



**Hellsgate Fire District
Financial Statements
June 30, 2015**

**Hellsgate Fire District
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June 30, 2015**

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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Hellsgate Fire District
Star Valley, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hellsgate Fire District (the District), as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

As described in the notes to the financial statements, the District has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments*, GASB Statement No. 27, *Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments; Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, effective July 1, 2003, as well as GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. However, the Hellsgate Fire District has elected not to present Management's Discussion and Analysis, the Budgetary Comparison Schedule, or other supplementary information that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016 on consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Professionals, LLC

Phoenix, Arizona
March 22, 2016



BASIC FINANCIAL STATEMENTS

Hellsgate Fire District
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 832,769
Due from other governments	-
Taxes receivable	84,504
Capital assets:	
Non-depreciable	510,540
Depreciable (net)	<u>631,005</u>
Total assets	<u>2,058,818</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>260,923</u>
LIABILITIES	
Accounts payable	60,631
Accrued payroll and related liabilities	59,281
Long-term liabilities:	
Due within one year	64,626
Due in more than one year	<u>1,148,078</u>
Total liabilities	<u>1,332,616</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	86,391
NET POSITION	
Invested in capital assets, net of related debt	543,542
Restricted for:	
Capital Projects	699,473
Unrestricted	<u>(342,281)</u>
Total net position	<u>\$ 900,734</u>

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

**Hellsgate Fire District
STATEMENT OF ACTIVITIES
Year ended June 30, 2015**

	<u>Governmental Activities</u>
EXPENSES	
Public safety, fire protection:	
Emergency services	\$ 969,296
Administrative and support services	116,064
Depreciation	92,160
Interest on long-term debt	<u>25,947</u>
Total program expenses	<u>1,203,467</u>
PROGRAM REVENUES	
Charges for services	137,138
Operating grants and contributions	109,072
Capital grants and contributions	<u>3,864</u>
Total program revenues	<u>250,074</u>
Net program expenses	<u>953,393</u>
GENERAL REVENUES	
Property taxes	733,087
Centrally assessed taxes	56,116
Investment earnings	<u>5,475</u>
Total general revenues	<u>794,678</u>
Increase (Decrease) in net assets	(158,715)
Net position – beginning	<u>1,059,449</u>
Net position – ending	<u><u>\$ 900,734</u></u>

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

**Hellsgate Fire District
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 832,769
Taxes receivable	<u>84,504</u>
Total assets	<u>\$ 917,273</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 60,631
Accrued payroll and related liabilities	<u>59,281</u>
Total liabilities	119,912
Deferred inflows of resources:	
Deferred taxes	<u>77,676</u>
Total deferred inflows of resources	77,676
Fund balances:	
Committed for capital projects	699,473
Unassigned	<u>20,212</u>
Total fund balances	<u>719,685</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 917,273</u>

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

Hellsgate Fire District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2015

Fund balances - total governmental funds \$ 719,685

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 1,141,545

Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet. 77,676

Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental funds balance sheet. 260,923

Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental funds balance sheet. (86,391)

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet, specifically:

Capital leases payable	(598,003)	
Compensated absences	(47,303)	
Pension liabilities	<u>(567,398)</u>	
		<u>(1,212,704)</u>

Net position of governmental activities \$ 900,734

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

Hellsgate Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 714,526
Fire district assistance taxes	56,116
Intergovernmental	112,436
Charges for services	137,138
Contributions	500
Interest income	5,475
Other revenue	<u>-</u>
Total revenues	<u>1,026,191</u>
EXPENDITURES	
Current:	
Public safety, fire protection:	
Emergency services	963,756
Administrative and support services	116,064
Debt service:	
Principal	62,703
Interest on long-term debt	25,947
Capital outlay	<u>175,718</u>
Total expenditures	<u>1,344,188</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(317,997)</u>
OTHER FINANCING SOURCES/(USES)	
Proceeds from debt	266,867
Net gain/(loss) on sale of capital assets	<u>-</u>
Total other financing sources and uses	<u>266,867</u>
Net changes in fund balances	(51,130)
Fund balances – beginning	<u>770,815</u>
Fund balances – ending	<u>\$ 719,685</u>

