

Pensions

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

LONG-TERM LIABILITIES

The following schedule detail the District's long-term liability and obligation activity for the year ended June 30, 2016.

Governmental Activities	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Net Pension liabilities				
PSPRS	34,242		(1,262)	32,980
ASRS	42,750		(38,681)	4,069
Compensation absences payable	<u>11,398</u>		<u>(3,051)</u>	<u>8,347</u>
Total governmental activities Long-term liabilities	<u>88,390</u>		<u>(42,994)</u>	<u>45,396</u>

General Obligation Bonds

The District does not currently have any general obligations bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

The District does not currently have any capital leases.

Net Position/Fund Equity***Net Position on Government-Wide Financial Statements – Schedule A***

Fund Equity, as defined in GASB Statement No. 34, "Basic Financial Statements for State and Local Governments" is defined as net assets and is classified in the following categories:

- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Unrestricted Fund Balance – amounts in this fund balance area is the balance of equity which is not included in the Restricted Fund Balance and the Investments in Net Position balances.

- Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduces by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Fund Balances on Governmental Fund Financial Statements – Schedule C

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Non-spendable Fund Balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board, or by an official, or body, to which the District Board delegates authority.
- Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies and rescinds) fund balance commitment is fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned Fund Balance is established by District Board, through adoption or amendment of the budget, as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Accounting Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

During the last quarter of the fiscal year, the ensuing years operating budget, including proposed expenditures and the means of financing them, is compiled by the Fire Chief. A public hearing is held on the budget subsequent to the publication of the proposed budget. Once the proposed budget is prepared it must be published in a newspaper of general circulation in the County in which the District is located, at least twenty days prior to a budget hearing. Notice of the hearing must also be posted in at least three public locations in the District and posted to the District website at least twenty days prior to the hearing, provided the District maintains a website. Copies of the proposed budget must also be provided upon written request. Once the budget hearing is held, the District Board approves the budget. After approval by the District Board, the budget is then sent to the County Board of Supervisors, no later than August 1st of each year as required by ARS 48-807(e).

Budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget. Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

NOTE 3 – CASH, DEPOSITS, INVESTMENTS, AND RISK MANAGEMENT

Cash Deposits, and Investments

The District's cash and cash equivalents include Cash on Hand, Deposits, and Investments.

Arizona Revised Statutes authorize special districts to invest public funds 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. 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.

Cash on Hand and Deposits

At June 30, 2016, total cash on hand was \$411.

The carrying amount of the total cash in bank was \$104,785. All of the bank balance was FDIC insured

Investments

At June 30, 2016, the carrying amount in the Trust Fund, invested in Edward Jones was \$79,7550. The carrying balance in bank accounts invested in the County Treasurer's Pool was \$8,524.

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 the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities. The District also conducts regular driver's license checks on all employees authorized to operate District vehicles.

Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

NOTE 4 – INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

NOTE 5 – RECEIVABLES

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Ambulance receivables gross of \$81,445 and with an allowance for bad debt of \$7,203 for a net of \$74,242 at June 30, 2016.

Out of District receivables were \$35,287. This gave a net receivable of \$109,529

NOTE 6 – DEFERRED REVENUES

Deferred Taxes Receivable arises when property taxes are levied but not currently collected. The collectable portion (taxes levied less estimated uncollectible) are recorded as deferred revenue in the period when an enforceable legal claim to assets arise

NOTE 7 - CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2016

	Balance 6/30/2015	Balance 6/30/2016
Depreciable Assets		
Vehicles	429,339	429,339
Buildings	196,683	196,683
Equipment, Fire	352,347	352,347
Total Historical Costs	978,369	978,369
Less Accumulated Depreciation		
Vehicles	338,471	362,238
Buildings	119,716	125,378
Equipment, Fire	314,343	322,024
Less: Total Accumulated Depreciation	<u>772,530</u>	<u>809,640</u>
Depreciable Capital Assets Net	<u>205,839</u>	<u>168,729</u>
Non-Depreciable Assets		
Land	31,000	31,000
Capital Assets, Net	<u>236,839</u>	<u>199,729</u>

NOTE 8 – SHORT –TERM INDEBTEDNESS

The District utilizes a credit line with a limit of \$150,000. As of June 30, 2016, the balance outstanding was approximately \$0 and \$150,000 was available. The District routinely pays the balance in full when funds are available.

