

SUNSITES-PEARCE FIRE DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

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INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying Financial Statements of the governmental activities, of each major fund, and the aggregate remaining fund information of Sunsites-Pearce Fire District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 an opinion on this financial statement based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 opinion.

Opinions

In our opinion, the financial statement referred to above presents fairly, in all material aspects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunsites-Pearce Fire District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 8 through 12, Budgetary Comparison Schedules on pages 40 through 41, and net pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, along with any combining or individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining or individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Legal and Regulatory Requirements

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, on our 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 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 Sunsites-Pearce Fire District's internal control over financial control and compliance.

MG Patience CPA

MG Patience, CPA
1326 W Hwy 92 #12
Bisbee, Arizona 85603

January 23, 2018

Independent accountant 's report on compliance with ARS 48-05.02

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

We have examined management's assertion that the Sunsites-Pearce Fire District has compiled with Arizona Revised Statutes (ARS) 48-805.02(F) for the year ended June 30, 2017. The statute requires the District to comply with ARS 48-805(B)2,48-806 and 408-807. These requirements relate to debt and liabilities incurred by the District. The District's management is responsible for the assertion and compliance with the provisions of these statutes. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination as conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the District's compliance with the statutes referred to above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In connection with our examination, nothing came to our attention that caused us to believe that the District's assertion of compliance with these statutes was inaccurate or that the District failed to comply with the provisions of ARS sections 48-805(B)(2),48-806, 48-807 and 48-805.02(F) as required, insofar as it relates to accounting matters. However, our examination was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures. Other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the statute, insofar as they relate to accounting matters

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

MG Patience CPA
MG Patience, CPA
Bisbee, AZ 85603
January 23, 2018

Sunsites-Pearce Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2017

The following discussion and analysis of the Sunsites-Pearce Fire District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2017. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis.

This annual financial report consists of two parts, Management's Discussion and Analysis (this section), and the Basic Financial Statements.

Nature of Operations

The Sunsites-Pearce Fire District is an All Hazards agency, providing Fire, Ambulance, Paramedic, Rescue, and Hazardous Material Response services to homes, property, and persons residing or traveling through the Fire District boundaries as well as to locations and persons outside the District through mutual aid agreements, Subscription Agreements, and other contracts.

The Fire District promotes and encourages safety through public education, fire prevention, fire code enforcement, and community involvement.

Results of Operations

Calls

During the calendar year 2017, January 2017 through November 2017 the Sunsites-Pearce Fire District responded to 588 calls for service. These calls included 187 responses to reports of fire, and 401 responses to medical and other emergencies. This compares to 130 and 391 respectively for the same period last year.

Logistics

The fire hydrants are privately owned. During the year the District has worked with the owners of the hydrants to test and find out which of the hydrants are in working order, water is also supplied from agreements with using wells owned by farmers in the area and reserve tanks.

Community Service

The Fire District used numerous opportunities to promote fire safety, general safety, and community enrichment through a variety of programs, including public tours of fire apparatus and stations, public meetings, fire hazard reduction and cleanup, and other organized and spontaneous events.

Training

The District also committed to increasing educational opportunities for employees. Increased medical skill levels, specialized training, and other training opportunities are frequently presented to district employees.

Personnel

In addition to fulltime staffing, the fire district employs approximately 23 Reserve Firefighters to ensure adequate staffing. These Reserves supplement fulltime staffing during the daytime, backfill for fulltime personnel during periods of absence, such as illness or vacations, and respond to large scale emergencies.

Administration

In the upcoming Fiscal Year, the Fire District will be following up on Loans and Grant Applications already submitted and research new opportunities to upgrade equipment and fire gear to ensure a high standard of safety for the residents of the Fire District.

