



**Lake Mohave Ranchos Fire  
District  
Financial Statements  
June 30, 2015**

**Lake Mohave Ranchos Fire District**  
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**June 30, 2015**

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**ACCOUNTING PROFESSIONALS, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Governing Board of the  
Lake Mohave Ranchos Fire District  
Dolan Springs, Arizona

**Report on the Financial Statements**

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

**Management 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 and of each major fund of the Lake Mohave Ranchos Fire District, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

As disclosed in the notes to the financial statements, for the year ended June 30, 2015 Lake Mohave Ranchos Fire District adopted new accounting pronouncements, Governmental Accounting Standards Board (GASB) Statements 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*

As described in the notes to the financial statements, the District has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments*, GASB Statement No. 27, *Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments; Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, effective July 1, 2003, as well as 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*. However, the Lake Mohave Ranchos Fire District has elected not to present Management's Discussion and Analysis, the Budgetary Comparison Schedule, or other supplementary information that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required, to be a part of, the basic financial statements.

## Other Reporting Required by Government Auditing Standards

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

*Accounting Professionals, LLC*

Phoenix, Arizona  
February 5, 2016



# **BASIC FINANCIAL STATEMENTS**

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 68,029
Accounts receivable, net	64,226
Taxes receivable	557,644
Capital assets:	
Non-depreciable	12,439
Depreciable (net)	<u>388,883</u>
Total assets	<u>1,091,221</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>85,495</u>
Total deferred outflows of resources related to pensions	<u>85,495</u>
<b>LIABILITIES</b>	
Accounts payable	36,511
Accrued payroll and related liabilities	22,356
Long-term liabilities:	
Pension Plan Liabilities	384,181
Total liabilities	<u>443,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>178,241</u>
Total deferred inflows of resources	<u>178,241</u>
<b>NET POSITION</b>	
Invested in capital assets	401,322
Unrestricted	<u>154,105</u>
Total net position	<u>\$ 555,427</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2015**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency services	\$ 664,311
Administrative and support services	129,965
Depreciation	68,944
Interest on long-term debt	<u>-</u>
Total program expenses	<u>863,220</u>
<b>PROGRAM REVENUES</b>	
Charges for services	303,899
Operating grants and contributions	-
Total program revenues	<u>303,899</u>
Net program expenses	<u>559,321</u>
<b>GENERAL REVENUES</b>	
Property taxes	621,741
County aid	65,182
Investment earnings	<u>3</u>
Total general revenues	<u>686,926</u>
Increase (decrease) in net position	127,605
Net position – beginning, as restated	<u>427,822</u>
Net position – ending	<u>\$ 555,427</u>

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

**Lake Mohave Ranchos Fire District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 68,029	\$ 68,029
Accounts receivable, net	64,226	64,226
Taxes receivable	557,644	557,644
Total assets	\$ 689,899	\$ 689,899
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 36,511	\$ 36,511
Accrued payroll and related liabilities	22,356	22,356
Total Liabilities	58,867	58,867
Deferred inflows of resources		
Deferred revenue	549,622	549,622
Total deferred inflows of resources	549,622	549,622
Total liabilities and deferred inflows of resources	608,489	608,489
Fund balances:		
Unassigned	81,410	81,410
Total fund balances	81,410	81,410
Total liabilities, deferred inflows of resources and fund balances	\$ 689,899	\$ 689,899

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

**Lake Mohave Ranchos Fire District**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2015**

Fund balances - total governmental funds		\$ 81,410
Amounts reported for governmental activities in the Statement of Net Assets 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.		401,322
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.		549,622
Deferred outflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental funds balance sheet.		85,495
Deferred inflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental funds.		(178,241)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet, specifically:		
Pension liabilities	(384,181)	(384,181)
Net assets of governmental activities		<u>\$ 555,427</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2015**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Property taxes	\$ 605,937	\$ 605,937
Fire district assistance taxes	65,182	65,182
Intergovernmental	-	-
Charges for services	304,946	304,946
Contributions	-	-
Interest income	3	3
Other revenue	<u>8,293</u>	<u>8,293</u>
Total revenues	<u>984,361</u>	<u>984,361</u>
<b>EXPENDITURES</b>		
Current:		
Public safety, fire protection:		
Emergency services	630,111	630,111
Community programs	-	-
Administrative and support services	129,965	129,965
Debt service:		
Principal	-	-
Interest on long-term debt	-	-
Capital outlay	<u>36,420</u>	<u>36,420</u>
Total expenditures	<u>796,496</u>	<u>796,496</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>187,865</u>	<u>187,865</u>
<b>OTHER FINANCING SOURCES/(USES)</b>		
Repayments on debt	-	-
Gain on sale of capital assets	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>
Net changes in fund balances	187,865	187,865
Fund balances – beginning	<u>(106,455)</u>	<u>(106,455)</u>
Fund balances – ending	<u>\$ 81,410</u>	<u>\$ 81,410</u>

