Sedona Fire District

Basic Financial Statements

Year ended June 30, 2015

Table of Contents

Walker & Armstrong LLP
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Independent Auditor's Report

Board of Directors
Sedona Fire District
Sedona, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sedona Fire District (the 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 U.S. generally accepted auditing standards and *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 Sedona 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, Sedona Fire District adopted new accounting pronouncements, Governmental Accounting Standards Board Statement (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 34 through 35, the schedule of Changes in the District's Net Pension Liability and Related Ratios on page 36, the schedule of pension contributions on page 37 and the notes to pension plan schedules on page 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 23, 2015, on our consideration of Sedona 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 Sedona Fire District's internal control over financial reporting and compliance

Walker & Armstrong, LLP

Phoenix, Arizona
December 23, 2015

As management of Sedona 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. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 11.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $3,655,250. Of this amount, $11,526,003 is invested in capital assets, net of related debt, and a $7,870,753 deficit.
- During the year, the District's total net position decreased by $821,364.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $4,247,234, an increase of $47,597 from prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,000,000 or 15 percent of the 2015 fiscal year's total budgeted operating expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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 deteriorating.

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

Government-wide Financial Statements - Continued

The government–wide financial statements can be found on pages 11-12 of this report.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the special projects fund, which are considered to be major funds. Financial information from the other two non-major governmental funds is aggregated and displayed in a single column titled other governmental funds.

The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Government-wide Financial Statements - Continued

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-33 of this report.

Other Information

A budgetary comparison schedule for the general fund is presented immediately following the notes to the financial statements. This schedule can be found on pages 34 and 35 of this report.

In addition, funding information related to the District's participation in an agent retirement plan can be found on page 36 through 38 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of Sedona Fire District, assets exceeded liabilities by $3,655,250 at the close of the most recent fiscal year.

The largest portion of the District's net position (315 percent) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery, vehicles, and furniture and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide Financial Analysis - Continued

Condensed Statement of Net Position

	Governmental Activities	
	2015	2014, As restated
Assets		
Current and other assets	$ 5,195,998	$ 5,144,553
Capital assets	11,526,003	12,180,896
Total assets	16,722,001	17,325,449
Deferred outflows of resources related to pensions	2,697,524	1,099,300
Total assets and deferred outflows of resources related to pensions	19,419,525	18,424,749
Current and other liabilities		
Current and other liabilities	558,401	491,797
Long-term liabilities	14,405,052	13,456,338
Total liabilities	14,963,453	13,948,135
Deferred inflows of resources related to pensions	800,822	-
Total liabilities and deferred inflows of resources related to pensions	15,764,275	13,948,135
Net position:		
Net investment in capital assets	11,526,003	9,845,373
Unrestricted	(7,870,753)	(5,368,759)
Total net position	$ 3,655,250	$ 4,476,614

During 2015, current assets increased by $51,445 while capital assets decreased by $654,893 primarily because of depreciation expense. At June 30, 2015, the District has an unrestricted net deficit of $7,870,753.

Governmental Activities

Governmental activities net position decreased by $821,364. Key elements of this decrease are reported on the following page.

Government-Wide Financial Analysis – Continued

Condensed Statement of Activities

	Governmental Activities	
	2015	2014 As restated
Revenues:		
Program revenue:		
Charges for services	$ 3,346,335	$ 3,775,525
General revenues:		
Property taxes	10,195,346	9,299,936
Fire district assistance tax	343,729	325,393
Investment earnings	14,214	18,697
Other	240,246	203,551
Total revenues	14,139,870	13,623,102
Expenses:		
Public safety – fire protection/ emergency medical services (EMS)	14,961,234	14,040,387
Total expenses	14,961,234	14,040,387
Decrease in net position	(821,364)	(417,285)
Net position, beginning, as originally reported	4,476,614	13,039,231
Restatement for GASB No. 68	-	(8,145,332)
Net position, beginning, as restated	4,476,614	4,893,899
Net position, ending	$ 3,655,250	$ 4,476,614

- Overall revenues increased by $516,768 while expenses increased by $920,854. Property tax revenue increased by $895,410 due to an increase in the mil rate of .113 percent.

