



**FINANCIAL STATEMENTS
JUNE 30, 2018**

LAKE MOHAVE RANCHOS FIRE DISTRICT
For the Fiscal Year Ended June 30, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Lake Mohave Ranchos Fire District
Dolan Springs, AZ

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Mohave Ranchos Fire District of Dolan Springs, AZ, as of and for the year ended June 30, 2018, and the related notes to the financial statements, 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.

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, each major fund, and the aggregate remaining fund information of the Lake Mohave Ranchos Fire District of Dolan Springs, AZ, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2018 the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, budgetary comparison information on page 32 and net pension liability information on pages 28 through 31 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 accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the Lake Mohave Ranchos Fire District of Dolan Springs, AZ's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Mohave Ranchos Fire District's internal control over financial reporting and compliance.

Brian Richards, CPA

Snowflake, AZ
January 15, 2019

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

As management of Lake Mohave Ranchos Fire District (District), we offer readers of the District's statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

Financial Highlights

1. The assets of the Lake Mohave Ranchos Fire District exceeded its liabilities at the close of the most recent fiscal year by \$808,798.
2. Property tax collections were lower than the previous fiscal year by \$5,727, or 1 percent.
3. The District's total net position decreased by \$38,991, largely due to an increase in charges for services in FY18.

Overview of the Financial Statements

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

Government-wide financial statements. The Government-wide financial statements present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long term debt). They are intended to provide a broad overview in a manner similar to a private sector business.

The Statement of Net Position presents information of all the assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages of this report.

Fund Financial Statements. A provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

Governmental Funds - continued

The basic governmental fund financial statements can be found on pages of this report.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements. The notes to the financial statements can be found beginning on page of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Lake Mohave Ranchos Fire District, assets exceeded liabilities by \$808,798 at the close of the 2018 fiscal year.

A large portion of net position of the District \$376,083 reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any depreciation expense charged to public safety. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending.

The remaining balance of restricted net position of \$432,715 is available for public safety expenditures.

The following table reflects a summary of net position:

Lake Mohave Ranchos Fire District
Net Position
June 30, 2018

	2018	2017	Increase/ (Decrease)
Current and other assets	\$ 1,218,297	\$ 1,054,007	\$ 164,290
Capital assets - net	376,083	277,655	98,428
Total assets	1,594,380	1,331,662	262,718
Total deferred outflows of resources	469,876	382,310	87,566
Long-term liabilities	1,051,713	800,714	250,999
Other liabilities	123,228	80,063	43,165
Total liabilities	1,174,941	880,777	294,164
Total deferred inflows of resources	80,517	89,203	(8,686)
Capital assets, net	376,083	277,655	98,428
Restricted for public safety	432,715	466,337	(33,622)
Total net position	\$ 808,798	\$ 743,992	\$ 64,806

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

Government-wide Financial Analysis – continued

Lake Mohave Ranchos Fire District
Changes in Net Position
June 30, 2018

	2018	2017	Increase/ (Decrease)
Operating revenues	\$ 322,932	\$ 267,964	\$ 54,968
Operating expenses	932,499	946,349	(13,850)
Income from operations	(609,567)	(678,385)	68,818
Net non-operating revenues			
Investment earnings	4,866	1,995	2,871
Miscellaneous	643,692	634,697	8,995
Net non-operating revenue	648,558	636,692	11,866
Changes in net position	38,991	(41,693)	80,684
Net position, beginning of year	743,992	785,685	(41,693)
Prior period adjustment	25,815	-	25,815
Net position, end of year	<u>\$ 808,798</u>	<u>\$ 743,992</u>	<u>\$ 64,806</u>

Governmental activities - The net position of the District from governmental activities increased from \$743,992 to \$808,798 an increase of 9%. Key elements of these activities are as follows:

- Operating expenses decreased by \$13,850 or 1%, largely to due budget constraint.
- Operating revenues increased by \$54,968 or 21%, largely due to an increase in charges for services.

District Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with fund related legal requirements.

As of June 30, 2018, the governmental funds of the District reported combined fund balances of \$594,813, which was an increase of \$123,429 or 26%. Key elements of these activities are as follows:

- Total revenues were higher than the previous year by \$66,834 or 7%, largely due to an increase in charges for services.
- Property tax revenues were higher than the previous year by \$5,727 or 1%, due to an increase in prior period collections.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

Budgetary Highlights

The overall budget remained consistent with the prior year and there were no significant budget variances for the year.

Capital Asset and Debt Administration

Capital Assets - As of June 30, 2018, the District's investment in its capital assets for governmental activities is \$376,083 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment. The net increase in the District's investment in capital assets for the fiscal year was \$98,428.

Lake Mohave Ranchos Fire District
Capital Assets
June 30, 2018

	2018	2017	Increase/ (Decrease)
Land, not depreciated	\$ 12,439	\$ 12,439	\$ -
Buildings	284,359	284,359	-
Vehicles	1,097,546	913,276	184,270
Equipment	360,168	360,168	-
Total capital assets	\$ 1,754,512	\$ 1,570,242	184,270
Less accumulated depreciation	(1,378,429)	(1,292,587)	(85,842)
Total capital assets, net	\$ 376,083	\$ 277,655	\$ 98,428

Long Term Debt - At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$1,051,713. This amount is made up of compensated absences, net pension and OPEB liabilities, as well as a capital lease for the purchase of a new ambulance, which showed on June 30, 2018 an ending balance owed on the capital lease of \$142,500. The District estimates only \$37,323 due within the following fiscal year.

Economic Factors and FY2019 Budget/Tax Rate

As property values have continued to decline, tax revenues to the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while provided the highest level of service to the community. Despite aggressive management of expenditures costs continue to rise, such as, employee benefits included pension contribution rates have continued to rise.

For fiscal year 2019, the District adopted a tax rate of 3.25. The District has continued to maintain the operational needs of the District through vigilant management of expenses and exploration of non-tax revenue sources.

Financial Contact

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 16126 Pierce Ferry Rd, Dolan Springs, AZ 86441, 928-7467-3300.

BASIC FINANCIAL STATEMENTS

LAKE MOHAVE RANCHOS FIRE DISTRICT

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 546,865
Receivables (net of allowance)	
Accounts	127,653
Property Taxes	515,290
Prepays	5,316
Net pension/OPEB asset	23,173
Capital assets:	
Non-depreciable	12,439
Depreciable (net)	363,644
Total Assets	<u>1,594,380</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions/OPEB	469,876
Total Deferred Outflows of Resources	<u>469,876</u>
Combined Assets and Deferred Outflows of Resources	2,064,256
Liabilities	
Accounts payable	40,549
Accrued payroll and related liabilities	82,679
Noncurrent liabilities:	
Due within one year - lease payable	26,380
Due within one year - compensated absences	10,943
Due in more than a year - lease payable	116,120
Due in more than a year - compensated absences	13,375
Due in more than a year - net pension/OPEB liability	884,895
Total Liabilities	<u>1,174,941</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions/OPEB	80,517
Total Deferred Inflows of Resources	<u>80,517</u>
Combined Liabilities and Deferred Inflows of Resources	1,255,458
Net Position	
Net investment in capital assets	376,083
Restricted for:	
Public safety	432,715
Total Net Position	<u>\$ 808,798</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT

Statement of Activities

June 30, 2018

	<u>Governmental Activities</u>
Expenses	
Public safety, fire protection:	
Emergency services	\$ 668,246
Administrative and support services	178,434
Depreciation	85,819
	<hr/>
Total program expenses	932,499
	<hr/>
Program Revenues	
Charges for services	322,932
	<hr/>
Total program revenues	322,932
	<hr/>
Net program expenses	609,567
	<hr/>
General Revenues	
Property taxes	572,907
Centrally assessed taxes	60,094
Investment earnings	4,866
Miscellaneous	10,691
	<hr/>
Total general revenues	648,558
	<hr/>
Change in Net position	38,991
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Prior period adjustment	25,815
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Net position - beginning	743,992
	<hr/>
Net position - ending	<u>\$ 808,798</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 546,865	\$ 546,865
Accounts receivable, net	127,653	127,653
Taxes receivable	515,290	515,290
Prepaid expenses	5,316	5,316
Total assets	<u>1,195,124</u>	<u>1,195,124</u>
<u>Liabilities</u>		
Accounts payable	40,549	40,549
Accrued payroll and related liabilities	82,679	82,679
Total liabilities	<u>123,228</u>	<u>123,228</u>
<u>Deferred Inflow of Resources</u>		
Unavailable revenue - property taxes	477,083	477,083
Total deferred inflow of resources	<u>477,083</u>	<u>477,083</u>
<u>Fund Balances</u>		
Nonspendable (prepaids)	5,316	5,316
Restricted for public safety	589,497	589,497
Assigned	-	-
Unassigned:	-	-
Total fund balances	<u>594,813</u>	<u>594,813</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,195,124</u>	<u>\$ 1,195,124</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2018

Total fund balances of governmental funds		\$ 594,813
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 1,754,512	
Accumulated depreciation	(1,378,429)	
		376,083

Net OPEB asset is not an available resource and, therefore is not reported in the funds.		23,173
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Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.

Unavailable property tax revenue		477,083
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(24,318)	
Capital leases	(142,500)	
Net pension/ OPEB liability	(884,895)	
		(1,051,713)

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds:

Deferred outflows	469,876	
Deferred inflows	(80,517)	
		389,359

Net position of governmental activities		\$ 808,798
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LAKE MOHAVE RANCHOS FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>		
Property taxes	\$ 572,907	\$ 572,907
Fire district assistance taxes	60,094	60,094
Charges for services	322,932	322,932
Interest income	4,866	4,866
Other revenue	10,691	10,691
Total revenues	<u>971,490</u>	<u>971,490</u>
<u>Expenditures</u>		
Current:		
Public safety, fire protection:		
Emergency services	629,112	629,112
Administrative and support services	178,434	178,434
Capital Outlay	184,270	184,270
Debt Service:		
Principal	15,711	15,711
Interest	4,072	4,072
Total expenditures	<u>1,011,599</u>	<u>1,011,599</u>
Excess of revenues over expenditures	<u>(40,109)</u>	<u>(40,109)</u>
<u>Other financing sources (uses)</u>		
Lease purchase proceeds	163,538	163,538
Total other financing sources (uses)	<u>163,538</u>	<u>163,538</u>
Net change in fund balances	123,429	123,429
Fund balance - beginning of year	<u>471,384</u>	<u>471,384</u>
Fund balance - end of year	<u>\$ 594,813</u>	<u>\$ 594,813</u>

LAKE MOHAVE RANCHOS 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, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	123,429
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$ 184,270	
Less current year depreciation	(85,819)	
	98,451	98,451
<p>Principal of long-term debt consumes and provides current financial resources of governmental funds, however, this does not have any effect on net position.</p>		
Lease purchase proceeds	(163,538)	
Lease payments	15,711	
	(147,827)	(147,827)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(5,166)
<p>Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net position because the net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions	87,416	
Pension/OPEB expense	(117,312)	
	(29,896)	(29,896)
Change in net position of governmental activities	\$	38,991

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Mohave Ranchos 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:

Description of government-wide financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, 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.

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.

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 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.

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

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.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

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.

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. All investments are stated at fair value based on market prices.

Receivables and payables

All program service receivables are shown net of an allowance for uncollectible, if such estimates are necessary. The District levies real property taxes on or before the third Monday in August. Such levies, collected by Mohave 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.

