief

Corrective action plan:

- Utilize a third party financial management firm to oversee all accounting processes on a regular and consistent basis in order to provide for a higher level of financial oversight and planning.

Estimated completion date:

- July 2016

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SUN LAKES FIRE DISTRICT
STATUS OF PRIOR YEAR FINDINGS OF NONCOMPLIANCE WITH LAWS AND REGULATIONS AND INTERNAL CONTROL DEFICIENCIES
JUNE 30, 2015

We have reviewed our prior report dated December 16, 2014 and the District had no internal control deficiencies or findings of noncompliance.

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