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

Hellsgate Fire District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$	(51,130)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures..		175,718
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.		(92,160)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the amount by which revenues reported in the statement of activities exceeded those amounts received and reported as current financial resources in the governmental funds.		18,561
Proceeds from the issuance of long-term debt is reported as a source of revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(266,867)
Repayment of the principal of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		62,703
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds, specifically:		
Compensated absences		(2,891)
Pension expenses		<u>(2,649)</u>
Change in net position of governmental activities	\$	<u>(158,715)</u>

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

Hellsgate Fire District
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2015

	Firefighters' Alternative Pension and Benefit Fund
ASSETS	
Cash	\$ 44,144
Investment, fair value	213,063
Total assets	\$ 257,207
 NET POSITION	
Held in trust for pension benefits	\$ 257,207

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

Hellsgate Fire District
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2015

	<u>Firefighters' Alternative Pension and Benefit Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 4,667
Employee	6,667
Premium tax	7,260
Investment earnings	4,285
Investment gain (unrealized)	<u>-</u>
Total additions	<u>22,879</u>
DEDUCTIONS	
Forfeitures transferred to General Fund	-
Loss on investments	-
Benefits paid	<u>-</u>
Total deductions	<u>-</u>
Change in net position	22,879
Net position – beginning	<u>234,328</u>
Net position – ending	<u>\$ 257,207</u>

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The District, established in 2008 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component units are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units.

B. Government-wide and fund financial statements

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Cash and cash equivalents

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

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

E. Receivables and payables

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

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

F. Capital assets

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

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

G. Deferred outflows and inflows of resources

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

H. Pensions

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

I. Compensated absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

J. Long-term obligations

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

K. Fund equity

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

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

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

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

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

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

L. Intergovernmental grants and aid

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

M. Use of estimates

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

N. Budgetary accounting

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

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

A. District's Cash and Cash Equivalents Deposits

As of June 30, 2015 the District had \$824,542 on deposit with the Gila County Treasurer's investment pool (GCTIP). The GCTIP is an external investment pool with no regulatory oversight. The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission. The Gila County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the GCTIP is included in the Comprehensive Annual Financial Report of Gila County. The fair value of each participant's position in the GCTIP approximates the value of the participant's shares in the pool.

Custodial Credit Risk - Deposits. In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2015, the District's carrying amount of demand deposits was \$8,227 and the bank balance was \$8,515. The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. The remaining balance is covered by collateral held by the pledging financial institution's trust department in the District's name.

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

The District's Pension Fund has an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment policy that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, the District has a service agreement with professional investment managers, National Benefit Services, LLC. The investments are in the form of annuities held by the Life Insurance Company of the Southwest.

Cash: As of June 30, 2015 the Pension Fund had \$44,144 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

Investments: As of June 30, 2015, the Pension Fund held annuities issued by the Life Insurance Company of the Southwest with a fair market value of \$213,063. The investment objective is long term growth.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. As of June 30, 2015 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

NOTE 3 - RECEIVABLES

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

	General Fund
Taxes	\$ 84,504
Intergovernmental	-
Program services	-
Gross receivables	84,504
Less: allowance for uncollectibles	-
Total receivables, net	\$ 84,504

NOTE 4 - DEFERRED REVENUE

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

	Unavailable
General Fund	
Deferred taxes	77,676
Total deferred revenues	\$ 77,676

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Land, not depreciated	\$ 203,777	\$ -	\$ -	\$ 203,777
Construction in progress, not depreciated	140,273	166,490	-	306,763
Buildings and improvements	335,716	-	-	335,716
Vehicles and apparatus	1,549,800	9,228	-	1,559,028
Equipment	<u>163,436</u>	<u>-</u>	<u>-</u>	<u>163,436</u>
Total capital assets	<u>2,393,002</u>	<u>175,718</u>	<u>-</u>	<u>2,568,720</u>
Less accumulated depreciation	<u>(1,335,015)</u>	<u>(92,160)</u>	<u>-</u>	<u>(1,427,175)</u>
Total capital assets, net	<u>\$ 1,057,987</u>	<u>\$ 83,558</u>	<u>\$ -</u>	<u>\$ 1,141,545</u>

Depreciation expense for the period was \$92,160; all depreciation was expensed to the public safety - fire protection function.