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.

Restricted assets

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

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	\$1,500	2-40
Improvements, other than buildings	\$1,500	2-40
Furniture, vehicles and equipment	\$1,500	5-20

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of item that qualifies for reporting in this category, which is pension related items reported on the government-wide financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category, which are pension and property tax related items reported on the government-wide financial statements.

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 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.

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose, from both restricted (e.g. restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted -net position is applied.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District that can commit fund balance.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Pronouncements

For the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. Implementation of these new Statements resulted in a restatement of beginning net position in the District's government-wide financial statements (See Note 10).

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

Property taxes

Mohave County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

Compensated absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. All full-time employees of the District are given paid time off based on the amount stated in policy determined by their years of service. The maximum accrual for paid time off is between 30-96 hours depending on whether the employee is administrative staff or fire suppression staff and varies with years of service time. These hours are accrued on a bi-weekly basis. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

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.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 - DEPOSITS AND INVESTMENTS

Deposits

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. The District's cash and cash equivalents are considered to be cash on hand, demand deposits cash and investments held by the Mohave County Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

As of June 30, 2018, the District had \$416,495 on deposit with the Mohave County Treasurer's investment pool (MCTIP). The MCTIP 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 Mohave 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 MCTIP is included in the Comprehensive Annual Financial Report of Mohave County. The fair value of each participant's position in the MCTIP 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, 2018, the District's carrying amount of demand deposits was \$130,370. 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.

Investments

The District's investments include \$416,495 held on deposit with the Mohave County Treasurer's investment pool (MCTIP). The MCTIP is not registered with the SEC as an investment company. The Mohave County Treasurer invests the cash in a pool under policy guidelines established by the County.

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2018, for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Taxes	\$ 515,290
Program services	<u>185,482</u>
Gross receivables	700,772
Less: allowance for uncollectible	<u>(57,829)</u>
Total receivables, net	<u>\$ 642,943</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 4 - UNAVAILABLE REVENUE

Governmental funds report deferred outflows and inflows of resources 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, 2018, unavailable revenue consisted of the following:

Unavailable property tax revenues \$477,083

NOTE 5 - CAPITAL ASSETS

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Land, not depreciated	\$ 12,439	\$ -	\$ -	\$ 12,439
Buildings and equipment	284,359			284,359
Vehicles and apparatus	913,276	184,270		1,097,546
Equipment	<u>360,168</u>	<u>-</u>	<u>-</u>	<u>360,168</u>
Total capital assets	1,570,242	184,270	-	1,754,512
 Less accumulated depreciation	<u>(1,292,587)</u>	<u>(85,842)</u>	<u>-</u>	<u>(1,378,429)</u>
 Total capital assets, net	<u>\$ 277,655</u>	<u>\$ 98,428</u>	<u>\$ -</u>	<u>\$ 376,083</u>

Depreciation expense for the period was \$85,842; all depreciation was expensed to the public safety-fire protection function.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term obligations during the year:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Net pension/OPEB liability	\$ 781,562	\$ 103,333	\$ -	\$ 884,895	\$ -
Capital leases	-	163,538	(21,038)	142,500	26,380
Compensated absences	<u>19,152</u>	<u>19,150</u>	<u>(13,984)</u>	<u>24,318</u>	<u>10,943</u>
Total long-term liabilities	<u>\$ 800,714</u>	<u>\$ 286,021</u>	<u>\$ (35,022)</u>	<u>\$ 1,051,713</u>	<u>\$ 37,323</u>

Compensated absences – All full-time employees of the District are given paid time off based on the amount stated in policy, determined by their years of service. Paid time off is accrued on a bi-weekly basis for full-time employees and the maximum accrual cannot 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.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, Continued

The District has entered into a lease agreement which is considered a capital lease in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the fiscal years ending June 30:

<u>Year Ended June 30,</u>	<u>Total</u>
2019	\$ 30,478
2020	30,478
2021	30,478
2022	30,478
2023	30,478
2024	<u>6,595</u>
Total remaining minimum lease payments	158,985
Less amount representing interest:	<u>(16,485)</u>
Present value of remaining minimum lease payments:	<u>\$ 142,500</u>

NOTE 7 - DEFERRED COMPENSATION PLAN

The District has established a deferred compensation plan, in accordance with Internal Revenue Service Code Section 457, for all full-time employees in order to provide for supplementary retirement benefits. The District does not contribute to the plan. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets are not included as a fund of the District.

NOTE 8 - RETIREMENT AND PENSION PLANS

The District contributes to the plan 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.

Public Safety Personnel Retirement System (PSPRS)

At June 30, 2018, the District reported in the government-wide financial statements the following aggregate amounts related to its participation in the Public Safety Personnel Retirement System (PSPRS), for which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>PSPRS</u>
Net pension and OPEB asset	\$ 23,173
Net pension and OPEB liability	884,895
Deferred outflows of resources	469,876
Deferred inflows of resources	80,517
Pension/OPEB expense	50,828

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 nine-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 at www.prprs.com.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - RETIREMENT AND PENSION PLANS, Continued

Employees who were PSPRS members on or after July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool). 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 Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with 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. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effect on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees or entitled to but not yet receiving benefits	6	0
Active employees	4	4
Total	12	6

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - RETIREMENT AND PENSION PLANS, Continued

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. 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. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member Pension	District Pension	District Health Ins Premium
PSPRS Tier 1-2	11.65% - 7.65%	41.53%	0.00%
PSPRS Tier 3	7.31%	35.50%	0.17%

In addition, statutes require the District to contribute at the actuarially determined rate of 27.95% of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the PSPRS would typically fill.

For the agent plans, 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, 2018, were:

	Pension	Health insurance premium benefit
PSPRS	\$ 87,416	\$ -
PSPRS Tier 3 risk pool		

Liability - At June 30, 2018, the District reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
	\$ 884,895	\$ (23,173)

The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - RETIREMENT AND PENSION PLANS, Continued

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale With adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017 valuation, were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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>
Short Term Inv.	2%	0.75%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTAA	10%	3.96%
Private Credit	12%	6.75%
Real Estate	10%	3.75%
Credit Opp.	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rate – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was a decrease of .01 percent from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - RETIREMENT AND PENSION PLANS, Continued

Changes in the Net Pension/OPEB Liability

PSPRS	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 1,909,685	\$ 1,128,123	\$ 781,562	\$ 28,503	\$ 54,318	\$ (25,815)
Changes for the year:						
Service cost	41,027		41,027	808	-	808
Interest on total pension/OPEB liability	140,215		140,215	2,168	-	2,168
Changes of benefit terms	43,215		43,215	22	-	22
Difference between expected and actual experience in the measurement of the pension/OPEB liability	161,977		161,977	7,680	-	7,680
Changes of assumptions	54,404		54,404	(1,694)	-	(1,694)
Contributions - employer		41,105	(41,105)	-	-	-
Contributions - employee		22,298	(22,298)	-	-	-
Net investment income		128,489	(128,489)	-	6,399	(6,399)
Benefit payments, including refunds of employee contributions	(121,338)	(121,338)	-	-	-	-
Plan administrative expenses		(1,537)	1,537	-	(57)	57
Other changes*		147,150	(147,150)	-	-	-
Net changes	319,500	216,167	103,333	8,984	6,342	2,642
Balances at June 30, 2018	\$ 2,229,185	\$ 1,344,290	\$ 884,895	\$ 37,487	\$ 60,660	\$ (23,173)

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the District’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4%, as well as what the District’s net pension/OPEB (assets) liabilities 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 (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PSPRS			
Net pension (asset) / liability	\$ 1,194,818	\$ 884,895	\$ 633,486
Net OPEB (asset)/ liability	(17,764)	(23,173)	(27,653)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report.

