Hellsgate Fire District
Financial Statements
June 30, 2016

Hellsgate Fire District
TABLE OF CONTENTS
June 30, 2016

Independent Auditors' Report....1

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position....4

Statement of Activities....5

Fund Financial Statements - Governmental Funds

Balance Sheet....6

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position....7

Statement of Revenues, Expenditures and Changes in Fund Balances....8

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities....9

Fiduciary Funds

Statement of Fiduciary Net Position....10

Statement of Changes in Fiduciary Net Position....11

Notes to the Basic Financial Statements....12 - 30

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, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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. Except for the matter described in the Basis for Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion
The District's fiduciary fund held monies and investments in the amount of $357,500 for the benefit of volunteer firefighters and supplementary retirtement benefits for fulltime employees. Prior to and during the year ended June 30, 2016, the District transferred funds from National Benefit Servicers, LLC to Nationwide Retirement Solutions. The District has been unable to obtain reports and supporting documentation from National Benefit Services, LLC. As a result, we were unable to determine who held all of these monies, if the monies were properly apportioned to the plan beneficiaries, or the District's compliance with laws and regulations.

16841 North 31st Avenue, Suite 102 | Phoenix, AZ 85053
Phone: (602) 903-3720 | Fax: (602) 535-3905 | www.apcpa.net

Disclaimer of Opinion
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the fiduciary fund. Accordingly, we do not express an on opinion the the fiduciary fund financial statements.

Unmodified Opinions
In our opinion, except for the possible effects of the matter described in the Disclaimer of Opinion paragraph, the government-wide and general fund 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Report on Other Legal and Regulatory Requirements
In accordance with *Government Auditing Standards*, we will issue our report at a future date 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.

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 16, 2017

BASIC FINANCIAL STATEMENTS

Hellsgate Fire District
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 578,866
Due from other governments	-
Taxes receivable	29,123
Capital assets:	
Non-depreciable	878,966
Depreciable (net)	570,244
Total assets	2,057,199
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	574,714
LIABILITIES	
Accounts payable	43,949
Accrued payroll and related liabilities	53,988
Long-term liabilities:	
Due within one year	80,355
Due in more than one year	1,786,274
Total liabilities	1,964,566
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	67,919
NET POSITION	
Invested in capital assets, net of related debt	503,508
Restricted for:	
Capital Projects	95,920
Unrestricted	-
Total net position	$ 599,428

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

Hellsgate Fire District
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Governmental Activities
EXPENSES	
Public safety, fire protection:	
Emergency services	$ 1,093,319
Administrative and support services	171,607
Depreciation	88,639
Loan fees on long-term debt	24,730
Interest on long-term debt	32,011
Total program expenses	1,410,306
PROGRAM REVENUES	
Charges for services	379,141
Operating grants and contributions	13,694
Capital grants and contributions	3,173
Total program revenues	396,008
Net program expenses	1,014,298
GENERAL REVENUES	
Property taxes	648,561
Centrally assessed taxes	61,964
Investment earnings	2,467
Total general revenues	712,992
Increase (Decrease) in net assets	(301,306)
Net position – beginning	900,734
Net position – ending	$ 599,428

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

Hellsgate Fire District
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund
ASSETS	
Cash and cash equivalents	$ 578,866
Taxes receivable	29,123
Total assets	$ 607,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 43,949
Accrued payroll and related liabilities	53,988
Total liabilities	97,937
Deferred inflows of resources:	
Deferred taxes	23,970
Total deferred inflows of resources	23,970
Fund balances:	
Committed for capital projects	482,844
Unassigned	3,238
Total fund balances	486,082
Total liabilities, deferred inflows of resources and fund balances	$ 607,989

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, 2016

Fund balances - total governmental funds		$ 486,082
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.		1,449,210
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.		23,970
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental funds balance sheet.		574,714
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental funds balance sheet.		(67,919)
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	(945,702)	
Compensated absences	(43,151)	
Pension liabilities	(877,776)	
		(1,866,629)
Net position of governmental activities		$ 599,428

