



SUPERSTITION FIRE & MEDICAL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2018

SUPERSTITION FIRE & MEDICAL DISTRICT
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Superstition Fire & Medical District,
Apache Junction, 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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 4 to the financial statements, for the year ended June 30, 2018, the District adopted new accounting guidance, Governmental Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Matters (Continued)

Other Information (Continued)

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 December 19, 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
December 19, 2018



Superstition Fire & Medical District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2018

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, 2018. 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 primary Advanced Life Support ("ALS") and primary Basic Life Support ("BLS") ground transport services 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.

Results of Operations

Fire Suppression. During the fiscal year that ended June 30, 2018, the District's Fire Suppression division handled 9,620 Emergency Response calls:

- 7,229 Rescue and Emergency Medical Service incidents
- 881 Service calls
- 668 Good Intent calls
- 422 Not Recorded calls
- 176 Fire calls
- 171 False Alarm / False calls
- 28 Special incident type calls
- 42 Hazardous Condition incidents (no fire)
- 2 Severe Weather
- 1 Overpressure/Rupture/Explosion calls

It is estimated that the Fire Suppression division saved \$8.7 million in property and content representing a 71% save ratio.

Ground Transport. During FY 2017 / 2018, the District's Ground Transport division handled 5,068 transports representing an average of 14 transports per day. This represents a 19% increase over the previous fiscal year.

- 4,028 Advanced Life Support (ALS) transports
- 1,038 Basic Life Support (BLS) transports
- 37,574 Billable miles

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

State Land / Wild Land Deployments. During FY 2017 / 2018, the District served on 17 major wildland fire deployments involving 8,492 man-hours that generated \$650,501 in reimbursement from the state of Arizona.

- Roach fire
 - Deployment within Arizona involving 82 man-hours.
- CNF Cover fire
 - Deployment to California involving 152 man-hours
- 2017 Happy Camp Lightning fire
 - Deployment to California involving 317 man-hours
- Clear fire
 - Deployment to California involving 789 man-hours
- Jones fire
 - Deployment to Oregon involving 1,201 man-hours
- ABC Misc fire
 - Deployment to Oregon involving 140 man-hours
- Orleans Complex fire
 - Deployment to California involving 367 man-hours
- Wallowa Whitman SF Severity fire
 - Deployment to Oregon involving 110 man-hours
- BBFZ Misc ABC fire
 - Deployment to Oregon involving 888 man-hours
- 2017 SHF Lightning fire
 - Deployment to Oregon involving 1,276 man-hours.
- 2017 October Statewide California Fires fire
 - Deployment to California involving 513 man-hours
- 2018 BDF-OSC Support fire
 - Deployment to California involving 289 man-hours
- Thomas fire
 - Deployment to California involving 889 man-hours
- FY2018 Initial Attack fire
 - Deployment to Texas involving 725 man-hours
- Tinder fire
 - Deployment within Arizona involving 452 man-hours
- Pinery fire
 - Deployment within Arizona involving 73 man-hours
- Ambo 377 deployment
 - Deployment within Arizona involving 142 man-hours
- Soldier fire
 - Deployment to New Mexico involving 87 man-hours.

Operational Training. SFMD's training hours by category during FY 2017 / 2018 were:

- 11,110 Fire Operations training
- 5,180 Health & Fitness
- 3,785 Rescue and EMS training
- 2,475 Administrative training
- 2,371 Driver / Operator training
- 1,067 Technical Rescue (TRT) training
- 849 Wild Land Firefighting training
- 488 Hazardous Material Handling training
- 284 Prevention / Fire Education training

Community Training. Tina Gerola, SFMD's Community Risk Reduction Specialist, conducted the following community-based services during FY 2017 / 2018:

- Conducted 290 Automated External Defibrillator (AED) inspections
- Taught 1,115 community members how to use AEDs and perform cardio cerebral resuscitation (CCR) procedures
- Placed 48 free child safety seats
- Attended 103 community events, fairs, festivals, and city meetings
- Made 14 Fire & Life Safety presentations at community centers
- Facilitated 26 Pub-Ed presentations to 2,206 Pre-K to 5th grade students
- Facilitated 4 Pub-Ed CCR presentation to 360 6th grade students
- Performed 360 business inspections
- Placed 392 smoke alarms, 38 CO2 detectors, 38 home grab bars, 21 night lights, and 3 slip proof home safety mats in community residences

Cardiac Arrest Survival Rate. The District's cardiac arrest survival rate (ventricular fibrillation) was 28.0% during FY 2017 / 2018, compared to the Arizona statewide survival rate of 9.6%.