NOTE 9 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District has a combination of vacation time and sick leave which the District calls Paid Time Off (PTO). The District's accrued PTO on June 30, 2016 was \$13,852

NOTE 10 – FUND BALANCE

The District's Net Position balances consist of restricted, unrestricted, and net investment in capital assets amounts.

The District's Governmental Funds fund balances consist of restricted, committed, assigned, and unassigned amounts.

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance is amount constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board, or by any official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Fund Balance

Restricted Fund Balance		
Assigned Payroll (PTO)		8,347
Assigned Net pension Liability	37,049	
Deferred inflows and outflows	<u>43,772</u>	80,821
Unassigned Fund Balance		<u>126,710</u>
Total Fund Balance		215,878

NOTE 11 – PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real 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.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met. The taxpayers may also authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

NOTE 12 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

(See Also, The Required Supplemental Information)

The District contributes to multiple plans as described below. 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 premium benefits.

Plan Descriptions

Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' annual compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month, towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is not for the retiree or for the retiree and his or her dependents.

Arizona State Retirement System

Plan Description

The District employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S.

Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Normal retirement is when an individual achieves 80 points, which is age plus years of service after age 62. Retirement benefits are computed by the Arizona State Retirement System. The report is available on its Web site at www.azasrs.gov.

Pension Liability

At June 30, 2016, the District reported a liability of \$4,069 for its proportionate share of the ASRS' net position liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability as determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contribution to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2016. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2015. The District's proportion of the net pension liability measured as of June 30, 2015, was 4069 over 15,576,438,487 (very small)

Pension Expense and Deferred Outflows/Inflows of Resources

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	111	213
Net difference between projected and actual earnings on pension plan investments	0	30,050
Change in proportion and differences between District contributions and proportionate share of contributions	3,749	
District contributions subsequent to the measurement date		
Totals	3,860	30,393

Deferred outflows of resources and deferred inflows of resources for the ASRS pension above represent the unamortized portion of charges to net pension liability to be recognized in future period in a systematic and rational manner

Deferred Outflows and Inflows of Resources by Year to be recognized in Future Pension Expenses

Year ending June 30,

2016	(10,862)
2017	(12,940)
2018	(2,826)
2019	95
Total	(26,533)

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

ASRS

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry Age normal
Investment rate of return	8%
Projected Salary Increase	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rate	1994 GAM Scale BB

Note 14 ASRS

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

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's proportionate share of the net pension liability	5,331	4,069	3,203

Funding Policy:

For the year ended June 30, 2016, Sunsites Pearce Fire District did not have active ASRS members. The plan issues a publicly available financial report that includes its financial statements and required supplementary information.

ASRS
3300 N Central Ave Suite 200
Phoenix, Arizona 85067-3910
(602)204-2000 or 1-800-621-3778

The District maintains a **Volunteer Fire Pension Fund** as allowed by APS 9-951. This plan is administered by the District and overseen by an appointed pension board according to the state statute. The plan is reviewed by the Arizona State Fire Marshall's office.

Note 15-The Public Safety Personnel Retirement System (PSPRS)

The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined 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 administration 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 provide 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:

Normal retirement is on completion of 20 years of service or 15 years of service and attainment of age 62. Retirement benefits after 20 years are 50% of average monthly compensation plus an additional 2% for each year of service from 20 to 25 years. Upon attainment of 25 years of service the additional percentage is increased to 2.5 percent for each period beyond 20. Maximum pension is 80% of average compensation. All participants are fully vested upon 10 years of service with deferred retirement possible at reduced benefits.