- Expenses increased by $920,847 primarily from an increase in salaries and wages and employee benefits of $1,006,421, due to the implementation of GASB Statement No. 68. In addition, depreciation expense decreased by $96,299.

Financial Analysis of the Governmental Funds

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

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

Financial Analysis of the Governmental Funds - Continued

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $4,247,234, an increase of $47,597 in comparison with the prior year's balance. The largest component of the increase is due to property taxes increasing by $864,302 from 2014 and offset by salaries and wages and employee benefits increasing by $312,703 and materials and supplies decreasing by $157,983.

Of the total combined governmental fund balance of $4,247,234, the amount committed by the Board totaled $2,155,304. The remaining amount is comprised of nonspendable fund balance totaling $122,733, non-district fires of $43,917 and unassigned fund balance of $1,925,280 which is available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, spendable fund balance of the general fund was $3,963,147. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund balance. Spendable fund balance represents 97% of total general fund balance of $4,085,880.

Budgetary Highlights

During the 2015 fiscal year there were no modifications to the originally adopted budget. Total revenues were $366,731 greater than budgeted revenues while total expenditures were $797,306 less than budgeted expenditures. The positive expenditure variance resulted primarily from an overall effort to reduce operating costs.

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets as of June 30, 2015, totals $11,526,003 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, improvements other than buildings, buildings and improvements, vehicles, furniture and equipment.

Outlays for capital assets during 2015 was $207,736 which consisted primarily of furniture and equipment.

Additional information on the District's capital assets can be found in Note 5 to the financial statements on page 23.

Long-term liabilities – At the end of the current fiscal year, the District had total long-term liabilities of $14,405,052, which was comprised of the net pension liability of $10,818,541, various capital lease agreements totaling $1,908,521 and compensated absences payable of $1,677,990.

Additional information on the District's long-term debt can be found in Notes 6 and 7 to the financial statements on page 24.

Economic Factors and Next Year's Budgets and Rates

The District expects assessed values to increase by over 2 percent during 2016 while the mil rate levy will increase from 2.133 in 2015 to 2.425 during 2016 to cover budgeted expenditures of $15,140,465.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sedona Fire District, Finance Division, 2860 Southwest Drive, Sedona, AZ 86336.

Sedona Fire District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and investments	$ 4,332,044
Receivables:	
Property taxes	238,819
Ambulance billings	399,615
Accounts	69,141
Intergovernmental	33,646
Prepaid items	122,733
Capital assets, not being depreciated	2,153,390
Capital assets, being depreciated, net	9,372,613
Total assets	16,722,001
Deferred outflows of resources	
Deferred outflows of resources related to pensions	2,697,524
Total deferred outflows	2,697,524
Total assets and deferred outflows	19,419,525
Liabilities	
Accounts payable	246,890
Accrued payroll and related	311,511
Noncurrent liabilities:	
Due within one year	290,694
Due in more than one year	14,114,358
Total liabilities	14,963,453
Deferred inflows of resources	
Deferred inflows of resources related to pensions	800,822
Total deferred inflows	800,822
Total liabilities and deferred inflows	15,764,275
Net Position	
Net investment in capital assets	11,526,003
Deficit	(7,870,753)
Total net position	$ 3,655,250

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

Sedona Fire District
Statement of Activities
Year Ended June 30, 2015

	Governmental Activities
Expenses:	
Public safety-fire protection and emergency medical services:	
Salaries and wages	$ 7,946,685
Employee benefits	3,743,772
Depreciation	862,629
Materials and supplies	639,872
Dispatch fees	593,616
Professional services	357,365
Utilities and communications	228,079
Repairs and maintenance	181,844
Training and related	169,459
Insurance	95,793
Other	79,320
Interest	62,800
Total program expenses	14,961,234
Program revenues:	
Charges for services	3,346,335
Total program revenues	3,346,335
Net program expense	11,614,899
General revenues:	
Taxes:	
Real and personal property taxes	10,195,346
Fire district assistance tax	343,729
Investment earnings	14,214
Other	240,246
Total general revenue	10,793,535
Change in net position	(821,364)
Net position - beginning of year, as restated	4,476,614
Net position - end of year	$ 3,655,250

