



SUPERSTITION FIRE & MEDICAL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2017

SUPERSTITION FIRE & MEDICAL DISTRICT
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Superstition Fire & Medical District, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of Superstition Fire & Medical District, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Superstition Fire & Medical District, Arizona's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Superstition Fire & Medical District, Arizona, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Superstition Fire & Medical District, Arizona's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018 on our consideration of the Superstition Fire & Medical District, Arizona'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 Superstition Fire & Medical District, Arizona's internal control over financial reporting and compliance.

Henry & Horne LLP

Casa Grande, Arizona
January 3, 2018



**Superstition Fire & Medical District
Management's Discussion and Analysis of
Basic Financial Statements
June 30, 2017**

The Superstition Fire & Medical District Management's Discussion and Analysis report represents management's overview of the District's financial activities for the fiscal year (FY) that ended June 30, 2017. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This Annual Financial Report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Superstition Fire & Medical District ("SFMD" or the "District") provides fire, rescue, prevention and emergency medical services to homes, property, and persons residing within the District's boundaries, as well as services to locations and persons outside the District through automatic aid agreements and contracts.

SFMD also provides ground transport service to patients within the District and as requested within its automatic aid territory. As a result, SFMD can retain the care of its patients all the way to the emergency room with the overall intent of improving patient outcomes and providing its District customers with the highest quality service possible.

In March 2015, SFMD was awarded its Certificate of Necessity (CoN) from the Arizona Department of Health Services which granted SFMD the legal authority to operate its own community-based ambulance service. SFMD initially launched its ground transport services in January 2016 by serving as the primary Advanced Life Support ("ALS") provider and secondary (or back up) Basic Life Support ("BLS") provider. In April 2017, SFMD became the primary provider for both ALS and BLS service.

Results of Operations

Fire Suppression. During the fiscal year that ended June 30, 2017, the District's Fire Suppression division handled 9,658 Emergency Response calls (up 0.6% over FY 2015 / 2016 and up 19.2% over the last two fiscal years):

- 7,269 Rescue and Emergency Medical Service incidents
- 744 Good Intent calls
- 736 Service calls
- 410 Not Recorded calls
- 180 Fire calls
- 168 Special incident type calls
- 111 False Alarm / False calls
- 31 Hazardous Condition incidents (no fire)
- 6 Severe Weather
- 3 Overpressure/Rupture/Explosion calls

It is estimated that the Fire Suppression division saved \$6.6 million in property and content representing a 90% save ratio.

Ground Transport. During FY 2016 / 2017, the District's Ground Transport division handled 4,262 transports representing an average of 12 transports per day:

- 4,062 Advanced Life Support (ALS) transports
- 200 Basic Life Support (BLS) transports

SFMD's ground transport division continues to far exceed Code 3 ambulance response time compliance rates set by the Arizona Department of Health Services.

Community Medicine Grant. SFMD's participation in the 3-year Community Medicine (CM) grant from the Centers for Medicare / Medicaid Services (CMS) in conjunction with the Mesa Fire & Medical Department and Mountain Vista Medical Center came to an end. SFMD is participating in the CM program by manning Unit CM263 that responds to low-acuity medical calls in the hopes of reducing healthcare costs by preventing unnecessary transports to local emergency rooms.

State Land / Wild Land Deployments. During FY 2016 / 2017, the District served on 13 major wildland fire deployments that generated \$339,044 in reimbursement from the state of Arizona.

- Pioneer fire
 - Deployment to Idaho involving 1,312 man-hours.
- Twin Lakes fire
 - Deployment to Wyoming involving 131 man-hours
- Beaver Creek fire
 - Deployment to Wyoming involving 185 man-hours
- Party Rock fire
 - Deployment to North Carolina involving 982 man-hours
- Sawmill fire
 - Deployment within Arizona involving 425 man-hours
- DFFM Preparedness fire
 - Deployment within Arizona involving 95 man-hours
- Castle fire
 - Deployment within Arizona involving 39 man-hours
- Pinal fire
 - Deployment within Arizona involving 518 man-hours
- Lizard fire
 - Deployment within Arizona involving 118 man-hours
- Encino fire
 - Deployment within Arizona involving 183 man-hours.
- Mink fire
 - Deployment within Arizona involving 15 man-hours
- Fraguita fire
 - Deployment within Arizona involving 62 man-hours
- Goodwin fire
 - Deployment within Arizona involving 153 man-hours

Operational Training. SFMD's training hours by category during FY 2016 / 2017 were:

- 7,986 Fire Operations training
- 3,465 Rescue and EMS training
- 3,267 Physical Fitness training
- 2,337 Driver / Operator training
- 964 Administrative training
- 635 Technical Rescue (TRT) training
- 619 Wild Land Firefighting training
- 340 Hazardous Material Handling training
- 189 Prevention / Fire Education training

Community Training. Tina Gerola, SFMD's Fire & Life Safety Education Specialist, conducted community-based hands-only cardiopulmonary resuscitation (CPR) classes that trained 1,324 community members to perform this life-saving technique.

Cardiac Arrest Survival Rate. The District's cardiac arrest survival rate (ventricular fibrillation) increased during FY 2016 / 2017 to 40.0%, which is in comparison to a national cardiac arrest survival rate of 12%.

Other Accomplishments. SFMD also accomplished the following strategic initiatives:

- Adopted the 2015 International Uniform Fire Code.
- Successfully facilitated a temporary 5-year Tax Override that, starting with FY 2017 / 2018, is intended to provide additional funds for capital purchases.
- Deployed an additional full-time ambulance to increase reliability across the District.
- Selected 3 EMT- Basics to attend Paramedic school that began in January 2017.
- Selected 3 members to attend Technical Rescue Technician (TRT) Training.
- Implemented the utilization of East Valley Wellness for enhanced firefighter medical exams.
- Promoted 1 Battalion Chief, 2 Captains, and 1 Engineer to replace vacant positions caused by attrition.
- Procured and deployed a 2016 Pierce Quantum Fire Engine.
- Deployed Continuous Positive Airway Pressure (CPAP) and Bi-Level Positive Airway Pressure (BiPAP) equipment to all front line providers.
- Attended the National Fire Academy Trainings for Executive Fire Officer, Community Risk Reduction, and Cultural Competence in Community Risk Reduction.
- Collaborated with the National Fire Protection Agency (NFPA) using SFMD incident data in the development of predictive analysis applications.