Community Risk Assessment Grant. In FY 2017 / 2018, SFMD received a one-year Community Risk Assessment grant totaling \$110,735. This grant covered 95% of the wages and benefits of the Community Risk Reduction Specialist position and 95% of approximately \$12,800 in community risk reduction supplies.

Other Accomplishments. SFMD also accomplished the following strategic initiatives:

- Added a second unit out of Station 263 to lower response times district-wide.
- Funded additional training including a quarterly Captain conference, additional EMS training, and East Valley Command training.
- Successfully on-boarded two firefighters, one mechanic, and eleven Transport Services employees.

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

	2018	2017
Current and other assets	\$ 4,426,508	\$ 3,713,323
Capital assets	13,665,204	14,724,948
Total assets	<u>18,091,712</u>	<u>18,438,271</u>
Deferred outflows of resources	8,378,656	8,169,314
Other liabilities	1,961,504	2,046,267
Long-term liabilities outstanding	27,796,356	27,134,140
Total liabilities	<u>29,757,860</u>	<u>29,180,407</u>
Deferred inflows of resources	2,515,140	2,056,852
Net Position		
Net investment in capital assets	6,142,453	6,476,219
Restricted	295,016	155,161
Unrestricted	(12,240,101)	(11,261,054)
Total net position	<u>\$ (5,802,632)</u>	<u>\$ (4,629,674)</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, with the NAV for FY 2017 / 2018 down approximately 38% from the highest values experienced in FY 2008 / 2009.

Condensed Statement of Changes in Net Position

	<u>2018</u>	<u>2017</u>
Program revenues		
Charges for services	\$ 3,452,425	\$ 2,598,016
Capital grants and contributions	110,924	261,999
General revenues		
Taxes	13,876,984	12,278,896
Centrally assessed taxes	377,094	385,038
Insurance premiums	119,772	125,696
County Aid	400,000	400,000
Investment and other income	65,160	122,666
Total revenues	<u>\$ 18,402,359</u>	<u>\$ 16,172,311</u>
Program expenses		
Administration	\$ 1,977,260	\$ 1,983,411
Technical Services	566,845	507,372
Communication Services	187,707	186,356
Emergency Services	12,105,256	15,471,906
Community Services	182,800	264,092
Transport Services	4,141,291	2,986,604
Interest on debt/debt issuance costs	325,937	254,776
Total expenses	<u>\$ 19,487,096</u>	<u>\$ 21,654,517</u>
Change in net position	\$ (1,084,737)	\$ (5,482,206)
Net position - beginning of year	<u>(4,629,675)</u>	<u>852,532</u>
Restatement	(88,220)	-
Net position - beginning of year restated	<u>(4,717,895)</u>	<u>-</u>
Net position - end of year	<u>\$ (5,802,632)</u>	<u>\$ (4,629,675)</u>

However, recent home values and home sales have shown signs of improvement. For example, the NAV for FY 2018 / 2019 increased 4.46% over the previous fiscal year. It is important to remember that the NAV lags approximately 36 months, so the NAV for the FY 2018 / 2019 will reflect assessed home values in the 2015 / 2016 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 NAV since the implementation of Proposition 117 in FY 2014 / 2015 has been approximately 2.9%, far below the maximum of 5.0%. So the impact of Proposition 117 on the District is significant.

In future fiscal years, the District should receive the benefit of organic (new) NAV growth with the addition of the new Fry's Marketplace store in Apache Junction, and several new housing developments currently under construction.