Financial Highlights

Revenues	6/2017	6/2016
Program Revenues:		
Charges for Service	491,266	387,624
Grants and entitlements	12,007	80,185
General Revenues:		
Property Taxes	366,925	386,697
Other Taxes	70,233	80,299
Investment Earnings	556	407
Other general Revenues	<u>15,380</u>	<u>12,795</u>
Total Revenues	956,367	948,007
Expenditures		
Program Expenses		
General Government	<u>939,973</u>	<u>843,083</u>
Total Expenses	939,973	843,083
Excess (deficiency)	<u>16,393</u>	<u>104,924</u>
Increase (decrease) in Net Assets	16,393	104,924

The District's program revenues increased by 7.5% or 35,464 from the prior year. The main reasons for the change in program revenues were; 80% increase in billing from wildland fires, from \$143,480 to \$258,964, offset by a decrease in grants from \$80,185 to \$12,007.

The total cost of all programs and services increased by 11%; \$96,890 Main reasons for the increase in cost were increases in salaries and administrative costs.

- The District's net assets decreased \$31,439 or 15.7% from the previous year. (all depreciation)
- The District's net position increased \$16,393 or 5% from the previous fiscal year
-

Overview of the Financial Statements

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

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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, use fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Net Position, June 30, 2017

	Balance <u>June 30, 2017</u>	Balance <u>June 30, 2016</u>
Invested in capital assets net of related debt	168,290	199,730
Unrestricted net assets	<u>175,556</u>	<u>126,710</u>
Net Position	343,846	326,440

Governmental Activities

Most of the revenues for the District were derived from charges for service, ambulance billing and wildland Fire assignments assessed, property taxes and Fire District Assistance Tax from the county.

Capital Assets, Net of Depreciation June 30, 2017

	BALANCE JUNE 30, 2016	BALANCE JUNE 30, 2017
<u>Depreciable Assets</u>		
Vehicles	429,339	429,939
Buildings	196,683	196,683
Equipment, Fire	<u>352,347</u>	<u>352,347</u>
Total Historical Costs	978,369	<u>978,369</u>
Less Accumulated Depreciation		
Vehicles	362,238	377,030
Buildings	125,378	131,040
Equipment, Fire	<u>322,023</u>	<u>333,009</u>
Less: Total Accumulated Depreciation	<u>809,640</u>	<u>841,079</u>
Net Capital Assets	<u>168,729</u>	<u>137,290</u>
<u>Non-Depreciable Assets</u>		
Land	<u>31,000</u>	<u>31,000</u>
Total Net Assets	<u>199,729</u>	<u>168,290</u>

Long-Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$(56,681) actually not a debt but overfunding of the pension liability due to favorable earnings of PSPRS investment and demographics.

Factors Affecting Future Results

The district has completed a grant application to the USDA for a new ambulance, to service increased demand for ambulance services and a loan application for replacement of cab and chassis for the fire truck E-307 to service increased activity with wild fires. The district is servicing its demand for services at the present, but with the funding of this grant and loan it can operate more efficiently.

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions.

Despite declining property valuations, the Fire District was able to generate revenue from other sources to meet the demands of the community

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report, or requests for additional information, may be directed to Sunsites-Pearce Fire District at PO Box 507, Pearce AZ 85625, or in person at 105 Tracy Road, Pearce Arizona.

BASIC FINANCIAL STATEMENTS

SUNSITES-PEARCE FIRE DISTRICT
STATEMENT OF NET POSITION JUNE 30, 2017¹
 Exhibit A - Governmental Activities

Exhibit A
 Governmental Activities

ASSETS

Cash & Cash Equivalents (Note 3)	142,032
RECEIVABLES	
Ambulance Service Fees, Net Allowance For Doubtful Accounts (Note 5)	86,799
Wildland (5)	35,963
Out of District Receivable (Note 5)	20,073
Property Taxes (Note 6)	217,945
Prepaid expenses	
Total Capital Assets (Note 7)	<u>168,289</u>
Total Assets	<u>671,101</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions (Notes 14 & 15)	<u>87,075</u>
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LIABILITIES