Overview of the Financial Statements

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

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

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as the 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.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 3,713,323	\$ 4,063,814
Capital assets	14,724,948	15,240,586
	<u>18,438,271</u>	<u>19,304,400</u>
Total assets		
	8,169,314	4,858,785
Deferred outflows of resources		
	2,046,267	1,528,740
Other liabilities		
Long-term liabilities outstanding	27,134,140	20,189,237
	<u>29,180,407</u>	<u>21,717,977</u>
Total liabilities		
	2,056,852	1,592,676
Deferred inflows of resources		
Net Position		
Net investment in capital assets	6,476,219	7,068,585
Restricted	155,161	105,942
Unrestricted	(11,261,054)	(6,321,995)
	<u>(4,629,674)</u>	<u>852,532</u>
Total net position	<u>\$ (4,629,674)</u>	<u>\$ 852,532</u>

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

Factors Affecting Future Results

The District remains subject to general economic conditions affecting property tax values. In recent years, the net assessed valuation (NAV) of properties within the District has decreased dramatically, down approximately 43% from the highest values experienced in FY 2008 / 2009.

Condensed Statement of Changes in Net Position

	<u>2017</u>	<u>2016</u>
Program revenues		
Charges for services	\$ 2,598,016	\$ 1,646,717
Capital grants and contributions	261,999	785,051
General revenues		
Taxes	12,278,896	11,741,734
Centrally assessed taxes	385,038	381,389
Insurance premiums	125,696	98,783
County Aid	400,000	400,000
Investment and other income	122,666	208,449
Total revenues	<u>\$ 16,172,311</u>	<u>\$ 15,262,123</u>
Program expenses		
Administration	\$ 1,983,411	\$ 1,513,804
Technical Services	507,372	552,909
Communication Services	186,356	253,085
Emergency Services	15,471,906	11,710,477
Community Services	264,092	632,593
Transport Services	2,986,604	1,278,772
Interest on debt/debt issuance costs	254,776	235,024
Total expenses	<u>\$ 21,654,517</u>	<u>\$ 16,176,664</u>
Increase in net position	\$ (5,482,206)	\$ (914,541)
Net position - beginning of year	<u>852,532</u>	<u>1,767,073</u>
Net position - end of year	<u>\$ (4,629,674)</u>	<u>\$ 852,532</u>

However, recent home values and home sales have shown signs of improvement. According to numerous home price indices, home values in the greater Phoenix metropolitan area have been increasing since 2011. It is important to remember that the NAV lags approximately 36 months, so the NAV for the FY 2017 / 2018 will reflect assessed home values in the 2014 / 2015 period.

Recent legislative changes have and will continue to provide challenges for the District even in periods of rising property values. Proposition 117, passed by the Arizona legislature in November 2012, limits the annual increase of real property used to calculate property taxes to 5.0% over the prior year's value, and mandates that property taxes be levied on the lower of the limited property value (LPV) or full cash value (FCV). However, the District' average increase in NVA since the implementation of Proposition 117 in FY 2014 / 2015 has been approximately 2.4%, far below the maximum of 5.0%. So the impact of Proposition 117 on the District is significant.

The District continues to aggressively manage costs in all areas to effectively manage the consequences of Proposition 117 to operate within a balanced budget as mandated by Arizona statute while providing the highest quality fire, emergency medical services, and ground transport services to the residents of the District and surrounding communities.

Contacting the District

This financial report is designed to provide information for anyone with an interest in an overview of the District's finances. Any questions regarding this report or requests for additional information may be directed to the Superstition Fire & Medical District at 565 North Idaho Road in Apache Junction, Arizona 85119-4014.



BASIC FINANCIAL STATEMENTS



SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,326,189	\$ 172,722	\$ 2,498,911
Receivables (net of no allowance for uncollectibles)	484,303	306,522	790,825
Prepays	36,946	9,349	46,295
Inventory	-	60,370	60,370
Restricted cash and cash equivalents	151,080	-	151,080
Internal balances	1,623,077	(1,623,077)	-
Investment in joint venture	165,842	-	165,842
Capital assets			
Capital assets, not being depreciated	1,241,806	-	1,241,806
Capital assets, being depreciated, net	12,017,606	1,465,536	13,483,142
Total assets	<u>18,046,849</u>	<u>391,422</u>	<u>18,438,271</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	6,196,343	309,096	6,505,439
Deferred outflows of employer contributions to pensions	1,504,815	159,060	1,663,875
Total deferred outflows of resources	<u>7,701,158</u>	<u>468,156</u>	<u>8,169,314</u>
LIABILITIES			
Accounts payable	30,703	19,424	50,127
Accrued payroll and employee benefits	175,058	22,105	197,163
Current portion of:			
Lease payable	93,158	137,858	231,016
Compensated absences	920,549	27,412	947,961
Notes payable	465,000	-	465,000
Claims payable	155,000	-	155,000
Long-term portion of:			
Lease payable	913,449	1,088,781	2,002,230
Compensated absences	1,262,182	35,727	1,297,909
Notes payable	5,550,483	-	5,550,483
Net pension liability	17,878,493	405,025	18,283,518
Total liabilities	<u>27,444,075</u>	<u>1,736,332</u>	<u>29,180,407</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,005,528	51,324	2,056,852
NET POSITION			
Net investment in capital assets	6,237,322	238,897	6,476,219
Restricted for:			
Debt service	155,161	-	155,161
Unrestricted	<u>(10,094,079)</u>	<u>(1,166,975)</u>	<u>(11,261,054)</u>
Total net position	<u>\$ (3,701,596)</u>	<u>\$ (928,078)</u>	<u>\$ (4,629,674)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Administration	\$ 1,983,411	\$ -	\$ -	\$ 6,410
Technical services	507,372	-	-	-
Communication services	186,356	-	-	-
Emergency services	15,471,906	450,813	-	4,475
Community services	264,092	3,594	247,900	3,214
Interest on debt	254,776	-	-	-
Total governmental activities	<u>18,667,913</u>	<u>454,407</u>	<u>247,900</u>	<u>14,099</u>
Business-type activities:				
Transport services	<u>2,986,604</u>	<u>2,143,609</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,654,517</u>	<u>\$ 2,598,016</u>	<u>\$ 247,900</u>	<u>\$ 14,099</u>

