



**MONTEZUMA RIMROCK FIRE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Montezuma Rimrock Fire District  
Rimrock, AZ

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Montezuma Rimrock Fire District of Rimrock, AZ, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Montezuma Rimrock Fire District of Rimrock, AZ'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.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Montezuma Rimrock Fire District of Rimrock, AZ, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-12 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

**Montezuma Rimrock Fire District  
Management's Discussion and Analysis  
June 30, 2015**

As management of Montezuma Rimrock Fire District, we offer a narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2015. This discussion and analysis is designed to assist the reader in focusing in the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

- The net position of Montezuma Rimrock Fire District exceeded its liabilities at the close of the most recent fiscal year by \$300,844 (*net position*).
- The District's total net position decreased by \$755,555. Largely as a result of the District's change in accounting principle.
- The District's total long-term debt increased by \$758,378, due to the adoption of GASB 68, and the accrual of Net pension liability in the amount of \$809,146.
- In addition to the decrease in net position, a prior period adjustment reduced net position by \$744,887, due to adoption of GASB 68 *Accounting and Financial Reporting for Pensions*.
- The District continues to focus on maintaining its current staffing levels, and providing training to maintain skill sets within the operational staff. Additionally, the District employed creative measures to maintain its vehicular fleet which enables the operational staff to meet the calls for service. Finally, the District is revising its strategic plans to maintain its current facilities to provide for the needs of staff and to ensure the District can effectively complete its mission.
- As a result in the reduction of the number of employees, the costs of personnel and benefits have decreased appropriately.

**Overview of the Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**Required Financial Statements**

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The Statement of Net Position presents information on all of the District's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net position, which indicates an improved financial position.

The Governmental Balance Sheet presents information showing how a government's net position changed during the fiscal year. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully budgeted resources to cover all its costs without a large excess.

**Montezuma Rimrock Fire District  
Management's Discussion and Analysis  
June 30, 2015**

As noted in the following table, the operating expenses decreased and operating and non-operating revenues increased this year based on numerous factors. Overall operating expense decreased as the result of not filling vacated positions, and as a result of efficient and frugal measures to preserve cash. The significant increase in operating revenues is primarily the result of economic factors in an increase in assessed property values resulting in a increase in ad valorem taxes and Fire District Assistance Tax (FDAT).

**Montezuma Rimrock Fire District  
Changes in Net Position  
June 30, 2015**

	2015	2014	Increase/ (Decrease)
Operating revenues	\$ 1,562,737	\$ 1,449,489	\$ 113,248
Operating expenses	1,583,489	1,603,303	(19,814)
Income from operations	(20,752)	(153,814)	133,062
Net non-operating revenues			
Investment earnings	1,162	963	199
Miscellaneous	8,922	4,520	4,402
Net non-operating revenue	10,084	5,483	4,601
Changes in net position	(10,668)	(148,331)	137,663
Net position, beginning of year	311,512	1,204,730	(893,218)
Net position, end of year	\$ 300,844	\$ 1,056,399	\$ (755,555)

The beginning net position was restated prior to fiscal year 2015. The restated adjustment was a reduction in net position by \$744,887 due to the adoption of GASB 68, which required a change in accounting principle.

The District tries to stabilize the tax rate by utilizing monies collected in prior years and obtaining grants for equipment and miscellaneous projects.

**Funds Financial Analysis**

The District uses fund accounting to ensure and demonstrate compliance with fund related legal requirements. As of June 30, 2015, the governmental funds of the District reported fund balances of \$523,200, which is an increase of \$156,152 compared to the prior year. The increase was the main result of a reduction in expenditures.

**Budgetary Highlights**

The following is a condensed table of the budget to actual expenditures and revenues with variance amounts:

	Budget	Actual	Variance with Budget
Revenues	\$ 1,798,439	\$ 1,596,518	\$ (201,921)
Expenditures	1,798,439	1,440,548	357,891
Revenue over expenditures	-	155,970	155,970
Net change in fund balance	\$ -	\$ 155,970	\$ 155,970