Accounts Payable	20,960
Wages and Payroll Taxes Payable	13,383
Net Pension Liability (Notes 14&15)	(64,743)
Compensated Absences (Note 9)	
Portion due within one year	6,259
Portion due after one year	<u>8,062</u>
Total Liabilities	(16,079)

DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes	217,945
Deferred inflows related to pensions (Notes 14 & 15)	<u>212,466</u>
Total Deferred Inflow of Resources	<u>430,411</u>

NET POSITION

Net Invested in Capital Assets	168,289
Unrestricted Net Assets (Note 10)	<u>175,556</u>
Total Net Position	<u>343,845</u>

¹ The Notes to the Financial Statements are an integral part of this Statement.

SUNSHINE-PEARCE FIRE DISTRICT

STATEMENT OF ACTIVITIES

Exhibit B Governmental Activities - Expenses and Revenues 6/30/2017

Exhibit B
Governmental Activities

EXPENSES	
Public Safety – Fire/EMS Protection	
Personnel Services	603,639
Pension Expense	26,952
Materials & Services	277,943
Depreciation	<u>31,439</u>
Total Program Expenses	939,973
PROGRAM REVENUES	
Operating and Capital Grants	12,007
Charges for Services	<u>491,266</u>
Total Program Revenues	<u>503,273</u>
Net Program Expense	436,701
GENERAL REVENUES	
Property Taxes	366,925
Fire District Assistance	70,233
Investment Earnings	556
Miscellaneous	<u>15,380</u>
Total General Revenues	453,094
Change in net Position	16,393
Net position as restated July 1, 2016	<u>326,440</u>
Net Position June 30 2017	342,833

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²The notes to the Financial Statements are an integral part of this Statement

SUNSITE-PEARCE FIRE DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
 Exhibit C - Assets and Liabilities 6/30/2017

		Exhibit C
ASSETS		
Cash & Cash Equivalents (Note 3)		142,032
Receivables:		
Ambulance Service Fees, Net of Allowance for doubtful account		86,799
Wildland		35,963
Out of District (Note 5)		20,073
Property Taxes		<u>217,945</u>
	Total Assets	502,812
LIABILITIES		
Accounts Payable		20,960
Payroll Taxes		4,800
Wages Payable		8,583
Compensated Absences (Note 9)		6,259
Deferred Revenue (Note 6)		<u>217,945</u>
	Total Liabilities	258,547
FUND BALANCES		
Assigned Payroll (Note 9)		8,062
Net Pension Liability		-64,743
Deferrals		125,391
Unassigned		<u>175,556</u>
	Total Fund Balance (Note10)	244,266
Total Liabilities and Fund Balances		502,812

³ The Notes to the Financial Statements are an integral part of this statement

SUNSITES-PEARCE FIRE DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS 6/30/2017

Exhibit D

	REVENUE	Exhibit D
Property Taxes		366,925
Fire District Assistance Tax		70,233
Fees for Service		491,266
Investment Earnings		556
Grants and Donations		12,007
Miscellaneous		<u>15,380</u>
	Total Revenues	956,367
	EXPENDITURES	
Current:		
Public Safety		650,862
Administration		277,943
Interest		
Capital Outlay		
	Total Expenditures	928,805
Excess (Deficiency) of Revenues over Expenditures		27,562
Net Change in Fund Balance)		
Fund Balance-Beginning of Year		<u>215,878</u>
Fund Balance-End of Year		243,440

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⁴ The Notes to the Financial Statements are an integral part of this Statement

SUNSITES-PEARCE FIRE DISTRICT
 RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF
 NET POSITION 6/30/2017

Exhibit E

		Exhibit E	
Fund Balance: Total Governmental Funds (Exhibit C)			244,266
<i>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 Governmental Capital Assets</i>			
Governmental Capital Assets	1,009,369		
Less: Accumulated Depreciation	(841,079)		168,290
Deferred outflows and inflows of resources related to pension are applicable to future periods			(125,391)
Net Pension Liability restated per GASB 68			
	PSPRS	64,743	
	ASRS	0	64,743
<i>Accrued Paid Time Off (PTO) are not due and payable in the current period and, therefore are not reported as a liability in the funds</i>			(8,062)
Net Position of Governmental Activities			<u>\$343,561</u>