Expense – For the year ended June 30, 2018, the District recognized the following pension and OPEB expense (income):

	Pension expense	OPEB expense
PSPRS	\$ 51,614	\$ (786)

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 8 - RETIREMENT AND PENSION PLANS, Continued

Deferred outflows/inflows of resources – For the fiscal year ended June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 305,786	\$ 34,582	\$ 6,787	\$ -
Changes in assumptions	95,372	-		1,497
Net difference between projected and actual earnings on pension/OPEB plan investments	61,931	42,576		-
Contributions subsequent to the measurement date	87,416	-	-	1,862
Total	\$ 550,505	\$ 77,158	\$ 6,787	\$ 3,359

The \$87,416 reported as deferred outflows of resources related to PSPRS pensions resulting from the District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net pension liability in the year ending June 30, 2019. 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:

Year Ended June 30	PSPRS	
	Pension	Health Insurance Premium Benefit
2019	\$ 82,965	\$ 231
2020	116,760	231
2021	107,034	231
2022	32,602	229
2023	39,832	696
Thereafter	6,738	1,810

NOTE 9 - SUBSEQUENT EVENTS

The District evaluated its June 30, 2018 financial statements for subsequent events through January 15, 2019, the financial statement issuance date. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

As mentioned in Note 1 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a restatement of beginning net position as follows:

Restatement adjustment - implementation of GASB 75:		
Net OPEB asset (measurement date as of June 30, 2016)	\$	25,815
Deferred outflows - contributions made during fiscal year 2017		<u>-</u>
Total Restatement Adjustment	\$	<u><u>25,815</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LAKE MOHAVE RANCHOS FIRE DISTRICT
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2018

PSPRS - Pensions

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability				
Service cost	\$ 41,027	\$ 29,325	\$ 27,173	\$ 47,003
Interest on total pension liability	140,215	108,578	103,490	110,350
Changes of benefit terms	43,215	167,165	-	(434)
Difference between expected and actual experience of the total net pension liability	161,977	224,511	44,606	(172,250)
Changes of assumptions	54,404	61,051	-	53,091
Benefit payments, including refunds of employee contributions	(121,338)	(98,877)	(124,196)	(106,254)
Net change in total pension liability	319,500	491,753	51,073	(68,494)
Total pension liability - beginning	1,909,685	1,417,932	1,366,859	1,435,353
Total pension liability - ending (a)	<u>\$ 2,229,185</u>	<u>\$ 1,909,685</u>	<u>\$ 1,417,932</u>	<u>\$ 1,366,859</u>
Plan fiduciary net position				
Contributions - employer	\$ 41,105	\$ 56,891	\$ 47,395	\$ 32,420
Contributions - employee	22,298	24,742	24,531	18,499
Net investment income	128,489	5,664	34,449	122,544
Benefit payments, including refunds of employee contributions	(121,338)	(98,877)	(124,196)	(106,254)
Other (net transfer)	145,613	176,931	(2,085)	(59,651)
Net change in plan fiduciary net position	216,167	165,351	(19,906)	7,558
Plan fiduciary net position - beginning	1,128,123	962,772	982,678	975,120
Plan fiduciary net position - ending (b)	<u>\$ 1,344,290</u>	<u>\$ 1,128,123</u>	<u>\$ 962,772</u>	<u>\$ 982,678</u>
Net pension liability - ending (a) - (b)	<u>\$ 884,895</u>	<u>\$ 781,562</u>	<u>\$ 455,160</u>	<u>\$ 384,181</u>
Plan fiduciary net position as a percentage of the total pension liability	60.30%	59.07%	67.90%	71.89%
Covered payroll	\$ 214,341	\$ 212,377	\$ 215,236	\$ 208,430
Net pension liability as a percentage of covered payroll	412.84%	368.01%	211.47%	184.32%