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

**Lake Mohave Ranchos 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	\$	187,865
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..		36,420
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.		(68,944)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues 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.		6,464
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		<u>(34,200)</u>
Change in net assets of governmental activities	\$	<u>127,605</u>

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

**Lake Mohave Ranchos Fire District  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2015**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ASSETS</b>	
Cash	\$ <u>11,856</u>
Total assets	\$ <u>11,856</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	\$ <u>11,856</u>

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

**Lake Mohave Ranchos Fire District**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2015**

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 2
Investment gain (unrealized)	<u>-</u>
Total additions	<u>\$ 2</u>
<b>DEDUCTIONS</b>	
Benefits paid	<u>-</u>
Total deductions	<u>-</u>
Change in net position	\$ 2
Net position – beginning	<u>\$ 11,854</u>
Net position – ending	<u><u>\$ 11,856</u></u>

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

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Lake Mohave Ranchos Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB 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 liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, GASB Statement No. 68 requires disclosure of information related to pension benefits.

**A. Reporting Entity**

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component units are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment (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, as are the proprietary fund financial statements. 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.

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.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The District reports the following major governmental fund:

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 District also reports one *Fiduciary Fund*, the Firefighters' Alternative Pension and Benefit Fund, which is used to account for the accumulation of resources to be used for annuity payments and benefits resulting from premium tax contributions received by the District. Fiduciary funds are accounted for on an economic resources measurement focus and accrual basis of accounting. District contributions are recognized in the period the contributions are due.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 cash equivalents**

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

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

**E. Receivables and payables**

All program service receivables are shown net of an allowance for uncollectibles, if such estimates are necessary.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Mohave 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.

**F. 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.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**G. Restricted assets**

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

**H. 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.

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

<u>Type of asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	2 - 40
Improvements, other than building	\$5,000	2 - 40
Furniture, vehicles and equipment	\$5,000	5 - 20

**I. Deferred outflows and inflows of resources**

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

**J. Pensions**

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

**K. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. 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.

**L. 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 assets and balance sheet.

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**M. Fund equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

***Nonspendable fund balance*** - amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) or (b) legally or contractually required to be maintained intact.

***Restricted fund balance*** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed fund balance*** - amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

***Assigned fund balance*** - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

***Unassigned fund balance*** - the residual classification for the District's General Fund that includes amounts not contained in other classifications.

**N. 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.

**O. 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.

**P. 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 the legally mandated basis for budgetary purposes.

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

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 2 - CASH AND INVESTMENTS**

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. The District has no investment policy that would further limit its investment choices.

**A. District's Cash and Cash Equivalents Deposits**

As of June 30, 2015 the District had \$53,632 on deposit with the Mohave County Treasurer's investment pool (MCTIP). The MCTIP is an external investment pool with no regulatory oversight. The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission. The Mohave County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the MCTIP is included in the Comprehensive Annual Financial Report of Mohave County. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool.

*Custodial Credit Risk - Deposits.* In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2015, the District's carrying amount of demand deposits was \$13,827. The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state.

**B. Firefighters' Alternative Pension and Benefit Fund's Cash and Investments (Pension Fund)**

The District maintains a Volunteer Fire Pension Fund as allowed by ARS 9-951. This plan is administered by the District Pension Board. The plan is reviewed by the Arizona State Fire Marshal's office. There were no contributions or distributions from this plan during the current fiscal year.