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⁵ The Notes to the Financial Statements are an integral part of this Statement

SUNSITES-PEARCE FIRE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017⁶

Exhibit F

Reconciliation in the change in fund balance - Total Governmental Funds to the change in Net Position of Governmental Activities:

Net Change in Fund Balances—Total Government Funds Exhibit D)			27,562
<i>Amounts reported for Governmental Activities in the Statements of Activities are different because:</i>			
<i>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. Pension expense, is reported in the Statement of Activities</i>			
	Pension contributions	47,223	
	Pension Expense	(26,952)	20,271
Governmental funds report capital outlays as expenditures in the Statement of Activities			0
These costs are allocated over their useful lives as depreciation expense in the statement of Net Position			(31,439)
Change in Net Position of Governmental Activities (Exhibit B)			<u>16,393</u>

⁶ The Notes to the Financial Statements are an integral part of this Statement.

SUNSITES-PEARCE FIRE DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND JUNE 30, 2017

Exhibit G

Exhibit G

	<u>Volunteer Pension Fund</u>
ASSETS	
Cash & Cash Equivalents	82,980
Total Assets	82,980
LIABILITIES	
Accounts Payable	0
Total Liabilities	0
NET POSITION	
Held in trust for pension And other purposes	<u>82,980</u>

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⁷ The Notes to the Financial Statements are an integral part of this Statemen

SUNSITE-PEARCE FIRE DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR
 ENDED JUNE 30, 2017⁸

Exhibit H
**Volunteer
 Pension Fund**

ADDITIONS		
Other:		
Public Safety Personnel		207
	Total Other Contributions	207
<hr/>		
Investment Earnings		
Interest/Value Change		3,229
Net Increase in the Fair value of investments		
	Total Investment Earnings	3,229
Total Additions		3,436
DEDUCTIONS		
Fees		6
Net Position – Beginning		79,550
Net Position – Ending		82,980

⁸ The Notes to the Financial Statements are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sunsites-Pearce Fire District (The District), is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of the Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District.

The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County Government. The district has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency, directly responsible to the local taxpayers and voters.

Introduction

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Sunsites-Pearce Fire District does not have any *business-type activities* or *component units*.

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

specific function or segment. Program revenues include 1) charges to users of the services 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. Other items not properly included among program revenues are reported instead as general revenues.

The government – wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

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 as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized 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.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. This fund's activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net positions. Fiduciary funds are not reflected in the government – wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government –wide financial statements.

Private – sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government –wide and proprietary fund financial standards to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of the following subsequent private – sector guidance for their business – type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private – sector guidance.

Basic Financial Statements

The accounting policies for the District conform to the accounting principles generally accepted in The United States of America (GAAP) as applicable to governmental units. The Governmental Accounting

Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Government-Wide Statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from 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 users of the services 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. Other items not properly included among program revenues are reported instead as general revenues.

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

Governmental Funds

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 as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized 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.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the proceeds of tax revenues received from a voter approved bond issue for capital improvements to the District. The fund is administered and held by the County Treasurer. The proceeds of the fund may only be used to repay the bond issue.

Financial Statement Amounts

Cash & Cash Equivalents

All savings, checking, and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Deferred Revenue

Deferred revenue (in the fund financial statements) represents property taxes earned during the year but not collected in time to be available to finance the current year's operation.

Capital Assets

Capital Assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

Property, plant, and equipment are depreciated using the Straight-Line method over the following useful lives:

Buildings	27.5 to 40 Years
Equipment	5 to 7 Years
Fire Trucks	10 Years
Automobiles	5 Years
Office Equipment	5 Years

Deferred Outflows and Inflows of Resources

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

Pensions

For purposes of measuring the net pension (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, 2017.