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, 2016

	General Fund
REVENUES	
Property taxes	$ 702,267
Fire district assistance taxes	61,964
Intergovernmental	12,279
Charges for services	379,141
Contributions	3,500
Interest income	2,467
Other revenue	1,088
Total revenues	1,162,706
EXPENDITURES	
Current:	
Public safety, fire protection:	
Emergency services	1,119,356
Administrative and support services	171,607
Debt service:	
Principal	84,722
Interest on long-term debt	32,011
Loan fees on long-term debt	24,730
Capital outlay	396,304
Total expenditures	1,828,730
Excess/(deficiency) of revenues over/(under) expenditures	(666,024)
OTHER FINANCING SOURCES/(USES)	
Proceeds from debt	432,421
Net gain/(loss) on sale of capital assets	-
Total other financing sources and uses	432,421
Net changes in fund balances	(233,603)
Fund balances – beginning	719,685
Fund balances – ending	$ 486,082

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, 2016

Net change in fund balances - total governmental funds	$ (233,603)
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..	396,304
Depreciation expense on capital assets is reported in the statement of activities, but it does not require the use of current financial resources.	(88,639)
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.	(53,706)
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.	(432,421)
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.	84,722
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	4,152
Pension expenses	21,885
Change in net position of governmental activities	$ (301,306)

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, 2016

	Firefighters' Alternative Pension and Benefit Fund
ASSETS	
Cash	$ 30,790
Investment, fair value	326,710
Total assets	$ 357,500
NET POSITION	
Held in trust for pension benefits	$ 357,500

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, 2016

	Firefighters' Alternative Pension and Benefit Fund
ADDITIONS	
Contributions:	
Employer	$ 22,693
Employee	9,638
Premium tax	6,221
Investment earnings	8,852
Investment gain (unrealized)	-
Total additions	47,404
DEDUCTIONS	
Fees paid	2,380
Loss on investments	-
Benefits paid	18,000
Total deductions	20,380
Change in net position	27,024
Net position – beginning as restated	330,476
Net position – ending	$ 357,500

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

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.

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 Unites 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:

Type of asset	Threshold	Years
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.

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' 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.

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 Unites 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, 2016 the District had $576,554 on deposit with the Gila County Treasurer's investment pool (GCTIP). The NCTIP 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, 2016, the District's carrying amount of demand deposits was $2,312 and the bank balance was $2,312. 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, Nationwide Retirement Solutions. The investments are in the form of mutual funds.

Cash: As of June 30, 2016 the Pension Fund had $30,790 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

Investments: As of June 30, 2016, Nationwide Retirement Solutions, a third party administrator, held investments in the form of mutual funds with a fair market value of $326,710. 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, 2016 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

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, 2016 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Taxes	$ 29,123
Intergovernmental	-
Program services	-
Gross receivables	29,123
Less: allowance for uncollectibles	-
Total receivables, net	$ 29,123

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, 2016, deferred revenue consisted of the following:

	Unavailable
General Fund	
Deferred taxes	23,970
Total deferred revenues	$ 23,970

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Land, not depreciated	$ 203,777	$ -	$ -	$ 203,777
Construction in progress, not depreciated	306,763	368,426	-	675,189
Buildings and improvements	335,716	-	-	335,716
Vehicles and apparatus	1,559,028	27,878	-	1,586,906
Equipment	163,436	-	-	163,436
Total capital assets	2,568,720	396,304	-	2,965,024
Less accumulated depreciation	(1,427,175)	(88,639)	-	(1,515,814)
Total capital assets, net	$ 1,141,545	$ 307,665	$ -	$ 1,449,210

Depreciation expense for the period was $88,639; all depreciation was expensed to the public safety - fire protection function.

NOTE 6 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	$ 598,003	$ 432,421	$ (84,722)	$ 945,702	$ 80,355
Compensated absences	47,303	-	(4,152)	43,151	-
PSPRS Pension Obligation	449,490	317,655	-	767,145	-
ASRS Pension Obligation	117,908	-	(7,277)	110,631	-
Total governmental liabilities	$ 1,212,704	$ 750,076	$ (96,151)	$ 1,866,629	$ 80,355

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, 2016, the assets capitalized and acquired through the capital lease are as follows:

	Governmental Activities
Apparatus and construction in progress	$ 1,102,840
Less accumulated depreciation	(167,497)
Total	$ 935,343

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year ended June 30,	
2017	$ 120,675
2018	120,675
2019	120,675
2020	120,675
2021	120,675
2022-2032	342,327
Total minimum lease payments	945,702
Less amount representing interest	(284,500)
Present value of future minimum payments	$ 945,702

B. Compensated absences

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

NOTE 7 - 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, 2016, the District reported the following aggregate amounts related to pensions for which it contributes:

	ASRS	PSPRS	Total
Net pension liability	$ 110,631	$ 767,145	$ 877,776
Deferred outflows of resources	10,636	564,078	574,714
Deferred inflows of resources	21,288	46,631	67,919
Pension expense recognized	411	94,639	95,050

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:

	Initial Membership Date:	
Retirement and Disability	**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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and health insurance premium benefit 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 11.47 percent (10.85 percent for retirement and 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

The District's contributions to ASRS for the years ended June 30, 2016, 2015 and 2014 were $7,617, $7,643, and $7,395, respectively, which were equal to the required contributions for the years then ended. During fiscal year 2016 100% of all contributions were paid from the General Fund.