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

Sedona Fire District
Balance Sheets -
Governmental Funds
June 30, 2015

	Major Funds			Other	Total
	General	Capital Projects	Special Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	$ 4,139,887	$ 192,157	$ -	$ -	$ 4,332,044
Receivables (net of allowance for uncollectibles):					
Property taxes	238,819	-	-	-	238,819
Ambulance billings	399,616	-	-	-	399,616
Accounts	-	-	-	43,917	43,917
Intergovernmental	25,220	-	-	33,646	58,866
Due from other funds	-	-	21,602	-	21,602
Prepaid items	122,733	-	-	-	122,733
Total assets	$ 4,926,275	$ 192,157	$ 21,602	$ 77,563	$ 5,217,597
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	$ 243,172	$ -	$ -	$ 3,717	$ 246,889
Due to other funds	6,981	-	-	14,621	21,602
Accrued payroll and related	253,984	-	21,602	35,926	311,512
Total liabilities	504,137	-	21,602	54,264	580,003
Deferred inflows of resources:					
Unearned revenues	336,258	-	-	54,102	390,360
Total deferred inflows of resources	336,258	-	-	54,102	390,360
Fund balances:					
Nonspendable - prepaid items	122,733	-	-	-	122,733
Restricted for:					
Non-district fires	-	-	-	43,917	43,917
Committed	1,963,147	192,157	-	-	2,155,304
Unassigned	2,000,000	-	-	(74,720)	1,925,280
Total fund balances (deficit)	4,085,880	192,157	-	(30,803)	4,247,234
Total liabilities, deferred inflows of resources and fund balances	$ 4,926,275	$ 192,157	$ 21,602	$ 77,563	$ 5,217,597

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

Sedona Fire District
Reconciliation of the Governmental Funds Balance Sheets
to the Government-wide Statement of Net Position
Year Ended June 30, 2015

Total fund balances	$ 4,247,234
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements	11,526,003
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the fund financial statements	390,360
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements	(14,405,052)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting period and, therefore, not reported in the funds	1,896,705
Net position of governmental activities	$ 3,655,250

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

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

	Major Funds			Other	Total
	General	Capital Projects	Special Projects	Governmental Funds	Governmental Funds
Revenues:					
Taxes:					
Property taxes	$ 10,216,256	$ -	$ -	$ -	$ 10,216,256
Fire district assistance tax	343,729	-	-	-	343,729
Grant revenue	-	-	-	116,524	116,524
Ambulance fees	1,868,419	-	-	-	1,868,419
Dispatch fees and other projects	61,274	-	1,069,130	3,962	1,134,366
Non-district fire revenues	28,728	-	-	199,339	228,067
Rent	171,968	-	-	-	171,968
Investment earnings	10,304	3,910	-	-	14,214
Other	105,660	-	-	3,431	109,091
Total revenues	12,806,338	3,910	1,069,130	323,256	14,202,634
Expenditures:					
Public safety-fire protection and emergency medical services:					
Current:					
Salaries and wages	6,852,859	-	690,198	184,548	7,727,605
Employee benefits	3,045,602	-	289,653	49,294	3,384,549
Materials and supplies	583,418	-	5,063	51,394	639,875
Dispatch fees	593,616	-	-	-	593,616
Professional services	303,862	-	53,501	-	357,363
Utilities and communications	210,094	-	17,985	-	228,079
Repairs and maintenance	181,046	-	795	-	181,841
Training and related	119,708	-	5,019	44,729	169,456
Insurance	95,793	-	-	-	95,793
Other	69,806	-	6,916	2,597	79,319
Capital outlay	196,749	-	-	10,987	207,736
Debt service:					
Principal	427,002	-	-	-	427,002
Interest	62,803	-	-	-	62,803
Total expenditures	12,742,358	-	1,069,130	343,549	14,155,037
Excess of revenues over (under) expenditures	63,980	3,910	-	(20,293)	47,597
Other financing sources (uses):					
Transfers in	1,100,057	-	-	-	1,100,057
Transfers out	-	(1,100,057)	-	-	(1,100,057)
Total other financing sources (uses)	1,100,057	(1,100,057)	-	-	-
Net change in fund balances	1,164,037	(1,096,147)	-	(20,293)	47,597
Fund balances, beginning of year	2,921,843	1,288,304	-	(10,510)	4,199,637
Fund balances, end of year	$ 4,085,880	$ 192,157	$ -	$ (30,803)	$ 4,247,234