For the year ended June 30, 2016, PSPRS members were required by statute to contribute 11.65% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 13.14%.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information.

Public Safety Personnel Retirement System
3010 E Camelback Road
Phoenix, AZ 85016-4416
(602) 255-5575

Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll growth	4%
Inflation	3%, No explicit price inflation assumption
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period for July 1, 2006 – June 30, 2011
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and female)
Other information	
Assume Future Permanent Benefit Increases	Members Retired on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members Retired on r after August 1, 2011: .05% of overall average benefit compounded annually. All members receive the same dollar amount of increase

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2015 Arizona Public Safety Personnel Retirement System annual actuarial valuation report

Benefits Provided

SENSITIVITY OF NET PENSION LIABILITY (ASSET) TO THE SINGLE DISCOUNT RATE ASSUMPTION

Regarding the sensitivity of the net pension liability (asset) TO CHANGES IN THE Single Discount Rate, the following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.85%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher

	1%Decrease 6.85%	Current Single Discount Rate Assumption 7.85%	1% Increase 8.85%
Total Pension Liability	720,040	608,258	518,199
Plan Fiduciary Net Position	575,278	575,278	575,278
Net pension Liability	144,762	32,980	(57,079)

**DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES BY SOURCE TO BE
RECOGNIZED IN FUTURE PENSION EXPENSES**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	0	28,491
Changes in assumptions	7,180	
Net difference between projected and actual earnings on pension plan investments		
On pension plan investments	<u>17,576</u>	<u>13,603</u>
Total	24,756	42,094

Deferred outflows of resources and deferred inflows of resources for the PSPRS above represent the unamortized portion of charges to net pension liability to be recognized in future period in a systematic and rational manner

Deferred Outflows and Inflows of Resources by Year to be recognized in Future Pension Expenses

Year Ending	Net Deferred Outflows of Resources
2017	(2,462)
2018	(2,462)
2019	(2,463)
2020	2,072
2021	(2,322)
Thereafter	<u>(9,701)</u>
Total	(17,338)

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial cost methods as indicated for the plan. The District did not report a health insurance subsidy payment for the fiscal year ending June 30, 2016.

Post-Employment Benefits: The government provides certain health care and insurance benefits for recently separated employees as required by the Federal Law under COBRA. Any cost of health care and insurance benefits would be short-term and recognized as an expenditure as claims are paid. The District currently has no such claims.

NOTE 18 – SUBSEQUENT EVENTS

On November 15, 2016 a special meeting was held, a public hearing, on the “District Boundary Change Impact Statement and Proposed Annexation Process for the Sunsites-Pearce Fire District. After discussions and a failed motion , it was moved and seconded to stop the process of the District Boundary Change Impact Statement and Proposed Annexation Process for the Sunsites-Pearce Fire District.

REQUIRED SUPPLEMENTARY INFORMATION

1. **BUDGETARY BASIS OF PRESENTATION**

Budget
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit I

	Budgeted Amounts Original	Budgeted Amounts Fina	Actual	Variance with Final Budget
Revenue:				
Property Taxes	413,456	413,456	386,697	(26,759)
Fire District Assistance	80,000	80,000	80,299	299
Fees for Service	331,000	331,000	387,624	56,624
Grant Revenue	250,000	250,000	30,185	(219,815)
Interest	1,000	1,000	407	(593)
Miscellaneous	14,680	14,680	12,795	(5,201)
Contributions and Donations from private sources	<u>6,000</u>	<u>6,000</u>	<u>50,000</u>	<u>44,000</u>
Total Revenue:	1,096,136	1,096,136	948,007	(148,129)
Expenditures:				
Public Safety	574,800	574,800	587,516	12,716
Administration	144,336	144,336	81,404	(62,932)
Operations	120,000	120,000	121,899	1,899
Capital Outlay	7,000	7,000		(7,000)
Interest			410	410
Grant expenses	<u>250,000</u>	<u>250,000</u>	<u>24,431</u>	<u>(225,569)</u>
Total Expenditures:	1,096,136	1,096,136	815,662	(280,474)
Excess (Deficiency) of:				0
Revenue over Expenditures	0	0	132,345	132,345
Net Change in Fund Balances			132,345	132,345
Fund Balances at beginning of year			<u>82,938</u>	<u>80,938</u>
Fund Balances at End of Year			215,283	215,283