Pension liability: At June 30, 2016 the District reported a liability of $110,631 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2015. 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, 2015. The District's proportion measured as of June 30, 2015 was 0.000710%.

Pension expense and deferred outflows/inflows of resources: For the year ended June 30, 2016 the District recognized pension expense for ASRS of $411. At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to ASRS from the following sources:

	Defered Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,797
Net difference between projected and actual investment earnings	3,019	3,545
Changes in proportion and differences between contributions and proportionate share of contributions	-	11,946
District contributions subsequent to measurement date	7,617	-
Total	$ 10,636	$ 21,288

The $7,617 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, 2017. 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	$	(8,417)
2017		(8,948)
2018		(3,463)
2019		2,559

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization Method:	
Plan amendments	Immediate
Investment gain/loss	5 years
Assumption gain/loss	Average future serv lives
Experience gain/loss	Average future serv lives
Asset valuation	Fair value
Discount rate	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions related to funding appear in the Actuarial Section of the June 30, 2015 CAFR. The actuarial assumptions related to funding were selected on the basis of an experience study which was performed for the five-year period ended June 30, 2012. The long-term expected rate of return on ASRS pension plan investments was determined using a 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 included in the pension plan's target asset allocation, as of June 30, 2015, are summarized in the following table:

Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term Expected Portfolio Real Rate of Return**
Equity	58 %	6.79 %	3.94 %
Fixed Income	25 %	3.70 %	0.93 %
Real Estate	10 %	4.25 %	0.42 %
Commodities	2 %	3.93 %	0.08 %
Multi-asset class	5 %	3.41 %	0.17 %
Total	100 %		5.54 %
Inflation			3.25 %
Expected arithmetic nominal return			8.79 %

Discount Rate: The discount rate used to measure the ASRS total pension liability was 8 percent. 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 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 at June 30, 2015.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The District's proportionate share of the net pension liability	$ 144,965	$ 110,631	$ 87,102

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, 2016, the amount credited to the District's plan and included in the pension cost as described below, totaled $6,221.

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.

	Initial Membership Date:	
Retirement and Disability	**Before January 1, 2012**	**On or After January 1, 2012**
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years.
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus2.0% 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, 2016, the following employees were covered by the agent pension plans' benefit terms:

Active employees	8
Retirees & Beneficiaries	2
DROP	1
Terminated	0
Total	11

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, 2016 are indicated below. Rates are a percentage of active members' annual covered payroll:

Contribution Rates

Active members - Pension	11.65 %
District - Pension	18.75%
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, 2016 were:

Pension		
Contributions made	$	109,318
Health Insurance Premium Benefit		
Annual OPEB cost Contributions made	$	-

During the year ended June 30, 2016 the District paid all PSPRS pension and OPEB contributions from the General Fund.

Pension liability/(asset): At June 30, 2016, the District had a net pension liability/(asset) of $767,145. The net pension liabilities/(asset) were measured as of June 30, 2015, 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, 2015, 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, 2015
Actuarial cost method	Individual Entry Age Normal
Payroll growth	4.0%
Inflation	3.0; No explicit price inflation assumption
Salary increases	4.0% to 8.0% including inflation
Investment rate of return	7.85%, net of investment and administrative expenses
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality rates	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
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.

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.