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

Sedona 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	$	47,597
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay		207,736
Depreciation expense		(862,629)
Property tax revenues and certain charges for services reported in the Statement of Activities that do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.		(62,759)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(219,092)
Fire 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 County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
County pension contributions		1,080,709
Pension expense		(1,439,928)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, activity related to debt consisted of principal paid.		
Principal repayments		427,002
Change in net assets of governmental activities	$	(821,364)

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

Note 1 – Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The District provides fire protection and emergency medical services to citizens living within the Sedona, Village of Oak Creek and Oak Creek Canyon, Arizona area. The District is a special-purpose government governed by a separately elected governing body and is legally separate and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, nor is the District combined with another reporting entity.

B. Basis of Presentation

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

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

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

Note 1 – Summary of Significant Accounting Policies - Continued

Program revenues include:

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

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

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

The District reports the following major governmental funds:

- The *general* fund is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *capital projects* fund is used to account for activities related to the acquisition or construction of significant capital assets.
- The *special projects* fund is used to account for the activity associated with dispatch fees and other government contract fees.

C. Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies - Continued

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

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when cash is received by the government.

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

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 is 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.

Cash and investments – Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Note 1 – Summary of Significant Accounting Policies - Continued

Investment earnings are composed of interest and net changes in the fair value of applicable investments.

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

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

Receivables – Receivables outstanding at year-end consist of property tax totaling $238,819, $102,787 for fire suppression and other similar services, and $399,616 in emergency medical services. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2015, the allowance for uncollectible accounts was $48,485.

Capital assets – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets with an initial, individual cost of $5,000 or more and an estimated useful life exceeding one year.

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

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

Capital asset class	Estimated useful life
Land	Non-depreciable
Buildings and improvements	20 to 50 years
Vehicles, furniture and equipment	5 to 20 years

Compensated absences – The District allows employees to accumulate earned but unused paid time off. A liability is reported for paid time off that is payable upon termination or retirement. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

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.

Note 1 – Summary of Significant Accounting Policies - Continued

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

Property tax calendar - The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Note 2 – Stabilization Arrangements

The District established a reserve by resolution that is maintained in the general fund. The reserved balance is a minimum of $2,000,000. Any changes to the reserve must be approved by the Board of Directors. The reserved fund balance is intended to be used as fiscal stabilization to offset operating revenue shortfalls due to economic downturns, and to serve as operating capital (cash flow) to pay expenses between July 1 and mid October when first half taxes (primary District revenue source) are received to avoid excessive borrowing and paying interest on borrowed money in order to pay ongoing expenses. Any fund balance over and above this operational requirement may be used to fund one-time supplemental funding, capital improvement projects or retirement of debt service and will be transferred to the Capital Projects Fund. As of June 30, 2015, the general fund committed fund balance was $1,963,147, which will be transferred to the capital projects fund in 2016.

Note 3 – Cash and Investments

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

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

Note 3 – Cash and Investments - Continued

Cash on Hand and Deposits – At June 30, 2015, total cash on hand was $174. The carrying amount of the total cash in bank was $391,002 and the bank balance was $571,991, of which $71,076 was uninsured and uncollateralized.

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

Investment Type	Amount
Yavapai County Treasurer's investment pool	$ 3,914,929
Coconino County Treasurer's investment pool	25,939
	$ 3,940,868

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

Credit risk - At June 30, 2015, all of the District's investments were invested in the Yavapai and Coconino County investment pools which are not rated by rating agencies.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

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

Note 4 – Interfund Receivables, Payables and Transfers

The following summarizes interfund receivables and payables at year-end:

Receivable Fund	Payable Fund	Amount
Special Projects	General	$ 6,981
Special Projects	Other Governmental	14,621
		$ 21,602

Note 4 – Interfund Receivables, Payables and Transfers - Continued

Interfund balances resulted from cash being pooled in the general fund on behalf of other funds. The Interfund transfer $1,100,057 between the capital projects fund and the general fund were made to supplement the general fund's budget.