Governmental Activities	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Net Pension liabilities				
PSPRS	32,980		(97,723)	(64,743)
ASRS	4,069		(4,069)	0
Compensation absences payable	<u>8,347</u>		<u>(285)</u>	<u>8,062</u>
Total governmental activities Long-term liabilities	<u>45,396</u>		<u>(102,077)</u>	<u>(56,681)</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, 2017, total cash on hand was \$619.

The carrying amount of the total cash in bank was \$92,687. All of the bank balance was FDIC insured

Investments

At June 30, 2017, the carrying amount in the Trust Fund, invested in Edward Jones was \$82,980.

The carrying balance in bank accounts invested in the County Treasurer's Pool was \$48,726.

Risk Management

In April of 2017 The Medicare privileges were revoked effective March 4, 2013. This decision has been appealed by the District. This report is prepared as if the District is going to prevail on appeal. If not, the District is barred from re-enrolling in the Medicare program for a period of 3 years from April 30, 2017 and is required to pay back what has been collected from Medicare since March 4, 2013..

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 \$100,659 and with an allowance for bad debt of \$13,860 for a net of \$86,799 at June 30, 2017.

Out of District receivable \$38,535 less allowance for doubtful accounts of \$18,463 and Wildland receivables were \$35,963. This gave a net receivable of \$142,834

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, 2017

	Balance 6/30/2016	Balance 6/30/2017
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	362,238	377,030
Buildings	125,378	131,040
Equipment, Fire	322,024	333,009
Less: Total Accumulated Depreciation	<u>809,640</u>	<u>841,079</u>
Depreciable Capital Assets Net	<u>168,729</u>	<u>137,290</u>
Non-Depreciable Assets		
Land	31,000	31,000
Capital Assets, Net	<u>199,729</u>	<u>168,290</u>

NOTE 8 – SHORT –TERM INDEBTEDNESS

The District utilizes a credit line with a limit of \$150,000. As of June 30, 2017, the balance outstanding was \$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, 2017 was \$14,321

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.

Net Position: Fund Balance

	Balance June 30, 2017	Balance June 30, 2016
Invested in Capital Assets, Net of related debt	168,290	199,730
Unrestricted	<u>175,556</u>	<u>126,710</u>
Total Net Position	343,846	326,440
Governmental Fund Balance	244,266	215,878
Restricted Fund Balance		
Assigned Payroll (PTO)	8,062	8,347
Assigned Net pension Liability	(64,743)	37,049
Deferred inflows and outflows	125,391	43,772
Unassigned Fund Balance	<u>175,556</u>	<u>126,710</u>
Total Fund Balance	244,266	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.

Note-14 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.

Benefits provided: The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits

Retmnt initial membership date:	Before July 1,2011	On or after January 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50 Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50 Any years age 65
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2% 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	50% or normal retirement, whichever is greater
Survivor benefit: Retired members	80% of retired member's pension benefit	80% of retired member's pension benefit
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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, 2017, the District Share reported a liability of \$0 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, 2015, to the measurement date of June 30, 2016. 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, 2017. 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, 2016. The District's proportion of the net pension liability measured as of June 30, 2016. was 0 over 16,141,004,583.

Pension Expense and Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	0	0
Change in proportion and differences between District contributions and proportionate share of contributions	864	19,347
District contributions subsequent to the measurement date		
Totals	864	19,347

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,

2017	(14,139)
2018	(4,076)
2019	(268)
2020	0
Total	(18,483)

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

ARSR

Actuarial valuation date	June 30, 20154
Actuarial roll forward date	June 30, 2016
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

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	0	0	0

Funding Policy:

For the year ended June 30, 2017, Sunsites Pearce Fire District did have one active ASRS member. 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.