Construction and purchase commitments

The District has an active construction project and related commitments for the construction of a new fire station. At year end, the District had approximately \$325,000 in current and/or planned commitments to contractors for the completion of the new fire station.

NOTE 6 - LONG-TERM DEBT

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

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 393,839	\$ 266,867	\$ (62,703)	\$ 598,003	\$ 64,626
Compensated absences	44,412	2,891	-	47,303	-
PSPRS Pension Obligation	346,000	165,665	(62,175)	449,490	-
ASRS Pension Obligation	<u>137,623</u>	<u>4,501</u>	<u>(24,216)</u>	<u>117,908</u>	<u>-</u>
Total governmental liabilities	<u>\$ 921,874</u>	<u>\$ 439,924</u>	<u>\$ (149,094)</u>	<u>\$ 1,212,704</u>	<u>\$ 64,626</u>

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

A. Capital leases

Purchase Lease: The District granted leasehold interests in the underlying assets to the creditors (the Banks). The Banks, in turn, leased the property to the District under a long-term agreement. Under this agreement, the District is obligated to make lease payments to the Banks, subject to receiving Board appropriations, until the obligations to the Banks are satisfied. Once the obligations to the Banks are satisfied, all rights, title, and interest in the property are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreement.

As of June 30, 2015, the assets capitalized and acquired through the capital lease are as follows:

	Governmental Activities
Vehicles and apparatus	\$ 499,125
Less accumulated depreciation	(191,100)
Total	\$ 308,025

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Year ended June 30,	
2016	\$ 88,651
2017	88,651
2018	8,861
2019	88,651
2020	88,651
2021-2032	364,273
Total minimum lease payments	727,738
Less amount representing interest	(129,735)
Present value of future minimum payments	\$ 598,003

B. Compensated absences

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - COMMITMENTS AND CONTINGENCIES

A. Inter-governmental agreements and indemnifications

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

B. Risk management

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

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

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

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

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension liability	\$ 117,908	\$ 449,490	\$ 567,398
Deferred outflows of resources	5,992	176,544	182,536
Deferred inflows of resources	24,216	62,175	86,391
Pension expense	7,643	70,744	78,387

A. Arizona State Retirement System (ASRS)

Plan Description: Eligible employees of the District 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 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. The report is available on its website at www.azasrs.gov.

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

**Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Retirement and Disability	Initial Membership Date:	
	Before July 1, 2011	On or After July 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

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

Contributions: In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll.

The District's contributions to ASRS for the years ended June 30, 2015, 2014 and 2013 were \$7,643, \$7,395, and \$8,074, respectively, which were equal to the required contributions for the years then ended. During fiscal year 2015 100% of all contributions were paid from the General Fund.

Pension liability: At June 30, 2015 the District reported a liability of \$117,908 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014 was 0.000797%.

Pension expense and deferred outflows/inflows of resources: For the year ended June 30, 2015 the District recognized pension expense for ASRS of \$7,643. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to ASRS from the following sources:

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,619
Net difference between projected and actual investment earnings	5,992	3,597
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date	-	-
	<u>5,992</u>	<u>24,216</u>
Total	\$ <u>5,992</u>	\$ <u>24,216</u>

The \$5,992 reported as deferred outflows of resources relates to ASRS pensions resulting from the District's contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the year ended June 30, 2014. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2015	\$ (4,113)
2016	(4,113)
2017	(4,842)
2018	(5,166)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012. The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future and real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63 %	7.03 %
Fixed Income	25 %	3.20 %
Real Estate	8 %	4.75 %
Commodities	4 %	4.50 %
Total	<u>100 %</u>	

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The District's proportionate share of the net pension liability	\$ 149,060	\$ 117,908	\$ 101,023

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

B. Public Safety Personnel Retirement System

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

Contributions from Other Entities: Proceeds from the annual tax collected by the State of Arizona on fire insurance premiums are contributed to PSPRS and reallocated to participants based on actuarial estimates. For the year ended June 30, 2015, the amount credited to the District's plan and included in the pension cost as described below, totaled \$7,260.