General revenues
Property taxes
Centrally assessed taxes
Insurance premiums
County aid
Investment earnings
Net gain (loss) on sale of capital assets
Other income
Transfers in (out)

Total general revenues and transfers

Change in net position

Net position-beginning

Net position-ending

Net (Expense)
Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,977,001)	\$ -	\$ (1,977,001)
(507,372)	-	(507,372)
(186,356)	-	(186,356)
(15,016,618)	-	(15,016,618)
(9,384)	-	(9,384)
(254,776)	-	(254,776)
<u>(17,951,507)</u>	<u>-</u>	<u>(17,951,507)</u>
-	(842,995)	(842,995)
<u>(17,951,507)</u>	<u>(842,995)</u>	<u>(18,794,502)</u>
12,278,896	-	12,278,896
385,038	-	385,038
125,696	-	125,696
400,000	-	400,000
30,199	2,256	32,455
518	-	518
16,816	72,877	89,693
<u>(62,654)</u>	<u>62,654</u>	<u>-</u>
<u>13,174,509</u>	<u>137,787</u>	<u>13,312,296</u>
(4,776,998)	(705,208)	(5,482,206)
<u>1,075,402</u>	<u>(222,870)</u>	<u>852,532</u>
<u>\$ (3,701,596)</u>	<u>\$ (928,078)</u>	<u>\$ (4,629,674)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,349,951	\$ 906,338	\$ 69,900	\$ 2,326,189
Receivables				
Property taxes	360,053	-	24,768	384,821
Accounts receivable	99,482	-	-	99,482
Interest receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	449,360	1,173,717	-	1,623,077
Prepays	36,946	-	-	36,946
Other assets	-	-	-	-
Restricted cash and cash equivalents	-	-	151,080	151,080
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,295,792</u>	<u>\$ 2,080,055</u>	<u>\$ 245,748</u>	<u>\$ 4,621,595</u>
LIABILITIES				
Accounts payable	\$ 30,129	\$ 574	\$ -	\$ 30,703
Accrued wages and benefits	175,058	-	-	175,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>205,187</u>	<u>574</u>	<u>-</u>	<u>205,761</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	300,628	-	20,687	321,315
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Nonspendable	36,946	-	-	36,946
Restricted for debt retirement	-	-	155,161	155,161
Committed	-	-	-	-
Assigned	-	2,079,481	69,900	2,149,381
Unassigned	1,753,031	-	-	1,753,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,789,977</u>	<u>2,079,481</u>	<u>225,061</u>	<u>4,094,519</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,295,792</u>	<u>\$ 2,080,055</u>	<u>\$ 245,748</u>	<u>\$ 4,621,595</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2017

Fund balance - total governmental funds balance sheet		\$ 4,094,519
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture		165,842
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 25,808,407	
Less accumulated depreciation	<u>(12,548,995)</u>	13,259,412
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position		
		321,315
Some liabilities, including net pension liabilities, capital leases, loans payable, and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Claims payable	(155,000)	
Lease payable	(1,006,607)	
Net Pension Liability	(17,878,493)	
Compensated absences	(2,182,731)	
Notes payable	<u>(6,015,483)</u>	(27,238,314)
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 of resources related to pensions	6,196,343	
Deferred outflows of employer contributions	1,504,815	
Deferred inflows of resources related to pensions	<u>(2,005,528)</u>	5,695,630
Net position of governmental activities - statement of net position		<u>\$ (3,701,596)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,492,996	\$ -	\$ 777,115	\$ 12,270,111
Centrally assessed taxes	360,634	-	24,404	385,038
Insurance premiums	125,696	-	-	125,696
County aid	400,000	-	-	400,000
Charges for services	454,407	-	-	454,407
Grants	247,900	-	33,885	281,785
Interest revenues	14,717	11,061	4,421	30,199
Other income	4,728	-	12,088	16,816
Total revenues	13,101,078	11,061	851,913	13,964,052
EXPENDITURES				
Current				
Administration	1,808,775	-	-	1,808,775
Technical services	492,541	-	-	492,541
Communication services	180,356	-	-	180,356
Emergency services	9,830,858	-	-	9,830,858
Community services	252,941	-	-	252,941
Capital outlay	-	940,961	66,921	1,007,882
Debt service				
Principal	-	94,069	445,000	539,069
Interest and fiscal charges	-	23,324	311,031	334,355
Total expenditures	12,565,471	1,058,354	822,952	14,446,777
Excess (deficiency) of revenues over (under) expenditures	535,607	(1,047,293)	28,961	(482,725)
OTHER FINANCING SOURCES AND USES				
Sales of assets	518	-	-	518
Proceeds from capital lease	-	716,047	-	716,047
Total other financing sources and uses	518	716,047	-	716,565
Net change in fund balances	536,125	(331,246)	28,961	233,840
Fund balances - beginning of year	1,253,852	2,410,727	196,100	3,860,679
Fund balances - end of year	\$ 1,789,977	\$ 2,079,481	\$ 225,061	\$ 4,094,519