Cash: As of June 30, 2015 the Pension Fund had \$11,856 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

**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:

	General Fund
Taxes	\$ 557,644
Program services	128,612
Gross receivables	686,256
Less: allowance for uncollectibles	(64,386)
Total receivables, net	\$ 621,870

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Governmental funds report *deferred outflows and inflows of resources* in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2015, deferred revenue consisted of the following:

	<u>Unavailable</u>
General Fund	
Deferred taxes and services revenue	<u>\$ 549,622</u>
Total deferred revenues	<u>\$ 549,622</u>

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Land, not depreciated	\$ 12,439	\$ -	\$ -	\$ 12,439
Buildings and equipment	284,359	-	-	284,359
Vehicles and apparatus	909,261	-	-	909,261
Equipment	<u>311,057</u>	<u>36,420</u>	<u>-</u>	<u>347,477</u>
Total capital assets	<u>1,517,116</u>	<u>36,420</u>	<u>-</u>	<u>1,553,536</u>
Less accumulated depreciation	<u>(1,083,270)</u>	<u>(68,944)</u>	<u>-</u>	<u>(1,152,214)</u>
Total capital assets, net	<u>\$ 433,846</u>	<u>\$ (32,524)</u>	<u>\$ -</u>	<u>\$ 401,322</u>

Depreciation expense for the period was \$68,944; all depreciation was expensed to the public safety - fire protection function.

**NOTE 6 - LONG-TERM DEBT**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
PSPRS net pension obligation	\$ 460,233	\$ 102,189	\$ (178,241)	\$ 384,181	\$ -
County finance agreement	-	-	-	-	-
Compensated absences	<u>14,914</u>	<u>-</u>	<u>(14,914)</u>	<u>-</u>	<u>-</u>
Total governmental liabilities	<u>\$ 475,147</u>	<u>\$ 102,189</u>	<u>\$ (193,155)</u>	<u>\$ 384,181</u>	<u>\$ -</u>

**Lake Mohave Ranchos Fire District**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**A. Compensated absences**

All full-time employees of the District are given paid time off based on the amount stated in policy determined by their years of service. Paid time off is accrued on a bi-weekly basis for full time employees and the maximum accrual can not exceed two times the employee's annual accrual rate. Additionally, part-time employees receive paid time off accrued on a pro-rated basis, calculated by dividing the average number of hours worked per week by forty. Any accrued paid time off hours will be paid at 50% upon termination of employment if the employee has completed six (6) months of employment and 75% upon meeting the requirements of the department pension plan when retiring.

**NOTE 7 - DEFERRED COMPENSATION PLAN**

The District has established a deferred compensation plan, in accordance with Internal Revenue Service Code Section 457, for all full-time employees in order to provide for supplementary retirement benefits. The District does not contribute to the plan. 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 are not included as a fund of the District.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**A. Inter-governmental agreements and indemnifications**

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/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

**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. The District has not incurred claims in excess of insurance coverage in the last fiscal year. No provision has been made in the financial statements for possible losses of this nature.

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District contributes to the plan as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

At June 30, 2015, the District reported in the government-wide financial statements the following aggregate amounts related to its participation in the Public Safety Personnel Retirement System (PSPRS), for which it contributes:

	<u>PSPRS</u>
Net pension liability	\$ 384,181
Deferred outflows of resources	85,495
Deferred inflows of resources	178,271
Pension expense	34,200

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**Public Safety Personnel Retirement System**

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven member board, known as the Board of Trustees and the participating local boards govern the PSPRS, according to the provisions of ARS Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

Benefits Provided: The *Public Safety Personnel Retirement System* 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.

<b>Retirement and Disability</b>	<b>Initial Membership Date:</b>	
	<b>Before January 1, 2012</b>	<b>On or After January 1, 2012</b>
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.
<b>Benefit percent</b>		
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 of 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	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's 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 earnings. PSPRS also provides temporary disability benefits of fifty percent (50%) of the member's compensation up to twelve (12) months.

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

Active employees	7
Retirees & Beneficiaries	2
DROP	0
Terminated	<u>7</u>
Total	16

Contributions: State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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 are indicated below. Rates are a percentage of active members' annual covered payroll:

**Contribution Rates**

Active members - Pension	11.05 %
District - Pension	23.1%
District - Health insurance premium benefit	.00 %

For this agent plan, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015 were:

**Pension**

Contributions made	\$ 43,012
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**Health Insurance Premium Benefit**

Annual OPEB cost Contributions made	\$ -
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During the year ended June 30, 2015 the District paid all PSPRS pension and OPEB contributions from the General Fund.