Actuarial assumptions used in the June 30, 2015, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2 %	0.75%
Absolute return	5 %	4.11%
Risk parity	4 %	5.13%
Fixed income	7 %	2.92%
Real assets	8 %	4.77%
GTAA	10 %	4.38%
Private equity	11 %	9.50%
Real estate	10 %	4.48%
Credit opportunities	13 %	7.08%
Non U.S. equity	14 %	8.25%
U.S. equity	16 %	6.23%
Total	100 %	

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 (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 2,142,472	$ 1,692,982	$ 449,490
Changes for the current year:			
Service cost	95,883	-	95,883
Interest on the total pension liability	159,673	-	159,673
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	286,796	-	286,796
Changes of assumptions or other inputs	-	-	-
Contributions - Employer	-	71,954	(71,954)
Contributions - Employee	-	60,305	(60,305)
Net investment income	-	61,074	(61,074)
Benefit payments, including refunds of employee contributions	(312,730)	(312,730)	-
Other changes	-	31,364	(31,364)
Net Changes	229,622	(88,033)	317,655
Balances at June 30, 2016	$ 2,372,094	$ 1,604,949	$ 767,145

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	$ 1,099,555	$ 767,145	$ 493,900

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, 2016 the District recognized pension expense for PSPRS of $94,639. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to PSPRS from the following sources:

	Defered Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 361,456	$ -
Changes of assumptions or other inputs	40,526	-
Net difference between projected and actual earnings on pension plan investments	52,778	46,631
District contributions subsequent to measurement date	109,318	-
Total	$ 564,078	$ 46,631

The $109,318 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, 2017. 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,	
2017	$ 59,009
2018	59,009
2019	59,010
2020	74,551
2021	61,358
Thereafter	95,192

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

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

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

Agent plan OPEB contribution requirements:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0% - 8.0%
Payroll growth	4.0%
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 to be 1.75% for this valuation.

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:

Year Ended June 30,	Annual OPEB Cost	Percent of Annual Cost Contributed	Net OPEB Obligation
2016	$ 3,572	100 %	$ -
2015	6,190	100 %	-
2014	4,621	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:

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (AL)	Funded Ratio	Annual Covered Payroll	AL as % of Covered Payroll
2016	$ 63,165	$ 51,284	$ (11,881)	123 %	$ 573,718	- %
2015	54,763	42,078	$ (12,685)	130 %	463,854	- %
2014	47,728	73,230	25,502	65 %	485,598	5 %

Agent plan OPEB assumptions used in funded status calculation:

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfounded actuarial accrued liability, open for excess
Remaining amortization period	20 years for underfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market;80%/120% market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4% - 8%
Payroll growth	4%
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 to be 1.75% for this valuation.

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, Nationwide Retirement Solutions. Employer contributions to the plan for the year ended June 30, 2016 totaled $22,693. The District provides neither administrative services nor investment advice. Accordingly, no fiduciary relationship exists between the District and the compensation plan.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

The District's Fiduciary Fund Net Position, as previously reported at June 30, 2015, has been restated as follows for the correction of an error in the valuation of the beginning net position. The error was due to National Benefit Services not providing timely investment reports and statements to the District. The District is still in the process of transferring all funds held by National Benefit Services to Nationwide Retirement Solutions.

Fiiduciary fund net position as previously reported at June 30, 2015	$ 257,207
Prior period adjustment	73,269
Net position as of June 30, 2015, as restated	$ 330,476

NOTE 10 – SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential disclosure through March 16, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to June 30, 2016 that would require disclosure.

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 attest to the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated March 16, 2017, 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)(1)-(3). Our examination of evidence relating to the compliance of the District with the statutory provisions, cited below, was based on the aforementioned standards and was conducted on a test basis. We have performed such actions, using such procedures procedures as we considered necessary under the circumstances so that our examination provides a reasonable basis for our opinion. We hereby attest as follows:

1. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has not incurred any debts or liability in excess of taxes levied and to be collected and that the monies were actually available and unencumbered at the time in the district general fund except for those liabilities as prescribed in A.R.S. § 48-805(B)(2), and A.R.S. §§ 48-806 & 48-807.
2. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has failed to comply with A.R.S. § 48-805.02(F).
3. And that, based on the information obtained during our engagement, and to extent that we have information relating to such matters, that there is no information to contradict the certification made by the Chairman and Clerk, under A.R.S. § 48-805.02(D)(1).

16841 North 31st Avenue, Suite 102 | Phoenix, Arizona 85053
Phone: (602) 903-3720 | Fax: (602) 535-3905 | www.apcpa.net

Our opinion is not based on a thorough or exhaustive investigation, and to the extent that we may have formed an opinion on these matters, our opinion does not constitute a legal determination of the District's compliance with the specified requirements.

Our opinion is based only on the evidence that was obtained during the course of our audit engagement; and, in our opinion, Hellsgate Fire District has complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2016.

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 16, 2017