Note 5 – Capital Assets

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

	Balance, June 30, 2014	Increases	Decreases	Balance, June 30, 2015
Capital assets not being depreciated:				
Land and improvements	$ 2,054,579	$ -	$ -	$ 2,054,579
Construction in progress	164,793	98,811	(164,793)	98,811
Total capital assets not being depreciated	2,219,372	98,811	(164,793)	2,153,390
Capital assets being depreciated:				
Buildings and improvements	8,495,099	10,987	-	8,506,086
Furniture and equipment	5,069,593	209,284	(114,440)	5,164,437
Vehicles	5,370,123	53,447	-	5,423,570
Total capital assets being depreciated	18,934,815	273,718	(114,440)	19,094,093
Less: accumulated depreciation for:				
Buildings and improvements	(2,446,209)	(216,521)	-	(2,662,730)
Furniture and equipment	(3,415,547)	(370,710)	114,440	(3,671,817)
Vehicles	(3,111,535)	(275,398)	-	(3,386,933)
Total accumulated depreciation	(8,973,291)	(862,629)	114,440	(9,721,480)
Total capital assets being depreciated, net	9,961,524	(588,911)	-	9,372,613
Total capital assets, net	$ 12,180,896	$ (490,100)	$ (164,793)	$ 11,526,003

Note 6 – Changes in Long-Term Liabilities

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

	Balance July 1, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Due Within 1 Year
Compensated absences	$ 1,458,898	$ 219,092	$ -	$ 1,677,990	$ 56,468
Obligations under capital leases	2,335,523	-	427,002	1,908,521	234,226
Net pension liability	9,661,917	1,156,624	-	10,818,541	-
Total	$13,456,338	$ 1,375,716	$ 427,002	$14,405,052	$ 290,694

Note 7 – Capital Leases

The District has acquired facilities and equipment under the provisions of various long-term lease agreements classified as capital leases. At June 30, 2015, the assets acquired through capital leases are as follows:

Facilities and equipment	$ 4,116,682
Less: accumulated depreciation	(621,502)
Carrying value	$ 3,495,180

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

Year ended June 30,	
2016	$ 287,472
2017	287,472
2018	266,376
2019	259,344
2020	259,344
2021-2023	777,032
Total minimum lease payments	2,137,040
Less: amount representing interest	(228,519)
Present value of minimum lease payments	$ 1,908,521

Note 8 – Risk Management

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

Note 9 – Line of Credit

The District has an available line of credit totaling $1,500,000 with the Yavapai County Treasurer which is secured by the District's property taxes. At June 30, 2015, the outstanding balance on this line was $0. During the fiscal year ended 2015, the District did not utilize the line of credit.

Note 10 – Retirement Plans

The District and employees contribute to three retirement plans. These plans are a 457(b) defined contribution pension plan, 501(c)(9) Post-Employment Health Plan 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:

	PSPRS
Net pension liability	$ 10,818,541
Deferred outflows of resources	2,697,524
Deferred inflows of resources	800,822
Pension expense	1,439,928

Retirement Plan – 457(b)

The District has a 457(b) defined contribution pension plan covering all of its eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees may contribute up to 100% of their eligible salary up to the allowed IRS maximums.

For the year ended June 30, 2015, the employees' contributions were $498,115 during the year.

Voluntary Employee Beneficiary Association – 501(c)(9)

The District has a Post-Employment Health Plan (PEHP) which is an employee benefit plan (Internal Revenue Code sections 501(c)(9)) designed to allow the employer and employees to invest money for the payment of post-employment qualified medical expenses for employees. All full-time employees begin participation in the PEHP plan after one year of service and contribute 1% of income into a mandatory group that is matched by the District.

Note 10 – Retirement Plans – Continued

If an employee is eligible, they may enroll into one of the two optional groups ("Sunset" or "Retirement") in place of one of the mandatory groups. The District's match is 1% for all groups.