SUPERSTITION FIRE & MEDICAL 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, 2017

Net change in fund balances - total governmental funds		\$ 233,840
Amounts reported for governmental activities in the statement of activities are different because:		
Equity interest reported at cost for the investment in the City of Mesa joint venture		64,858
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 and reported as depreciation expense.		
Expenditures for capital assets	\$ 885,879	
Less current year depreciation	(1,345,482)	
Transfer of capital asset	<u>(62,654)</u>	(522,257)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District pension contributions	1,504,815	
Pension expense	<u>(5,688,119)</u>	(4,183,304)
Revenues received in the current year that were accrued in the statement of activities in prior years		
Property taxes		8,785
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.		
		(716,047)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Claims payable	(155,000)	
Amortization	30,191	
Leases payable	56,255	
Notes payable	<u>445,000</u>	<u>376,446</u>
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.		
		<u>(39,319)</u>
Change in net position of governmental activities		<u>\$ (4,776,998)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

ASSETS	Transport
Current assets:	Services
Cash and cash equivalents	\$ 172,722
Receivables, net of uncollectibles	306,522
Prepaid expenses	9,349
Inventory	60,370
Total current assets	<u>548,963</u>
Noncurrent assets:	
Capital assets:	
Vehicles, net of depreciation	<u>1,465,536</u>
Total assets	<u>2,014,499</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	309,096
Deferred outflows of employer contributions to pensions	<u>159,060</u>
Total deferred outflows of resources	<u>468,156</u>
LIABILITIES	
Current liabilities:	
Accounts payable	19,424
Accrued wages and benefits	22,105
Compensated absences	27,412
Due to other funds	1,623,077
Capital leases	<u>137,858</u>
Total current liabilities	<u>1,829,876</u>
Noncurrent liabilities:	
Capital leases	1,088,781
Compensated absences	35,727
Net pension liability	<u>405,025</u>
Total noncurrent liabilities	<u>1,529,533</u>
Total liabilities	<u>3,359,409</u>
Deferred inflows of resources	
Deferred inflows of resources related to pensions	<u>51,324</u>
Total deferred inflows of resources	<u>51,324</u>
NET POSITION	
Net investment in capital assets	238,897
Unrestricted	<u>(1,166,975)</u>
Total net position	<u>\$ (928,078)</u>

See accompanying notes.

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year ended June 30, 2017

	<u>Transport Services</u>
Operating revenues:	
Charges for services	\$ 2,133,970
Other	<u>84,772</u>
Total operating revenues	<u>2,218,742</u>
Operating expenses:	
Transport	1,680,477
General and administrative	1,209,211
Depreciation	<u>96,916</u>
Total operating expenses	<u>2,986,604</u>
Operating income (loss) before contributions	(767,862)
Contribution	<u>62,654</u>
Change in net position	(705,208)
Net position, beginning of year	<u>(222,870)</u>
Net position, end of year	<u><u>\$ (928,078)</u></u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2017

	<u>Transport Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,379,952
Payments to vendors	(173,759)
Payments for employees	<u>(2,066,697)</u>
Net cash provided (used) by operating activities	<u>139,496</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital lease	(107,873)
Purchase of capital assets	<u>(40,881)</u>
Net cash provided (used) by capital and related financing activities	<u>(148,754)</u>
Net change in cash and cash equivalents	(9,258)
Cash and cash equivalents-July 1, 2016	<u>181,980</u>
Cash and cash equivalents-June 30, 2017	<u><u>\$ 172,722</u></u>

	<u>Transport Services</u>
Reconciliation of operating income	
(loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ (767,862)
Adjustments to reconcile operating	
income (loss) to net cash provided	
(used) by operating activities:	
Depreciation expense	96,916
Pension expense	215,813
Employer pension contributions	(159,060)
(Increase) decrease in:	
Accounts receivable	161,210
Prepaid expenses	(5,789)
Inventory	(60,370)
Increase (decrease) in:	
Accounts payable	9,075
Accrued wages	9,686
Compensated absences	25,067
Due to other funds	<u>614,810</u>
Total adjustments	<u>907,358</u>
Net cash provided (used) by	
operating activities	<u>\$ 139,496</u>
Noncash investing, capital, and	
financing activities:	
Transfer of capital assets	\$ 328,536



SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures of the Superstition Fire & Medical District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Superstition Fire & Medical District (the District) was organized in 1955 pursuant to Title 48 of the Arizona Revised State Statutes (ARS) and is operated as a special purpose local government that is governed by an elected governing body.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – 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 revenues as soon as eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – 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 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses and permits, charges for services, and investment income 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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has one nonmajor fund for June 30, 2017.

The District reports the following major governmental funds:

General Fund – This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in other funds.

Capital Project Fund – This fund is used to account for funds received and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the District.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Transport Services Fund – This fund is used to account for funds received and expended for ambulance services as well as for the acquisition of major equipment.

D. Budgeting and Budgetary Control

The District Board formally adopts an annual budget for all operating funds which is submitted to the county treasurer and county board of supervisors. The budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Investments

The District reports all investments at fair value in the statement of net position.

G. Restricted Cash

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

H. Inventory

Purchases of inventory items are recorded at the time of purchase (purchases method) as expenditures in the funds from which the purchases were made.

I. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Receivables and Payables (Continued)

Property taxes are levied by the District and collected by the Pinal County and Maricopa County Treasurers. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise. The District also levies various personal property taxes during the year which are due at the same time as real property taxes.

J. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture 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 of \$5,000 or more and an estimated useful life equal to or exceeding two years. Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed. Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	27.5 - 40
Equipment	7
Fire Trucks	10
Automobiles	5
Office Equipment	5

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balances – Governmental Funds

Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in Nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board or any official or body to which the District Board delegates authority may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

The District's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. Hours earned in excess of the annual allowable accumulations are paid out on the final paycheck of the fiscal year when approved by the Board. Any sick leave accrued amounts are paid at the maximum rate of sixty percent upon retirement and no payment upon resignation or termination. Accrued vacation is paid at one hundred percent, regardless of the nature of departure. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

M. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Deferred Outflows/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.