Pension liability/(asset): At June 30, 2015, the District had a net pension liability/(asset) of \$384,181. The net pension liabilities/(asset) were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The total pension 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.

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**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	4.0% - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (Adjusted by 105% for both males and females)

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

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

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

Pension discount rate: The District's PSPRS plan utilized a discount rate of 7.85%

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

**Lake Mohave Ranchos Fire District**  
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Changes in the Net Pension Liability:

	<b>Increase</b>	<b>(Decrease)</b>	
	<b>Total Pension</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Net Position</b>	<b>Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2014	\$ 1,435,353	\$ 975,120	\$ 460,233
Changes for the current year:			
Service cost	47,003	-	47,003
Interest on the total pension liability	110,350	-	110,350
Changes of benefit terms	(434)	-	(434)
Differences between expected and actual experience in the measurement of the pension liability	(172,250)	-	(172,250)
Changes of assumptions or other inputs	53,091	-	53,091
Contributions - Employer	-	32,420	(32,420)
Contributions - Employee	-	18,499	(18,499)
Net investment income	-	122,544	(122,544)
Benefit payments, including refunds of employee contributions	(106,254)	(106,254)	-
Other changes	-	(59,651)	59,651
Net Changes	<u>(68,494)</u>	<u>7,558</u>	<u>(76,052)</u>
Balances at June 30, 2015	<u>\$ 1,366,859</u>	<u>\$ 982,678</u>	<u>\$ 384,181</u>

Sensitivity of the District's Net pension liability to changes in the Discount Rate: The following table presents the District's net pension liability calculated using the discount rate 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.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.85%)</b>	<b>Discount Rate</b>	<b>(8.85%)</b>
		<b>(7.85 %)</b>	
The District's net pension liability	\$ 525,803	\$ 384,181	\$ 266,259

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension expense and deferred outflows/inflows of resources: For the year ended June 30, 2015 the District recognized pension expense for PSPRS of \$43,012. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to PSPRS from the following sources:

	<b>Defered</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Differences between expected and actual experience	\$ -	\$ 137,833
Changes of assumptions or other inputs	42,483	-
Net difference between projected and actual earnings on pension plan investments	-	40,408
District contributions subsequent to measurement date	<u>43,012</u>	<u>-</u>
Total	<u>\$ 85,495</u>	<u>\$ 178,241</u>

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The \$85,495 reported as deferred outflows of resources relates to PSPRS 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 will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2016	\$ (33,911)
2017	(33,911)
2018	(33,911)
2019	(33,911)
2020	(114)
Thereafter	-
Total	(135,758)

**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 actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the District and plans' 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 plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Agent plan 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	4.85% - 8.5%
Wage growth	4.5%

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Agent plan OPEB trend information: The table below present the annual OPEB costs information for health insurance premium benefit for the current and two preceding years:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 2,706	100 %	\$ -
2014	7,146	100 %	-
2013	10,829	100 %	-

Agent plan OPEB funded status: The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, are as follows:

<u>Valuation date June 30,</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability (AL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>AL as % of Covered Payroll</u>
2015	\$ 55,219	\$ 14,688	\$ (40,531)	376 %	\$ 256,882	(16) %
2014	50,537	12,150	\$ (38,387)	416 %	153,791	(25) %
2013	-	15,785	15,785	- %	229,476	7 %

Agent plan OPEB assumptions used in funded status calculation:

The actuarial methods and assumptions used for the PSPRS health insurance premium benefit plans, based on the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfounded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfounded 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 10 - CHANGE IN ACCOUNTING PRINCIPLE**

The District's net position, as previously reported at June 30, 2014 has been restated as follows for the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position as previously reported at June 30, 2014	\$ 855,634
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2014)	(460,232)
Deferred inflows/outflows of resources - pension related	<u>32,420</u>
Total prior period adjustments	<u>(427,812)</u>
Net position as of June 30, 2014, as restated	<u>\$ 427,822</u>