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

Active employees	7
Retirees & Beneficiaries	2
DROP	0
Terminated	0
Total	<u>9</u>

Contributions: State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015 are indicated below. Rates are a percentage of active members' annual covered payroll:

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
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Contribution Rates

Active members - Pension	11.05 %
District - Pension	16.11%
District - Health insurance premium benefit	00.68 %

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

Pension

Contributions made	\$ 70,744
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Health Insurance Premium Benefit

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

Pension liability/(asset): At June 30, 2015, the District had a net pension liability/(asset) of \$449,490. The net pension liabilities/(asset) were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0% - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (Adjusted by 105% for both males and females)

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

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

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

Changes in the Net Pension Liability:

	Increase Total Pension Liability (a)	(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 1,815,088	\$ 1,319,406	\$ 495,682
Changes for the current year:			
Service cost	109,835	-	109,835
Interest on the total pension liability	141,910	-	141,910
Changes of benefit terms	(2,457)	-	(2,457)
Differences between expected and actual experience in the measurement of the pension liability	148,032	-	148,032
Changes of assumptions or other inputs	54,544	-	54,544
Contributions - Employer	-	85,720	(85,720)
Contributions - Employee	-	53,594	(53,594)
Net investment income	-	188,554	(188,554)
Benefit payments, including refunds of employee contributions	(124,480)	(124,480)	-
Other changes	-	170,188	(170,188)
Net Changes	<u>327,384</u>	<u>373,576</u>	<u>(46,192)</u>
Balances at June 30, 2015	<u>\$ 2,142,472</u>	<u>\$ 1,692,982</u>	<u>\$ 449,490</u>

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

	1% Decrease (6.85%)	Current Discount Rate (7.85 %)	1% Increase (8.85%)
The District's net pension liability	\$ 731,785	\$ 449,490	\$ 215,715

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

Pension expense and deferred outflows/inflows of resources: For the year ended June 30, 2015 the District recognized pension expense for PSPRS of \$70,744. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to PSPRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,023	\$ -
Changes of assumptions or other inputs	86,777	-
Net difference between projected and actual earnings on pension plan investments	-	62,175
District contributions subsequent to measurement date	<u>70,744</u>	<u>-</u>
Total	<u>\$ 176,544</u>	<u>\$ 62,175</u>

The \$176,544 reported as deferred outflows of resources relates to PSPRS pensions resulting from the District's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ 10,488
2017	10,488
2018	10,488
2019	10,488
2020	26,032
Thereafter	46,385

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

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

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

Agent plan OPEB contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.85% - 8.5%
Wage growth	4.5%

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 6,190	100 %	\$ -
2014	4,621	100 %	-
2013	4,568	100 %	-

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

<u>Valuation date June 30,</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability (AL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>AL as % of Covered Payroll</u>
2015	\$ 54,763	\$ 42,078	\$ (12,685)	130 %	\$ 463,854	(3) %
2014	47,728	73,230	\$ 25,502	65 %	485,598	5 %
2013	-	60,130	60,130	- %	550,313	11 %

Agent plan OPEB assumptions used in funded status calculation:

Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

C. Deferred compensation plan

The District has established a defined contribution deferred compensation plan for all fulltime employees in order to provide for supplementary retirement benefits. Contributions to the plan are administered by a third-party, National Benefit Services, LLC. The District does not contribute to the plan. Employee contributions to the plan for the year ended June 30, 2015 totaled \$19,815. The District provides neither administrative services nor investment advice. Accordingly, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets are not included as a fund of the District.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