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures and Changes in Fund Balances*.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

2. DETERMINATION OF THE TOTAL PSPRS PENSION LIABILITY

The total pension liability shown in this subsection is also shown as of the last date of the pension plan's fiscal year, June 30, 2016.

The single discount rate of 7.85% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Schedule in Changes of Net Pension Liability and Related Ratios PSPRS

Reporting Fiscal Year 6/2016

	2015	2014
PSPRS		
Total Pension liability:		
Service Cost	57,880	51,573
Interest on total pension liability	44,168	37,142
Changes of benefit terms	0	(1,416)
Difference between Expected and Actual Experience	(27,504)	(4,637)
Assumption Changes	0	8,892
Benefit payments, including refunds of employee contributions	0	(10,483)
Net change in total pension liability	74,544	81,107
Total pension liability - beginning	533,714	452,607
Total pension liability - ending	608,258	533,714
Plan fiduciary net position		
Contributions – employer	34,360	44,441
Contributions – employee	34,220	31,241
Pension Plan Net investment income	19,050	55,003
Benefit payments, including refunds of employee contributions	0	(10,483)
Pension Plan Administrative Expense	(856)	0
Other	352	(1)
Net change in fiduciary net position	86,422	120,201
Plan fiduciary net position - beginning	488,856	379,271
Plan fiduciary net position – ending (b)	572,278	499,472
Net pension liability – ending (a)-(b)	32,980	34,242
Plan fiduciary net position as a percentage of total pension liability	94.58%	93.58%
Covered Valuation Payroll	309,681	302,613
Net Pension Liability as a percentage of covered payroll	10.65%	11.32%

MULTIYEAR SCHEDULE OF PSPRS CONTRIBUTIONS

Last 10 Years

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a % of Current Valuation Payroll
2014	44,441	44,441	0	302,613	14.69%
2015	34,360	34,360	0	309,681	11.10%

**NOTES TO SCHEDULE OF CONTRIBUTIONS SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2015 CONTRIBUTION REQUIREMENT RATE**

Notes:	Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported
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Methods and Assumptions Used to Determine Fiscal Year 2015 contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period as of the 2013 actuarial valuation	23 Years: if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed market:20% corridor
Wage growth	4.50%
Price Inflation	3.0%-4.0% approximate. No explicit inflation assumption is used in this valuation
Salary Increases	4.50%-8.50%
Investment rate of return	7.85% net of investment and administrative expenses
Retirement age	Experience based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience. Study of the period July 1, 2006 – June 30, 2011
Mortality	RP-2000 mortality table projected to 2015 using a projection scale AA (adjusted by 105% for both males and females)
Other Information:	
Assumed Future Permanent Benefit Increases	No explicit Assumed Permanent Benefit Increases Assumption

SCHEDULE OF FUNDING PROGRESS PSPRS (Excluding Health Insurance Subsidy Beginning June 30, 2008)

Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ©	UAAL as a % of Covered Payroll ((b-a)/c)	AAL as a Percent of Covered Payroll (b)/(c)
2013	423,268	452,607	29,339	93.5%	276,843	10.6%	163.5%
2014	506,495	533,714	27,219	94.9%	302,612	9.0%	176.4%
2015	588,725	608,258	19,533	96.8	309,681	6.3%	196.4%

Schedule of Proportionate Share of the Net Pension Liability ASRS

Reporting Fiscal Year 6/2016

	2016 (2015)	2015 (2014)
Districts proportion of the net pension liability	.000030%	.000030%
Proportionate share of net pension liability	4069	\$42,750
Covered employee payroll	0	\$3,398
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0	1,258%
Plan fiduciary net position as a percentage of the total pension liability	N/A	69.49%

SCHEDULE OF CONTRIBUTIONS—Cost Sharing Retirement Plans

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2015	\$11,715	390	0	3834	10.17%

*Fiscal year 2015 was the 1st year of implementation.