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.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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 and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 DEPOSITS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2017, the carrying amount of the District's deposits totaled \$2,649,991 and the amount on deposit with the Pinal County Treasurer's Office was \$2,859,817. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,241,806	\$ -	\$ -	\$ 1,241,806
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,241,806	-	-	1,241,806
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	12,800,670	31,450	-	12,832,120
Vehicles and apparatus	8,331,429	716,047	(310,273)	8,737,203
Furniture and equipment	2,927,671	138,383	(68,776)	2,997,278
Total capital assets being depreciated	24,059,770	885,880	(379,049)	24,566,601
Less accumulated depreciation for:				
Buildings and improvements	(5,627,361)	(569,271)	-	(6,196,632)
Vehicles and apparatus	(4,146,696)	(518,179)	22,023	(4,642,852)
Furniture and equipment	(1,479,967)	(258,032)	28,488	(1,709,511)
Total accumulated depreciation	(11,254,024)	(1,345,482)	50,511	(12,548,995)
Total capital assets, being depreciated, net	12,805,746	(459,602)	(328,538)	12,017,606
Governmental activities capital assets, net	\$ 14,047,552	\$ (459,602)	\$ (328,538)	\$ 13,259,412

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 CAPITAL ASSETS (Continued)

Business-type Activities:	Beginning Balance	Increases / Transfers	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	-	-	-	-
Vehicles and apparatus	1,241,092	351,153	-	1,592,245
Furniture and equipment	-	68,776	-	68,776
Total capital assets being depreciated	1,241,092	419,929	-	1,661,021
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Vehicles and apparatus	(48,057)	(112,748)	-	(160,805)
Furniture and equipment	-	(34,680)	-	(34,680)
Total accumulated depreciation	(48,057)	(147,428)	-	(195,485)
Total capital assets, being depreciated, net	1,193,035	272,501	-	1,465,536
Business-Type activities capital assets, net	\$ 1,193,035	\$ 272,501	\$ -	\$ 1,465,536

Depreciation expense was charged to the various departments in the governmental activities as follows:

Governmental activities:	
Administrative	\$ 90,171
Technical Services	14,831
Emergency Services	1,234,480
Community Services	6,000
Total depreciation expense - governmental activities	\$ 1,345,482

The depreciation expense for business-type activities was \$96,916. Assets valued at \$379,048 with accumulated depreciation of \$50,512 were transferred from the governmental activities to the business-type activities.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The District contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2017, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net Pension Liabilities	\$ 17,878,493	\$ 405,025	\$ 18,283,518
Deferred outflow of resources	7,701,158	468,156	8,169,314
Deferred inflow of resources	2,005,528	51,324	2,056,852
Pension expense	5,688,119	215,813	5,903,932

The District reported \$1,504,815 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – District employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* and years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*with actuarially reduced benefits.

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

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2017 were \$202,995. The District's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30	Fund	Fund
2017	\$ 10,545	\$ 2,636
2016	6,604	1,585
2015	4,776	955

During fiscal year 2017, the District paid 50 percent of ASRS pension and OPEB contributions from the General Fund and 50 percent from the Transport Services Fund.

Pension Liability - At June 30, 2017, the District reported a liability of \$2,298,479 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The District's proportion measured as of June 30, 2016, was 0.014244 percent, which was an increase of 0.005625 percent from its proportion measured as of June 30, 2015.

The District's reported liability at June 30, 2017, increased by \$956,027 from the District's prior year liability of \$1,342,452 because of changes in the ASRS' net pension liability and the District's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2017, the District recognized pension expense for ASRS of \$415,776. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 13,968	\$ 158,119
Changes of assumptions or other inputs	-	121,608
Net difference between projected and actual earnings on pension plan investments	249,079	-
Changes in proportion and differences between District contributions and proportionate share of contributions	683,421	7,869
District contributions subsequent to the measurement date	<u>202,995</u>	<u>-</u>
Total	<u>\$ 1,149,463</u>	<u>\$ 287,596</u>

The \$202,995 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 ended June 30, 2017. 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:

<u>Year ending June 30</u>	
2016	\$ 212,424
2017	217,263
2018	159,344
2019	69,841
Thereafter	-

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 20, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		Long-Term
Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed Income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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.

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

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% increase (9%)
District's proportionate share of the net pension liability	\$ 2,930,735	\$ 2,298,479	\$ 1,791,548

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

B. Public Safety Personnel Retirement System

Plan Description – Fire service employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
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	
<u>Survivor Benefits</u>		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms - At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Firefighter
Inactive employees or beneficiaries	
currently receiving benefits	13
Inactive employees entitled to	
but not yet receiving benefits	8
Active employees	86
Total	107

Contributions and Annual OPEB Cost - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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. Employer contribution rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

In addition, statute required the District to contribute at the actuarially determined rate indicated below 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.

	PSPRS Firefighter
Pension	13.90%
Health insurance permium benefit	0.04%

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2017, were:

Pension	Firefighter
Contributions made	\$ 1,460,880
Health Insurance Premium Benefit	
Annual OPEB cost contributions made	20,576

During fiscal year 2017, the District paid 96 percent of the PSPRS pension and OPEB contributions from the General Fund and 4 percent from the Transport Services Fund.