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, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 2,822,793	\$ 170,055	\$ 2,992,848
Receivables (net of no allowance for uncollectibles)	551,770	351,627	903,397
Prepays	46,370	7,941	54,311
Inventory	-	71,104	71,104
Restricted cash and cash equivalents	242,177	-	242,177
Internal balances	2,457,990	(2,457,990)	-
Investment in joint venture	162,198	-	162,198
Net OPEB asset	-	473	473
Capital assets			
Capital assets, not being depreciated	1,241,806	-	1,241,806
Capital assets, being depreciated, net	11,066,870	1,356,528	12,423,398
Total assets	18,591,974	(500,262)	18,091,712
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and OPEB	8,064,430	314,226	8,378,656
LIABILITIES			
Accounts payable	36,032	17,273	53,305
Accrued payroll and employee benefits	196,954	31,772	228,726
Current portion of:			
Lease payable	96,415	142,025	238,440
Compensated absences	899,147	56,886	956,033
Notes payable	485,000	-	485,000
Long-term portion of:			
Lease payable	817,034	947,552	1,764,586
Compensated absences	1,349,246	51,085	1,400,331
Notes payable	5,034,725	-	5,034,725
Net pension liability	18,627,934	909,398	19,537,332
Net OPEB liability	59,382	-	59,382
Total liabilities	27,601,869	2,155,991	29,757,860
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and OPEB	2,480,133	35,007	2,515,140
NET POSITION			
Net investment in capital assets	5,875,502	266,951	6,142,453
Restricted for:			
Debt service	244,908	-	244,908
Grants	50,108	-	50,108
Unrestricted	(9,596,116)	(2,643,985)	(12,240,101)
Total net position	\$ (3,425,598)	\$ (2,377,034)	\$ (5,802,632)

See accompanying notes.

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Administration	\$ 1,977,260	\$ -	\$ -	\$ 7,300
Technical services	566,845	-	-	-
Communication services	187,707	-	-	-
Emergency services	12,105,256	760,464	-	15,255
Community services	182,800	2,409	88,369	-
Interest on debt	325,937	-	-	-
Total governmental activities	<u>15,345,805</u>	<u>762,873</u>	<u>88,369</u>	<u>22,555</u>
Business-type activities:				
Transport services	4,141,291	2,689,552	-	-
Total primary government	<u>\$ 19,487,096</u>	<u>\$ 3,452,425</u>	<u>\$ 88,369</u>	<u>\$ 22,555</u>
General revenues				
Property taxes				
Centrally assessed taxes				
Insurance premiums				
County aid				
Investment earnings				
Net gain on sale of capital assets				
Other income				
Total general revenues and transfers				
Change in net position				
Net position-beginning				
Restatement				
Net position-beginning of year restated				
Net position-ending				