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of June 30 each year, which are months prior to the beginning of the fiscal year in which contributions are reported.

Method and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	
Plan Amendments	Immediate
Investment gain/loss	5 years
Assumption gain/loss	Average future service lives
Experience gain/loss	Average future service lives
Asset Valuation:	Fair Value
Discount Rate:	8.00%
Price inflation:	3.00%
Salary Increases:	3.00% to 6.75%
Mortality:	1994 GAM Scale BB

OTHER SUPPLEMENTARY INFORMATION

**SUNSIDES-PEARCE FIRE DISTRICT
ANNUAL REPORT INFORMATION FISCAL YEAR ENDED JUNE 30, 2016**

Arizona Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ "Annual Report" of Special Districts. This information is included as other supplementary information.

REGULAR FIRE BOARD MEETINGS:

DATE	TIME	LOCATION
07/28/15	6:00 PM	105 N Tracy Road Pearce
08/25/15	6:00 PM	105 N Tracy Road Pearce
09/22/15	6:00 PM	105 N Tracy Road Pearce
10/20/15	6:00 PM	105 N Tracy Road Pearce
11/17/15	6:00 PM	105 N Tracy Road Pearce
12/15/15	6:00 PM	105 N Tracy Road Pearce
01/26/16	6:00 PM	105 N Tracy Road Pearce
02/23/16	6:00 PM	105 N Tracy Road Pearce
03/22/16	6:00 PM	105 N Tracy Road Pearce
04/26/16	6:00 PM	105 N Tracy Road Pearce
05/31/16	6:00 PM	105 N Tracy Road Pearce
06/28/16	6:00 PM	105 N Tracy Road Pearce

SPECIAL INFORMATIONAL MEETING

DATE	TIME	LOCATION
10/6/2015	5:30PM	105 N Tracy Road Pearce
10/30/2015	6:00PM	105 N Tracy Road Pearce
11/9/2015	6:00PM	105 N Tracy Road Pearce
12/17/2015	6:00PM	105 N Tracy Road Pearce
1/8/2016	6:00 PM	105 N Tracy Road Pearce
6/30/2016	6:00PM	105 N Tracy Road Pearce

BOARD MEMBERS as of 6/30/2016

NAME	BUSINESS PHONE NUMBER	OCCUPATION
Robert Fino		Chairman
Joshua A. Steinberg	520-826-3645	Fire Chief
Jason Simmons		Board Member
Brian Allen		Board Member
Jessica Jones		Board Member
Tom Whiteman		Board Member

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

1. Sunsites-Pearce Fire Station 105 N Tracy Rd Pearce
2. 107 N Frontage Road Pearce, AZ
3. 1036 E Eastland Rd Cochise,AZ

Sunsites-Pearce Fire District website:

www.sunsitesfire.org

www.sunsitesfiredept.com

**GOVERNMENT AUDIT STANDARDS SECTION
JUNE 30, 2016**

MG Patience, CPA

*Certified Public Accountants
1326 West Highway 92 #12
Bisbee, Arizona 85603*

*Phone 520-432-3530
Fax 480-248-2776
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS**

**BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Sunsites-Pearce Fire District
Pearce, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunsites-Pearce Fire District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "MG Patience CPA". The signature is written in black ink and is positioned above a horizontal line.

MG Patience, CPA

Bisbee, AZ
November 29, 2016