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

Net position as previously reported at June 30, 2014	\$ 1,449,666
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2014)	(483,623)
Deferred inflows/outflows of resources - pension related	<u>93,406</u>
Total prior period adjustments	<u>(390,217)</u>
Net position as of June 30, 2014, as restated	<u>\$ 1,059,449</u>

**Hellsgate Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Hellsgate Fire District

**INDEPENDENT AUDITORS' 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***

June 30, 2015

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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

To the Governing Board of
Hellsgate Fire District
Star Valley, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Hellsgate Fire District (the District) as of, and for the year ended, June 30, 2015, and the related notes, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Hellsgate Fire 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

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona
March 22, 2016

Hellsgate Fire District

**INDEPENDENT AUDITORS' COMMUNICATION TO
THOSE CHARGED WITH GOVERNANCE**

June 30, 2015

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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

To the Governing Board of
Hellsgate Fire District
Star Valley, Arizona

We have audited the basic financial statements of Hellsgate Fire District (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated March 22, 2016. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As communicated in our engagement letter dated June 11, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management, with our assistance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Furthermore, in accordance with *Government Auditing Standards*, we have issued our report dated March 22, 2016 on the District's internal control over financial reporting and on compliance and other matters.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, as we are not aware of any other documents containing the District's audited financial statements, we have not performed any additional procedures in accordance with such standards.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm, and any related firms have complied with all relevant ethical requirements regarding independence. As part of or nonattest services related to preparing the financial statements, management was responsible for validating the completeness and accuracy of the financial statements, and all entries to present the financial statements in conformity with generally accepted accounting principles. Management performed their responsibility accordingly and approved the financial statements on March 22, 2016.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. The District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. See *Significant Accounting Estimates* below. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- Management implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which among other accounting and reporting criteria, requires the District to recognize its share of the Net Pension Liability (and related inflow/outflow accounts), as of the beginning of the District's . The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of that date. We evaluated the key factors and assumptions used to develop these pension estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Capital Assets – The District's investment in capital assets is not just material to the financial statements, but is key to demonstrating the District's commitment to provide quality services to the community;
- Pension Liability (and related inflow/outflow accounts), represent a long-term commitment. Such long-term commitments have a ongoing impact to the District's budget, planned cash flows and ability to incur additional debt.
- Capital Leases (Long Term Debt) – Such long-term commitments have a ongoing impact to the District's budget, planned cash flows and ability to incur additional debt.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule (AJE 2015) of journal entries summarize misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management; schedule AJE 2015 is for adjusting journal entries and schedule GW 2015 is for government-wide journal entries (prepared by us, and approved by management, as part of converting the financial statements from the modified accrual basis to the full accrual government-wide presentation).

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were included in the letter from management dated March 22, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing, accounting and financial reporting matters. Based on management's representations, and consistent with our understanding of the District's activities, the District did not consult with any third parties with respect to our preparation of the financial statements or managements responsibility for such statements.

Other Significant Findings or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Restriction on Use

This report is intended solely for the information and use of the Governing Board, Management, Gila County and the State of Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

Accounting Professionals, LLC

Phoenix, Arizona
March 22, 2016

Hellsgate Fire District: Government-Wide

Year End: June 30, 2015

Adjusting Journal Entries

Date: 7/1/2014 To 6/30/2015

AJE 2015

Prepared	1st Review	2nd Review
Non-Tech	Client Init	

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
						0.00	0.00		
		Net Income (Loss)	(107,585.00)						