Benefits provided. 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:

Retmnt initial membership date:	Before Jan 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 and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2% 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	50% or normal retirement, whichever is greater
Survivor benefit: Retired members	80% of retired member's pension benefit	80% of retired member's pension benefit
Active members	80% 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 50% of the members compensation for up to 12 months

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	7.50%, 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	The Cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that 1.75% for this valuation

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2016 Arizona Public Safety Personnel Retirement System annual actuarial valuation report

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 7.50%, 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 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability	686,175	587,535	510,409
Plan Fiduciary Net Position	652,278	652,278	652,278
Net pension Liability	33,897	(64,743)	(141,869)

**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	184,050
Changes in assumptions	28,063	
Net difference between projected and actual earnings on pension plan investments	48,778	9,069
Total	76,841	193,119

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
2018	(9,043)
2019	(9,044)
2020	(4,509)
2021	(8,903)
2022	(17,802)
Thereafter	<u>(66,977)</u>
Total	(116,278)

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, 2017.

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 16 – SUBSEQUENT EVENTS

The grant application to the USDA for an ambulance and a loan application for a replacement cab and chassis for the E-307 Fire truck is being considered by the USDA. The dialogue with the owner of the fire Hydrants, Clear Springs, to replace about 11 fire Hydrants is progressing.

REQUIRED SUPPLEMENTARY INFORMATION

1. **BUDGETARY BASIS OF PRESENTATION**

**Budget
FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit I

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenue:				
Property Taxes	399,171	399,171	366,925	(32,246)
Fire District Assistance	80,000	80,000	70,233	(9,767)
Fees for Service	365,000	365,000	491,266	126,266
Grant Revenue	850,000	850,000	12,007	(837,993)
Miscellaneous	<u>22,680</u>	<u>22,680</u>	<u>15,936</u>	<u>(6,744)</u>
Total Revenue:	1,716,851	1,716,851	956,367	(760,484)
Expenditures:				
Public Safety	625,561	625,561	650,863	25,302
Administration	107,400	107,400	129,536	22,136
Operations	133,890	133,890	125,633	(8,257)
Grant expenses	<u>850,000</u>	<u>850,000</u>	<u>22,774</u>	<u>(827,226)</u>
Total Expenditures:	1,716,851	1,716,851	928,806	(788,045)
Excess (Deficiency) of:				
Revenue over Expenditures			27,561	27,561
Net Change in Fund Balances			27,561	27,561
Fund Balances at beginning of year			<u>215,283</u>	<u>215,283</u>
Fund Balances at End of Year			242,844	242,844

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, 2017.

The single discount rate of 7.50% 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 7.50%. 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

	2016	2015	2014
PSPRS			
Total Pension liability:			
Service Cost	52,489	57,880	51,573
Interest on total pension liability	49,808	44,168	37,142
Changes of benefit terms	29,458	0	(1,416)
Difference between Expected and Actual Experience	(176,694)	(27,504)	(4,637)
Assumption Changes	24,216	0	8,928
Benefit payments, including refunds of employee contributions	0	0	(10,483)
Net change in total pension liability	(20,723)	74,544	81,107
Total pension liability - beginning	608,258	533,714	452,607
Total pension liability - ending	587,535	608,258	533,714
Plan fiduciary net position			
Contributions – employer	37,854	34,360	44,441
Contributions – employee	36,507	34,220	31,241
Pension Plan Net investment income	3,547	19,050	55,003
Benefit payments, including refunds of employee contributions	0	0	(10,483)
Pension Plan Administrative Expense	(911)	(856)	0
Other	3	(352)	(1)
Net change in fiduciary net position	77,000	86,422	120,201
Plan fiduciary net position - beginning	575,278	488,856	379,271
Plan fiduciary net position – ending (b)	652,278	575,278	499,472
Net pension liability – ending (a)-(b)	(64,743)	32,980	34,242
Plan fiduciary net position as a percentage of total pension liability	111.02%	94.58%	93.58%
Covered Valuation Payroll	276,551	309,681	302,613
Net Pension Liability as a percentage of covered payroll	(23.41)%	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%
2016	37,854	37,854	0	276,551	13.69%

NOTES TO SCHEDULE OF CONTRIBUTIONS SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2016 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 2016 contribution Rates:

Validation Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 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:80%/120% market corridor
Wage growth	4.00%
Price Inflation	4% No explicit inflation assumption is used in this valuation
Salary Increases	4.00%-8.00%
Investment rate of return	7.50% 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	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 or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

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 C	UAAL as a % of Covered Payroll ((b-a)/c)	AAL as a Percent of Covered Payroll (b)/(c)
2012	338,310	367,924	28,984	92.1%	231,374	12.5%	158.7%
2013	423,268	452,607	29,339	93.5%	276,843	10.6%	163.5%
2014	506,915	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%
2016	707,486	587,535	(119,951)	120.4%	276,551	n/a	212.5%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution
2014	34,769 (est)
2015	34,616 (est)
2016	39,833 (est)
2017	44,165 (est)

Post-Retirement Health Insurance Subsidy

Valuation date	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
2012		22,128	22,128	0	231,374	9.56
2013		20,886	20,886	0	276,843	7.54
2014		24,151	24,151	0	302,612	7.98
2015	13,777	28,067	14,290	49.09	309,681	4.61
2016	17,976	14,577	(3,399)	123.3	276,551	0

Annual required Contribution

Valuation date	Fiscal Year Ended June 30	Normal Cost	Actuarial Accrued Liability	Total	Dollar Amount
2012	2014	.60	.54	1.14	2,908
2013	2015	.40	.42	.82	2,479
2014	2016	.47	.50	.97	3,175
2015	2017	.46	.28	.74	2,479
2016	2018	.39	(.10)	.29	867

Health insurance Subsidy Payment for FY2016:0

Schedule of Proportionate Share of the Net Pension Liability ASRS

Reporting Fiscal Year 6/2017

	2017 as of (2016)	2016 as of (2015)
Districts proportion of the net pension liability	.00000%	.000030%
Proportionate share of net pension liability	0	4069
Covered employee payroll	36,377	0
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0	0
Plan fiduciary net position as a percentage of the total pension liability	0%	N/A

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	3,834	10.17%
2016	0	4,107	(4,107)	36,777	11.17%

*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, 2017**

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
07/26/16	6:00 PM	105 N Tracy Road Pearce
08/30/16	6:00 PM	105 N Tracy Road Pearce
09/27/16	6:00 PM	105 N Tracy Road Pearce
10/25/16	6:00 PM	105 N Tracy Road Pearce
11/29/16	6:00 PM	105 N Tracy Road Pearce
12/27/16	6:00 PM	105 N Tracy Road Pearce
01/31/17	6:00 PM	105 N Tracy Road Pearce
02/28/17	6:00 PM	105 N Tracy Road Pearce
03/28/17	6:00 PM	105 N Tracy Road Pearce
04/25/17	6:00 PM	105 N Tracy Road Pearce
05/30/17	6:00 PM	105 N Tracy Road Pearce
06/27/17	6:00 PM	105 N Tracy Road Pearce

SPECIAL INFORMATIONAL MEETING

DATE	TIME	LOCATION	
10/20/16	6:00PM	105 N Tracy Road Pearce	Impact Statement
11/15/16	6:00PM	105 N Tracy Road Pearce	Annexation
02/13/17	6:00PM	105 N Tracy Road Pearce	Bound Position
04/03/17	6:00 PM	105 N Tracy Road Pearce	Weed Burning
06/27/17	6:00PM	105 N Tracy Road Pearce	Proposed Budget

BOARD MEMBERS as of 6/30/2016

NAME	BUSINESS PHONE NUMBER		OCCUPATION	
Robert Fino				Chairman
Joshua A. Steinberg	520-826-3645		Fire Chief	
Albert Koester				Clerk
Camme Carlson				Board Member
Keith Brock				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

GOVERNMENT AUDIT STANDARDS SECTION
JUNE 30, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANACIAL 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2018.

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.

MG Patience CPA

MG Patience, CPA

Bisbee, AZ

January 23, 2018