Pension Liability - At June 30, 2017, the District reported a PSPRS net pension liability of \$15,985,039.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflected the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the District's net pension liabilities as a result of these changes is not known.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0% - 8.0%
Inflation	4.00%
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, 2016, 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 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS	Asset Class	Target	Long-Term
		Allocation	Expected Geometric Real Rate of Return
	Short term investments	2%	0.75%
	Absolute return	5%	4.11%
	Risk parity	4%	5.13%
	Fixed income	7%	2.92%
	Real assets	8%	4.77%
	GTAA	10%	4.38%
	Private equity	11%	9.50%
	Real estate	10%	4.48%
	Credit opportunities	13%	7.08%
	Non-U.S. equity	14%	8.25%
	U.S. equity	16%	6.23%
	Total	100.00%	

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS total pension liability was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

PSPRS - Firefighter	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 34,690,364	\$ 24,835,708	\$ 9,854,656
Changes for the year:			
Service Cost	1,309,752		1,309,752
Interest on the total pension liability	2,749,545		2,749,545
Changes of benefit terms	3,751,261		3,751,261
Differences between expected and actual experience in the measurement of the pension liability	(750,533)		(750,533)
Changes of assumptions or other inputs	1,655,851		1,655,851
Contributions - employer		1,583,372	(1,583,372)
Contributions - employee		838,526	(838,526)
Net investment income		148,850	(148,850)
Benefit payments, including refunds of employee contributions	(638,368)	(638,368)	-
Administrative expense		(21,819)	21,819
Other changes		36,564	(36,564)
Net changes	8,077,508	1,947,125	6,130,383
Balances at June 30, 2017	\$ 42,767,872	\$ 26,782,833	\$ 15,985,039

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS
	Firefighter
2017	\$ 666,142
2018	666,140
2019	889,714
2020	692,982
2021	318,715
Thereafter	556,022

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the District and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The 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 2017 contribution requirements:

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS
includes inflation at	4% for PSPRS

Agent plan OPEB trend information - Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

PSPRS - Firefighter	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Year Ended June 30	Cost	Contributed	Obligation
2017	\$ 20,576	100%	\$ -
2016	23,492	100%	-
2015	57,686	100%	-

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Firefighter
Actuarial value of assets (a)	\$ 858,020
Actuarial accrued liability (b)	899,996
Unfunded actuarial accrued liability (funded excess) (b) - (a)	41,976
Funded ratio (a)/(b)	95.34%
Annual covered payroll (c)	6,948,284
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.60%

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4% - 8% for PSPRS

NOTE 5 LONG TERM DEBT

General Obligation Bonds

In 2006, the District entered into a loan agreement with the Greater Arizona Development Authority (GADA) to provide funds for construction and furnishings of new fire stations and training facilities, to expand and renovate existing fire stations and facilities, acquire interest in land for construction and expansion of facilities, to acquire firefighting, rescue and other life preserving equipment, and to pay all legal, engineering, architectural, accounting, financial consulting and other necessary costs in connection with these activities. Interest at the rate of 4.25 to 5% is payable semiannually on January 1 and July 1. The loan is being repaid by means of a secondary tax levied on all taxable property within the Superstition Fire & Medical District sufficient to pay principal, interest and administration costs. The funds are held in a separate County Treasurer account to be used for principal and interest payments.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 LONG TERM DEBT (Continued)

The annual debt service requirements for this debt are as follows:

Fiscal year ending June 30,	Principal	Interest
2018	\$ 465,000	\$ 279,375
2019	485,000	255,625
2020	510,000	230,750
2021	535,000	204,625
2022	560,000	177,250
2023 - 2027	3,265,000	424,375
Total	\$ 5,820,000	\$ 1,572,000

Capital Lease – The District entered into a lease agreement for capital purchases of vehicles in the governmental and business type activities. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The leases related to the governmental activity is payable in annual installments of \$128,354, including interest at 3.50%. The leases related to the business-type activity is payable in annual installments of \$175,148, including interest at 3.04%. The following schedule presents future minimum lease payments as of June 30, 2017:

Year Ending, June 30	Governmental Activities	Business-type Activities
2018	\$ 128,354	\$ 175,148
2019	128,354	175,148
2020	128,354	175,148
2021	128,354	175,148
2022	128,354	175,148
2023-2026	555,670	524,671
Total requirements	1,197,438	1,400,409
Less interest	190,831	173,771
Present value of remaining payments	\$ 1,006,607	\$ 1,226,639

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 LONG TERM DEBT (Continued)

Vehicles and related accumulated depreciation under capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset		
Vehicles	\$ 1,124,613	\$ 1,551,365
Subtotal		
Less accumulated depreciation	(104,952)	(160,162)
Net	<u>\$ 1,019,661</u>	<u>\$ 1,391,203</u>

Changes in long-term debt as of June 30, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Governmental activities:						
Notes payable	\$ 6,265,000	\$ -	\$ (445,000)	\$ -	\$ 5,820,000	\$ 465,000
Premium on loan	225,674	-	(30,191)	-	195,483	-
Capital leases	647,728	716,047	(91,286)	(265,882)	1,006,607	93,158
Compensated absences	2,143,412	245,492	(206,173)	-	2,182,731	920,549
Net pension liability	11,197,108	6,681,385	-	-	17,878,493	-
Governmental activities long-term liabilities	<u>\$ 20,478,922</u>	<u>\$ 7,642,924</u>	<u>\$ (772,650)</u>	<u>\$ (265,882)</u>	<u>\$ 27,083,314</u>	<u>\$ 1,478,707</u>
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Business-type activities:						
Capital lease	\$ 1,068,630	\$ -	\$ (107,873)	\$ 265,882	\$ 1,226,639	\$ 137,858
Compensated absences	38,072	31,732	(6,665)	-	63,139	27,412
Net pension liability	-	405,025	-	-	405,025	-
Business-like activities long-term liabilities	<u>\$ 1,106,702</u>	<u>\$ 436,757</u>	<u>\$ (114,538)</u>	<u>\$ -</u>	<u>\$ 1,694,803</u>	<u>\$ 165,270</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6 JOINT VENTURE

The District participates in a joint venture with five other governments for the operations and maintenance of a communications center. The City of Mesa operates the center which is funded by the participating members of the venture. Ownership of the center is distributed to the participants relative to their individual contributions. The District's share of the venture's capital cost for the fiscal year ended June 30, 2017 was \$57,313. The District retains equity ownership interest in the capital purchases. Upon resolution of the venture's governing board, members may be subject to a special assessment if the Board determines the special assessment is needed for disaster recovery or other reasons as stated in the governance agreement. Additional information on this joint venture may be obtained from the website at www.topazrwc.org.