Hellsgate Fire District: Government-Wide

GWE 2015

Year End: June 30, 2015

Government-wide entries

Date: 7/1/2014 To 6/30/2015

Prepared	1st Review	2nd Review
Non-Tech	Client Init	

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
GWE 001	6/30/2015	Construction in progress	GW-1711 GW	3520		166,490.00			
GWE 001	6/30/2015	Vehicles and apparatus	GW-1724 GW	3520		9,228.00			
GWE 001	6/30/2015	Capital outlay	GW-8000 GW	3520			175,718.00		
To record capital asset additions									
GWE 002	6/30/2015	Accum depreciation	GW-1729 GW	3520A			92,160.00		
GWE 002	6/30/2015	Depreciation	GW-8050 GW	3520A		92,160.00			
To record depreciation for year									
GWE 003	6/30/2015	Deferred revenue	GW-2310 GW	3020		18,561.00			
GWE 003	6/30/2015	GW Property taxes	GW-4110 GW	3020			18,561.00		
To eliminate change in deferred revenue for property taxes.									
GWE 004	6/30/2015	Capital leases - more than 1 year	GW-2722 GW	4050			266,867.00		
GWE 004	6/30/2015	Capital leases - more than 1 year	GW-2722 GW	4050		62,703.00			
GWE 004	6/30/2015	Principal	GW-7011 GW	4050			62,703.00		
GWE 004	6/30/2015	Proceeds from debt	GW-9000 GW	4050		266,867.00			
To record principal payments and lease proceeds.									
GWE 005	6/30/2015	Compensated absences - more than 1 year	GW-2720 GW	4154			2,891.00		
GWE 005	6/30/2015	Emergency services	GW-5300 GW	4154		2,891.00			
To adjust long-term compensated absences.									
GWE 006	6/30/2015	Deferrred outflows of resources related to pens	GW-1800 GW	4163		182,536.00			
GWE 006	6/30/2015	Deferred inflows of resources related to pensio	GW-2500 GW	4163			86,391.00		
GWE 006	6/30/2015	Public Safety Retirement Net Pension Obligator	GW-2520 GW	4163			449,490.00		
GWE 006	6/30/2015	Arizona State Retirement Net Pension Obligator	GW-2540 GW	4163			117,908.00		
GWE 006	6/30/2015	Beginning net assets	GW-3300 GW	4163		390,217.00			
GWE 006	6/30/2015	Emergency services	GW-5300 GW	4163		81,036.00			
To record beginning pension liability									
GWE 007	6/30/2015	Deferrred outflows of resources related to pens	GW-1800 GW	4163		7,643.00			
GWE 007	6/30/2015	Deferrred outflows of resources related to pens	GW-1800 GW	4163		70,744.00			
GWE 007	6/30/2015	Emergency services	GW-5300 GW	4163			7,643.00		
GWE 007	6/30/2015	Emergency services	GW-5300 GW	4163			70,744.00		
To reclass pension expense to deferred outflows									
						1,351,076.00	1,351,076.00		
Net Income (Loss)			(107,585.00)						



ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE WITH SPECIFIED REQUIREMENTS
APPLICABLE TO ARIZONA FIRE DISTRICTS AS REQUIRED
UNDER ARIZONA REVISED STATUTE TITLE 48 § 805.02(G)**

To the Governing Board of the
Hellsgate Fire District
Star Valley, Arizona

Arizona Revised Statute, Title 48 § 805.02 relates to the budgetary and financial requirements for fire districts. This statute concerns the specific compliance requirements regarding budget adoption, issuance of warrants, expenditure limitation, line of credit, and debt and liability limits. The governing board and management are responsible for the District's compliance with such requirements.

Our responsibility, under A.R.S. § 805.02(G), is to certify the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated March 22, 2016, that Hellsgate Fire District (the District) complied with those requirements. The following is our opinion, based on the relevant attestation standards, as to the Districts' compliance.

Opinion, Compliance and Other Matters

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, attestation standards established by the American Institute of Certified Public Accountants, and Arizona Revised Statute, Title 48 § 805.02(G). Such standards require the examination of evidence concerning the District's compliance with the aforementioned requirements, on a test basis. Additionally, our examination and performing such other procedures as we considered necessary in the circumstances, so that our examination provides a reasonable basis for our opinion.

Our opinion does not provide a legal determination of the District's compliance with the specified requirements.

It is our opinion that Hellsgate Fire District complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2015.

Purpose of this Report

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

Accounting Professionals, LLC

Phoenix, Arizona
March 22, 2016

16841 North 31st Avenue, Suite 161 | Phoenix, Arizona 85053
Phone: (602) 903-3720 | Fax: (602) 535-3905 | www.apcpa.net