For the year ended June 30, 2015, the District's contributions to the plan were $74,644 and the employees' contributions were $102,927 during the year.

Retirement Plan – Public Safety Personnel Retirement System (PSPRS)

Plan Description – The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

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

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	

Note 10 – Retirement Plans – Continued

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.

***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	17
Inactive employees entitled to but not yet receiving benefits	4
Active employees	73
Total	94

***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 12.32% 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.

Note 10 – Retirement Plans - Continued

- 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, was $1,080,709. The District's actuarial valuation is for the year ended June 30, 2015. Information related to this valuation follows.

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:

PSPRS 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%	

Note 10 – Retirement Plans - Continued

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

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	$ 24,006,537	$ 14,344,620	$ 9,661,917
Changes for the current year:			
Service cost	1,059,059	-	1,059,059
Interest on the total pension liability	1,891,123	-	1,891,123
Changes of benefit terms	257,095	-	257,095
Differences between expected and actual experience in the measurement of the pension liability	(176,426)	-	(176,426)
Change of assumptions or other inputs	1,813,376	-	1,813,376
Contributions – Employer	-	1,099,300	(1,099,300)
Contributions – Employee	-	592,699	(592,699)
Net investment income	-	1,990,781	(1,990,781)
Benefit payments, including refunds of employee contributions	(890,653)	(890,653)	-
Other changes	-	4,823	(4,823)
Net changes	3,953,574	2,796,950	1,156,624
Balances at June 30, 2015	$ 27,960,111	$ 17,141,570	$ 10,818,541

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)	$ 14,818,273	$ 10,818,541	$ 7,526,547

Note 10 – Retirement 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 $1,439,928. At June 30, 2015, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

PSPRS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 157,302
Changes of assumptions or other inputs	1,616,813	-
Net difference between projected and actual earnings on pension plan investments	-	643,520
District contributions subsequent to the measurement date	1,080,711	-
Total	$ 2,697,524	$ 800,822

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	$ (234,763)
2017	(234,763)
2018	(234,763)
2019	(234,763)
2020	(57,130)
Thereafter	(262,465)
	$ (1,258,647)

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.

Note 10 – Retirement 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:

PSPRS—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	$ 48,209	100%
	2013	48,566	100%

Note 10 – Retirement Plans – Continued

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

Valuation Ending June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
2014	$ 462,277	$ 604,706	$ 142,429	76.45%	$6,556,127	2.17%
2013	-	540,286	540,286	0.0%	6,551,303	8.25%
2012	-	485,218	485,218	0.0%	6,526,447	7.43%

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%

Note 11 – 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, *Pensions Transition for Contributions Made Subsequent to the Measurement Date.*

	Governmental Activities
Net position as previously reported at June 30, 2014	$ 13,039,231
Prior period adjustment – implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(9,661,917)
Deferred outflows of resources – pension related	1,099,300
Net position as restated, July 1, 2014	$ 4,476,614

Note 12 –Other Governmental Funds Deficit Fund Balance

The Other Governmental Funds had a deficit fund balance of $30,803 as of June 30, 2015 resulting from the Non-District Fire Fund. This deficit is excepted to be eliminated by future operations.