## **BASIC FINANCIAL STATEMENTS**

# Montezuma Rimrock Fire District

## Statement of Activities

June 30, 2015

	<b>Governmental Activities</b>
<b>Expenses</b>	
Public Safety:	
Emergency services	\$ 1,172,754
Administrative support	254,517
Interest on long-term debt	18,658
Depreciation	<u>137,560</u>
<b>Total program expenses</b>	<u>1,583,489</u>
 <b>Program Revenues</b>	
Charges for services	<u>316,041</u>
<b>Net program expenses</b>	<u>1,267,448</u>
 <b>General Revenues</b>	
Property taxes	1,077,847
Fire district assistance tax	168,849
Investment earnings	1,162
Grants	4,645
Miscellaneous	<u>4,277</u>
<b>Total general revenues</b>	<u>1,256,780</u>
 <b>Change in Net position</b>	(10,668)
 <b>Net position - beginning</b>	1,056,399
Restatement adjustment	<u>(744,887)</u>
 <b>Net position - ending</b>	<u><u>\$ 300,844</u></u>

**Montezuma Rimrock Fire District**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 1,085,050	\$ -	\$ 1,085,050
Fire district assistance taxes	168,849	-	168,849
Charges for services	332,717	-	332,717
Interest income	980	182	1,162
Grants	4,645	-	4,645
Miscellaneous	4,277	-	4,277
<b>Total revenues</b>	<u>1,596,518</u>	<u>182</u>	<u>1,596,700</u>
<b><u>Expenditures</u></b>			
Current:			
Public safety, fire protection:			
Emergency services	1,167,373	-	1,167,373
Administrative and support services	218,847	-	218,847
Debt service:			
Principal	35,670	-	35,670
Interest	18,658	-	18,658
<b>Total expenditures</b>	<u>1,440,548</u>	<u>-</u>	<u>1,440,548</u>
<b>Excess of revenues over expenditures</b>	<u>155,970</u>	<u>182</u>	<u>156,152</u>
<b><u>Other financing sources (uses)</u></b>			
Transfers in	-	200,000	200,000
Transfers (out)	(200,000)	-	(200,000)
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
<b>Net change in fund balances</b>	(44,030)	200,182	156,152
<b>Fund balance - beginning</b>	<u>316,646</u>	<u>50,402</u>	<u>367,048</u>
<b>Fund balance - ending</b>	<u>\$ 272,616</u>	<u>\$ 250,584</u>	<u>\$ 523,200</u>



Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

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

The accounting policies of the Montezuma Rimrock 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:

**A. Reporting Entity**

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

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

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report the information on all of the non-fiduciary activities of the District.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to actual 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.

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**F. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding, if any, at the end of the fiscal year are referred to as “advances to/from other funds”.

All program service receivables are shown net of an allowance for uncollectable. The amount of the estimated uncollectable program service receivables at June 30, 2015, was \$31,673, which represents 21% of the current program service receivables balance.

The District levies real property taxes on or before the third Monday in August, such levies, collected by Yavapai 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 uncollectible on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. The District has no prepaid items.

**H. Restricted assets**

The District has no restricted assets.

**I. Capital assets**

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

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

<u>Type of Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$5,000	30
Equipment	\$5,000	3-20
Vehicles	\$5,000	5
Fire Trucks, Office Equipment	\$5,000	5-10

**J. Compensated absences**

The District accrues unused portions of “personal time off” (PTO) in the period the fund liability is incurred. 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.

**K. 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.

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**P. Pensions**

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

**Q. New Pronouncements**

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 assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the District's government-wide financial statements (see Note 10).

**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.

As of June 30, 2015 the carrying amount of the District's unrestricted bank deposits was \$479,188. Of this amount \$473,681, was on deposit with, and held by Yavapai County Treasurer. Yavapai County Treasurer invest these funds in the State Treasurer's Investment Pool 7, US Treasury securities, US agency securities, Repurchase agreements, and US corporate bonds. According to the Yavapai County Treasurer's department, the State Treasurer's Investment Pool 7 and the Repurchase agreements are Unrated, the US agency securities and US Treasury securities are rated A1 and above. Plan investments are reported at fair value.

Amounts classified as cash and investments at June 30, 2015 are described below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Bank Deposits	\$ -	\$ -	\$ 5,464	\$ 5,701
Funds held by Yavapai County Treasurer	473,681	473,681	473,681	489,306
Cash on hand	-	-	43	-
Totals	<u>\$ 473,681</u>	<u>\$ 473,681</u>	<u>\$ 479,188</u>	<u>\$ 495,007</u>

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 6 – LONG-TERM LIABILITIES**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 67,307	\$ 18,224	\$ (33,322)	\$ 52,209	\$ 10,442
Lease Purchase - Fire Station	182,240	-	(9,665)	172,575	9,665
Lease Purchase - Pierce Engine	188,745	-	(17,231)	171,514	17,231
Lease Purchase - Brush Truck	37,454	-	(8,774)	28,680	8,774
Total Lease Purchases	408,439	-	(35,670)	372,769	35,670
Net Pension liability	873,713		(64,567)	809,146	
<b>Total governmental liabilities</b>	<b>\$ 1,349,459</b>	<b>\$ 18,224</b>	<b>\$ (133,559)</b>	<b>\$ 1,234,124</b>	<b>\$ 46,112</b>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

*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.