NOTE 7 CREDIT LINE

The District has an approved line of credit for \$2.5 million with Wells Fargo Bank to ensure the District has sufficient short term cash flow to cover operating expenses between the two peak times of the fiscal year when the District receives the bulk of their revenues (November 1 and May 1). The line of credit must be renewed annually. There were draws and payments of \$654,811 during the year and no balance was outstanding at fiscal year-end.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
Capital Project	\$ 1,173,717	\$ -
General	449,360	-
Transport Services	-	1,623,077
Total	\$ 1,623,077	\$ 1,623,077

The outstanding balance in the Transport Services fund is for administrative costs that are allocated from the other 2 funds. This is a long term payable and will be paid back gradually.

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

Fund	Transfers Out	Transfers In
Capital Project	\$ (62,654)	\$ -
Transport Services	-	62,654
Total	\$ (62,654)	\$ 62,654

Transfers were made to maintain all of the District's ambulances in the proprietary fund.



REQUIRED SUPPLEMENTARY INFORMATION



SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLAN
 June 30, 2017

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
District's proportion of the net pension liability	0.014244%	0.008618%	0.007864%	Information
District's proportionate share of the net pension liability	\$2,298,479	\$ 1,342,452	\$ 1,163,628	not available
District's covered payroll	796,737	697,169	712,692	
District's proportionate share of the net pension liability as a percentage of its covered payroll	288.49%	192.56%	163.27%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
 AGENT PENSION PLAN
 June 30, 2017

Fire District Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 1,309,752	\$ 1,093,722	\$ 1,174,458	
Interest on the total pension liability	2,749,545	2,431,989	2,152,709	
Changes on benefit terms	3,751,261	-	181,548	
Differences between expected and actual experience in the measurement of the pension liability	(750,533)	1,088,291	(1,010,683)	
Changes of assumptions or other inputs	1,655,851	-	1,793,216	
Benefit payments, including refunds of employee contributions	(638,368)	(715,052)	(671,310)	
Net change in total pension liability	8,077,508	3,898,950	3,619,938	
Total pension liability - beginning	34,690,364	30,791,414	27,171,476	
Total pension liability - ending (a)	<u>\$ 42,767,872</u>	<u>\$ 34,690,364</u>	<u>\$ 30,791,414</u>	
Plan fiduciary net position				
Contributions - employer	\$ 1,583,372	\$ 1,015,424	\$ 993,529	
Contributions - employee	838,526	790,270	607,581	
Net investment income	148,850	857,371	2,659,653	
Benefit payments, including refunds of employee contributions	(638,368)	(715,052)	(671,310)	
Administrative expense	(21,819)	(21,306)	(21,594)	
Other changes	36,564	(17,818)	(205,504)	
Net change in plan fiduciary net position	1,947,125	1,908,889	3,362,355	
Plan fiduciary net position - beginning	24,835,708	22,926,819	19,564,464	
Plan fiduciary net position - ending (b)	<u>\$ 26,782,833</u>	<u>\$ 24,835,708</u>	<u>\$ 22,926,819</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 15,985,039</u>	<u>\$ 9,854,656</u>	<u>\$ 7,864,595</u>	

Superstition Fire and Medical District
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Plan fiduciary net position as a percentage of the total pension liability	62.62%	71.59%	74.46%	Information not available
Covered payroll	\$ 5,077,120	\$ 6,025,039	\$ 5,472,996	
District's net pension liability as a percentage of covered payroll	314.84%	163.56%	143.70%	

SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
 June 30, 2017

Arizona Retirement System	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 144,705	\$ 86,446	\$ 75,852	\$ 76,258	Information not available
District's contributions in relation to the statutorily required contribution	144,705	86,446	75,852	76,258	
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$1,342,347	\$ 796,737	\$ 697,169	\$ 712,692	
District's contributions as a percentage of covered payroll	10.78%	10.85%	10.88%	10.70%	

Superstition Fire and Medical District Public Safety Personnel Retirement System	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Actuarially determined contribution	\$1,583,372	\$ 1,015,424	\$ 993,529	\$ 902,497	Information not available
District's contributions in relation to the actuarially determined contribution	1,583,372	1,015,424	993,529	902,497	
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$7,690,005	\$ 5,077,120	\$ 6,025,039	\$ 5,472,996	
District's contributions as a percentage of covered payroll	20.59%	20.00%	16.49%	16.49%	

SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE PENSION PLAN SCHEDULES
 June 30, 2016

NOTE 1 ACTUARIALY DETERMINED CONTRIBUTION RATES

Actuarial 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 percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions: Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 8.5% to 4.0% to 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5% for PSPRS.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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 (adjusted by 105% for both males and females)

SUPERSTITION FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION PLAN SCHEDULES
June 30, 2016

NOTE 2 FACTORS THAT AFFECT TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the District's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of District pension contributions.

SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
 June 30, 2017

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
PSPRS Firefighter						
6/29/2016	\$ 858,020	\$ 899,996	\$ 41,976	95.34%	\$ 6,948,284	0.60%
6/30/2015	788,135	806,630	18,495	97.71%	6,715,243	0.28%
6/30/2014	708,336	762,638	54,302	92.88%	5,794,922	0.94%
6/30/2013	-	695,649	695,649	0.00%	6,201,982	11.22%

The health insurance subsidy payment reported for FY 2017 was \$8,818.