Note 13 – Subsequent Events

On July 17, 2015, the District entered into a capital lease agreement to purchase ambulance equipment. The terms of the lease requires three equal annual payments of $55,440 with a $1 bargain purchase option at the end of the lease term.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Taxes:			
Property taxes	$ 10,256,100	$ 10,216,256	$ (39,844)
Fire district assistance tax	323,033	343,729	20,696
Ambulance fees	1,500,000	1,868,419	368,419
Dispatch fees and other projects	25,000	61,274	36,274
Non-district fire revenues	55,000	28,728	(26,272)
Rent	171,934	171,968	34
Investment earnings	3,000	10,304	7,304
Other	105,540	105,660	120
Total revenues	12,439,607	12,806,338	366,731
Expenditures:			
Department:			
Current:			
Fire Chief	219,232	228,782	(9,550)
Fire Board	116,235	59,887	56,348
Pension	3,125	600	2,525
Community risk management	265,133	256,204	8,929
Fleet	322,049	295,132	26,917
Human resources	166,669	183,451	(16,782)
Administration	229,537	205,416	24,121
Finance	405,057	361,115	43,942
Division Chief/support	163,886	160,709	3,177
Ambulance billing	122,336	130,725	(8,389)
Regional communications center	593,616	593,616	-
Telecommunications	821,230	824,647	(3,417)
Division Chief/operations	174,234	172,221	2,013
Operations, wages and benefits	5,499,947	5,627,490	(127,543)
Emergency Operations Center	2,896	2,264	632
Helicopter Operations	8,898	17,032	(8,134)
Training	169,596	151,279	18,317
Facilities	276,235	266,893	9,342
Wildland Fire Program	44,209	42,087	2,122
Logistics	71,060	65,841	5,219
CISM/wellness	16,638	19,978	(3,340)
Hazardous materials	14,285	8,483	5,802
Swiftwater rescue	25,241	49,301	(24,060)
Technical rescue	62,674	38,184	24,490
Emergency medical service	2,572,352	2,397,147	175,205
Reserves	133,819	40,622	93,197
Capital outlays and debt service	1,039,475	543,252	496,223
Total expenditures	13,539,664	12,742,358	797,306
Excess of revenues over (under) expenditures	(1,100,057)	63,980	1,164,037
Other financing sources:			
Transfers in	1,100,057	1,100,057	-
Total other financing sources	1,100,057	1,100,057	-
Changes in fund balance	-	1,164,037	1,164,037
Fund balances, beginning of year,	-	2,921,843	2,921,843
Fund balances, end of year	$ -	$ 4,085,880	$ 4,085,880

The accompanying notes are an integral part of this schedule.

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.

The budgetary comparison schedule on page 34 reports budgeted expenditures in excess of revenues of $1,164,037 which was partially offset by a budgeted transfer in from the capital projects fund.

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2015, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary controls) were as follows:

Department	Excess
Fire Chief	$ 9,550
Human Resources	16,782
Ambulance billing	8,389
Telecommunications	3,417
Operations, wages & benefits	127,543
Helicopter Operations	8,134
CISM/wellness	3,340
Swiftwater rescue	24,060

The excesses for the departments listed above were primarily the result of unexpected expenditures incurred. As unexpected expenditures become known, and if a department will exceed their overall budget, a request is made to transfer budget dollars from another department to cover the needed funds. This is done by prioritizing projects not yet completed to assure that the overall budget is not exceeded.

Sedona 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 Measurement Date (2014)	**2014 through 2006**
Total pension liability		
Service cost	$ 1,059,059	Information
Interest on total pension liability	1,891,123	not available
Changes of benefit terms	257,095	
Difference between expected and actual experience in the measurement of the pension liability	(176,426)	
Changes of assumptions or other inputs	1,813,376	
Benefit payments, including refunds of employee contributions	(890,653)	
Net change in pension liability	$ 3,953,574	
Total pension liability - beginning	24,006,537	
Total pension liability - ending (a)	$ 27,960,111	
Plan fiduciary net position		
Contributions - employer	$ 1,099,300	
Contributions - employee	592,699	
Net investment income	1,990,781	
Benefit payments, including refunds of employee contributions	(890,653)	
Other changes	4,823	
Net change in plan fiduciary net position	2,796,950	
Plan fiduciary net position - beginning	14,344,620	
Plan fiduciary net position - ending (b)	$ 17,141,570	
District's net pension liability - ending (a) - (b)	$ 10,818,541	
Plan fiduciary net position as a percentage of the total pension liability	61%	
Covered-employee payroll	$ 5,694,542	
District's net pension liability as a percentage of covered-employee payroll	190%	

See accompanying notes to pension plan schedules.

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

PSPRS	**Fiscal Year**	
	2015 Measurement Date (2014)	**2006 through 2014**
Actuarially determined contribution	$ 1,099,300	Information not available
District's contributions in relation to the actuarially determined contribution	1,099,300	
District's contribution deficiency (excess)	$ -	
District's covered-employee payroll	$ 5,694,542	
District's contributions as a percentage of covered-employee payroll	19.30%	

See accompanying notes to pension plan schedules.

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.