*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 – RETIREMENT AND PENSION 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.

**Arizona State Retirement System (ASRS)**

**Plan description** – The District participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 8 – RETIREMENT AND PENSION PLANS - continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the District recognized pension expense for ASRS of \$7,590. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,181	\$ -
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments	-	28,148
Changes in proportion and differences between contributions and proportional share of contributions	-	6,905
Contributions subsequent to the measurement date	20,385	-
Total	\$ 28,566	\$ 35,053

The \$20,385 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ (6,482)
2017	(6,482)
2018	(6,871)
2019	(7,037)
2020	-
Thereafter	-

**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

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 8 – RETIREMENT AND PENSION PLANS – continued**

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description** – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits provided** – The PSPRS 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 Before January 1, 2012	Initial Membership Date On or After January 1, 2012
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
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 actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 8 – RETIREMENT AND PENSION PLANS – continued**

**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	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
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 expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** – A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 8 – RETIREMENT AND PENSION PLANS – continued**

The \$76,419 reported as deferred outflows of resources related to PSPRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2016	\$ (14,148)
2017	(14,148)
2018	(14,148)
2019	(14,148)
2020	(1,884)
Thereafter	(3,346)

**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 plan 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 significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%



Montezuma Rimrock Fire District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 10 – RESTATEMENT ADJUSTMENT**

As mentioned in Note 1 to the financial statements, the District implemented 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 assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<b>PSPRS</b>	<b>ASRS</b>	<b>Total</b>
Restatement adjustment - implementation of GASB 68:			
Net pension liability	\$ (682,971)	\$ (190,742)	\$ (873,713)
Deferred outflows - contributions made during fiscal year 2014	118,333	10,493	128,826
<b>Total restatement adjustment</b>	<b>\$ (564,638)</b>	<b>\$ (180,249)</b>	<b>\$ (744,887)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Montezuma Rimrock Fire District  
Required Supplementary Information  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Last 10 Fiscal Years**

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year (Measurement Date) 2015 (2014)</b>
<b>Total pension liability</b>	
Service cost	\$ 86,720
Interest on total pension liability	138,343
Changes of benefit terms*	20,358
Difference between expected and actual experience of the total net pension liability	(130,744)
Changes of assumptions	116,095
Benefit payments, including refunds of employee contributions	(60,739)
<b>Net change in total pension liability</b>	<b>170,033</b>
<b>Total pension liability - beginning</b>	<b>1,749,341</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,919,374</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 118,333
Contributions - employee	46,590
Net investment income	149,979
Benefit payments, including refunds of employee contributions	(61,947)
Other (net transfer)	(48,130)
<b>Net change in plan fiduciary net position</b>	<b>204,825</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,066,370</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,271,195</b>
 <b>Net pension liability - ending (a) - (b)</b>	<b>\$ 648,179</b>
 Plan fiduciary net position as a percentage of the total pension liability	66.23%
 Covered employee payroll	\$ 451,416
 Net pension liability as a percentage of covered-employee payroll	143.59%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**Montezuma Rimrock Fire District  
Required Supplementary Information  
Notes to Pension Plan Schedules  
June 30, 2015**

**NOTE 1 – ACTUARIALY DETERMINED CONTRIBUTION RATES**

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2014 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 5.0% to 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

**Montezuma Rimrock Fire District  
Required Supplementary Information  
Pension Schedules  
June 30, 2015**

**Arizona State Retirement System**

**Montezuma Rimrock Fire District  
Schedule of the Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years**

	Reporting Fiscal Year (Measurement Date) <b>2015</b> <u>(2014)</u>
Proportion of the net pension liability (asset)	0.001088%
Proportionate share of the net pension liability (asset)	\$ 160,967
Covered employee payroll	\$ 99,779
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	161.32%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

**Arizona State Retirement System**

**Montezuma Rimrock Fire District  
Schedule of Contributions  
Last 10 Fiscal Years**

	Reporting Fiscal Year (Measurement Date) <b>2015</b> <u>(2014)</u>
Contractually required contribution	\$ 10,493
Contributions in relation to the contractually required contribution	\$ <u>(10,493)</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered employee payroll	\$ 99,779
Contributions as a percentage of covered-employee payroll	10.52%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2014 is not available.

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