SUPERSTITION FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2017

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund

SUPERSTITION FIRE & MEDICAL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,464,823	\$ 11,464,823	\$ 11,492,996	\$ 28,173
Centrally assessed taxes	362,916	362,916	360,634	(2,282)
Insurance premiums	100,000	100,000	125,696	25,696
County aid	400,000	400,000	400,000	-
Charges for services	659,300	659,300	454,407	(204,893)
Grants	393,391	393,391	247,900	(145,491)
Interest revenues	10,000	10,000	14,717	4,717
Other income	10,000	10,000	4,728	(5,272)
Total revenues	13,400,430	13,400,430	13,101,078	(299,352)
EXPENDITURES				
Current				
Administration	3,646,283	3,646,283	1,808,775	1,837,508
Technical Services	551,971	551,971	492,541	59,430
Communication Services	228,064	228,064	180,356	47,708
Emergency Services	9,922,612	9,922,612	9,830,858	91,754
Community Services	274,462	274,462	252,941	21,521
Total expenditures	14,623,392	14,623,392	12,565,471	2,057,921
Excess (deficiency) of revenues over (under) expenditures	(1,222,962)	(1,222,962)	535,607	1,758,569
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	(21,950)	(21,950)	-	21,950
Sales of assets	-	-	518	518
Total other financing sources	(21,950)	(21,950)	518	22,468
Net change in fund balances	(1,244,912)	(1,244,912)	536,125	1,781,037
Fund balance-beginning of year	2,577,278	2,577,278	1,253,852	(1,323,426)
Fund balance - end of year	\$ 1,332,366	\$ 1,332,366	\$ 1,789,977	\$ 457,611



SUPPLEMENTARY INFORMATION

SUPERSTITION FIRE & MEDICAL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income	5,000	5,000	11,061	6,061
Total revenues	5,000	5,000	11,061	6,061
EXPENDITURES				
Administration	807,844	807,844	-	807,844
Capital outlay	607,592	607,592	940,961	(333,369)
Debt service				
Principal	-	-	94,069	(94,069)
Interest and fiscal charges	-	-	23,324	(23,324)
Total expenditures	1,415,436	1,415,436	1,058,354	357,082
Excess (deficiency) of revenues over (under) expenditures	(1,410,436)	(1,410,436)	(1,047,293)	363,143
OTHER FINANCING SOURCES				
Sale of assets	-	-	-	-
Proceeds from capital lease	50,000	50,000	716,047	666,047
Transfers out	(2,000)	(2,000)	-	2,000
Total other financing sources and uses	48,000	48,000	716,047	668,047
Net change in fund balances	(1,362,436)	(1,362,436)	(331,246)	1,031,190
Fund balance-beginning of year	3,401,309	3,401,309	2,410,727	(990,582)
Fund balance - end of year	\$ 2,038,873	\$ 2,038,873	\$ 2,079,481	\$ 40,608

SUPERSTITION FIRE & MEDICAL DISTRICT
NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Property Taxes	\$ 776,588	\$ 776,588	\$ 777,115	\$ 527
Centrally assessed taxes	24,567	24,567	24,404	(163)
Grants	523,991	523,991	33,885	(490,106)
Investment income	2,900	2,900	4,421	1,521
Other income	22,600	22,600	12,088	(10,512)
Total revenues	1,350,646	1,350,646	851,913	(498,733)
EXPENDITURES				
Capital outlay	237,595	237,595	66,921	170,674
Debt Service:				
Principal	445,000	445,000	445,000	-
Interest and other charges	461,022	461,022	311,031	149,991
Total expenditures	1,143,617	1,143,617	822,952	320,665
Excess (deficiency) of revenues over (under) expenditures	207,029	207,029	28,961	(178,068)
OTHER FINANCING SOURCES				
Transfers in	23,950	23,950	-	(23,950)
Transfers out	-	-	-	-
Total other financing sources	23,950	23,950	-	(23,950)
Net change in fund balances	230,979	230,979	28,961	(202,018)
Fund balance - beginning of year	1,675,675	1,675,675	196,100	(1,479,575)
Fund balance - end of year	\$ 1,906,654	\$ 1,906,654	\$ 225,061	\$ (1,681,593)



REPORT ON INTERNAL CONTROL AND COMPLIANCE



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

To the Board of Directors
Superstition Fire & Medical District
Apache Junction, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Superstition Fire & Medical District, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Superstition Fire & Medical District, Arizona's basic financial statements and have issued our report thereon dated January 3, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Superstition Fire & Medical District, Arizona'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 Superstition Fire & Medical District, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Superstition Fire & Medical District, Arizona'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Superstition Fire & Medical District, Arizona'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*.

Management's Response to Findings

Superstition Fire & Medical District, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Superstition Fire & Medical District, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Henry & Horne LLP

Casa Grande, Arizona
January 3, 2018

SUPERSTITION FIRE & MEDICAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

FINDING: 2017-001

CRITERIA

The District should review all year-end closing entries to ensure the amounts included in the financial statements are presented in accordance with generally accepted accounting principles.

CONDITION/CONTEXT

The District performs closing procedures at year-end to properly state the financial amounts in accordance with generally accepted accounting principles. However, the year-end review was not complete and adjustments were necessary to properly state amounts related to accounts receivable, bad debt expense, and depreciation.

EFFECT

The District overstated accounts receivable and understated bad debt expense by \$465,187. The District also overstated depreciation expense and accumulated depreciation by \$44,403.

CAUSE

The lack of a complete and detailed review of the closing journal entries at year-end resulted in the misstatements in both entries.

RECOMMENDATION

It is recommended that the appropriate management review year-end closing entries and related calculations to ensure proper valuation of both the District accounts receivable and depreciation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Fiscal year 2017 was the first full year of accounting records related to the transport enterprise fund. The accounting for an enterprise fund is vastly different than all the other government funds the District has maintained since its inception. The complexity of establishing the enterprise fund greatly increased the level of effort necessary to complete the audit preparation prior to fieldwork. Management concurs with the recommendation and will review the entries and related calculations going forward.