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

LAKE MOHAVE RANCHOS FIRE DISTRICT
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2018

PSPRS	Reporting Fiscal Year	
Health Insurance Premium Benefit	(Measurement Date)	
	2018	(2017)
	<hr/>	
Total OPEB liability		
Service cost	\$	808
Interest on total OPEB liability		2,168
Changes of benefit terms		22
Difference between expected and actual experience of the total net OPEB liability		7,680
Changes of assumptions or other inputs		(1,694)
Benefit payments		-
Net change in total OPEB liability		<hr/> 8,984
Total OPEB liability - beginning		<hr/> 28,503
Total OPEB liability - ending (a)	\$	<hr/><hr/>37,487
 Plan fiduciary net position		
Contributions - employer	\$	-
Net investment income		6,399
Benefit payments		
Administrative expense		(57)
Other changes		-
Net change in plan fiduciary net position		<hr/> 6,342
Plan fiduciary net position - beginning		<hr/> 54,318
Plan fiduciary net position - ending (b)	\$	<hr/><hr/>60,660
 Net OPEB liability - ending (a) - (b)	\$	<hr/><hr/>(23,173)
 Plan fiduciary net position as a percentage of the total OPEB liability		161.82%
 Covered payroll	\$	214,341
 Net OPEB (asset) liability as a percentage of covered payroll		(11.76)%

Note: The District implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available. In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Schedule of Pension Contributions
June 30, 2018

PSPRS-Pensions	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 87,416	\$ 43,961	\$ 56,891	\$ 47,395	\$ 32,420
Contributions in relation to the actuarially determined contribution	\$ (87,416)	\$ (43,961)	\$ (56,891)	\$ (47,395)	\$ (32,420)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 210,490	\$ 214,341	\$ 212,377	\$ 215,236	\$ 208,430
Contributions as a percentage of covered payroll	41.53%	20.51%	26.79%	22.02%	15.55%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

PSPRS Health Insurance Premium Benefit	Reporting Fiscal Year	
	2018	2017
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 210,490	\$ 214,341
Contributions as a percentage of covered payroll	0.00%	0.00%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2018

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	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.50% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
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).

NOTE 2 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 541,255	\$ 541,255	\$ 572,907	\$ 31,652
Fire district assistance taxes	60,000	60,000	60,094	94
Charges for services	320,400	320,400	322,932	2,532
Other revenues	-	-	15,557	15,557
Total revenues	<u>921,655</u>	<u>921,655</u>	<u>971,490</u>	<u>49,835</u>
<u>Expenditures</u>				
Current:				
Operations	716,455	716,455	648,895	67,560
Administration	205,200	205,200	178,434	26,766
Capital outlay	-	-	184,270	(184,270)
Total expenditures	<u>921,655</u>	<u>921,655</u>	<u>1,011,599</u>	<u>(89,944)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(40,109)</u>	<u>(40,109)</u>
<u>Other financing sources (uses)</u>				
Lease purchase proceeds	-	-	163,538	163,538
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>163,538</u>	<u>(163,538)</u>
Net change in fund balances	-	-	123,429	123,429
Fund balance - beginning	<u>471,384</u>	<u>471,384</u>	<u>471,384</u>	<u>-</u>
Fund balance - ending	<u>\$ 471,384</u>	<u>\$ 471,384</u>	<u>\$ 594,813</u>	<u>\$ 123,429</u>

Note 1 - Budgetary Basis of Accounting

The District prepares its annual budget on a basis consistent with generally accepted accounting principles.

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board of Lake Mohave Ranchos Fire District
Dolan Springs, AZ

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Mohave Ranchos Fire District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lake Mohave Ranchos Fire District's basic financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Lake Mohave Ranchos Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02 subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This is supplemental reporting for state compliance purposes only.

Purpose of this Report

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

Brian Richards, CPA

Snowflake, AZ
January 15, 2019