Net (Expense)
Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,969,960)	\$ -	\$ (1,969,960)
(566,845)	-	(566,845)
(187,707)	-	(187,707)
(11,329,537)	-	(11,329,537)
(92,022)	-	(92,022)
(325,937)	-	(325,937)
<u>(14,472,008)</u>	<u>-</u>	<u>(14,472,008)</u>
-	(1,451,739)	(1,451,739)
<u>(14,472,008)</u>	<u>(1,451,739)</u>	<u>(15,923,747)</u>
13,876,984	-	13,876,984
377,094	-	377,094
119,772	-	119,772
400,000	-	400,000
45,258	3,383	48,641
6,183	-	6,183
10,236	100	10,336
<u>14,835,527</u>	<u>3,483</u>	<u>14,839,010</u>
<u>363,519</u>	<u>(1,448,256)</u>	<u>(1,084,737)</u>
(3,701,597)	(928,078)	(4,629,675)
(87,520)	(700)	(88,220)
<u>(3,789,117)</u>	<u>(928,778)</u>	<u>(4,717,895)</u>
<u>\$ (3,425,598)</u>	<u>\$ (2,377,034)</u>	<u>\$ (5,802,632)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,584,530	\$ 1,188,155	\$ 50,108	\$ 2,822,793
Receivables				
Property taxes	327,975	15,362	22,491	365,828
Accounts receivable	185,942	-	-	185,942
Due from other funds	1,108,890	1,350,478	-	2,459,368
Prepays	46,370	-	-	46,370
Restricted cash and cash equivalents	-	-	242,177	242,177
Total assets	\$ 3,253,707	\$ 2,553,995	\$ 314,776	\$ 6,122,478
LIABILITIES				
Accounts payable	\$ 35,285	\$ 747	\$ -	\$ 36,032
Accrued wages and benefits	196,954	-	-	196,954
Due to other funds	1,378	-	-	1,378
Total liabilities	233,617	747	-	234,364
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	350,415	12,531	19,760	382,706
Total deferred inflows of resources	350,415	12,531	19,760	382,706
FUND BALANCES				
Nonspendable	1,155,260	1,350,478	-	2,505,738
Restricted				
Debt retirement	-	-	244,908	244,908
Grants	-	-	50,108	50,108
Assigned - capital projects	-	1,190,239	-	1,190,239
Unassigned	1,514,415	-	-	1,514,415
Total fund balances	2,669,675	2,540,717	295,016	5,505,408
Total liabilities, deferred inflows of resources and fund balances	\$ 3,253,707	\$ 2,553,995	\$ 314,776	\$ 6,122,478

SUPERSTITION FIRE & MEDICAL DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2018

Fund balance - total governmental funds balance sheet		\$ 5,505,408
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture		162,198
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 26,066,326	
Less accumulated depreciation	<u>(13,757,650)</u>	12,308,676
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position		
		382,706
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.		
Lease payable	(913,449)	
Net pension liability	(18,627,934)	
Net OPEB liability	(59,382)	
Compensated absences	(2,248,393)	
Notes payable	<u>(5,519,725)</u>	(27,368,883)
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	8,064,430	
Deferred inflows of resources related to pensions	<u>(2,480,133)</u>	<u>5,584,297</u>
Net position of governmental activities - statement of net position		<u>\$ (3,425,598)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 12,059,326	941,065	\$ 815,202	\$ 13,815,593
Centrally assessed taxes	353,186	-	23,908	377,094
Insurance premiums	119,772	-	-	119,772
County aid	400,000	-	-	400,000
Charges for services	762,873	-	-	762,873
Grants	88,369	-	22,555	110,924
Interest revenues	24,571	13,595	7,092	45,258
Other income	4,856	-	5,380	10,236
Total revenues	13,812,953	954,660	874,137	15,641,750
EXPENDITURES				
Current				
Administration	1,816,759	-	-	1,816,759
Technical services	551,573	-	-	551,573
Communication services	187,707	-	-	187,707
Emergency services	10,211,511	-	-	10,211,511
Community services	165,762	-	-	165,762
Capital outlay	-	371,196	48,441	419,637
Debt service				
Principal	-	93,158	465,000	558,158
Interest and fiscal charges	-	35,196	290,741	325,937
Total expenditures	12,933,312	499,550	804,182	14,237,044
Excess (deficiency) of revenues over (under) expenditures	879,641	455,110	69,955	1,404,706
OTHER FINANCING SOURCES AND USES				
Sales of assets	57	6,126	-	6,183
Total other financing sources and uses	57	6,126	-	6,183
Net change in fund balances	879,698	461,236	69,955	1,410,889
Fund balances - beginning of year	1,789,977	2,079,481	225,061	4,094,519
Fund balances - end of year	\$ 2,669,675	\$ 2,540,717	\$ 295,016	\$ 5,505,408

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, 2018

Net change in fund balances - total governmental funds		\$ 1,410,889
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		(3,644)
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	\$ 309,387	
Less current year depreciation	<u>(1,260,123)</u>	(950,736)
Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net position 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.		
Pension and OPEB contributions	1,846,773	
Pension and OPEB expense	<u>(2,679,408)</u>	(832,635)
Revenues received in the current year that were accrued in the statement of activities in prior years		
Property taxes		61,391
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	30,758	
Leases payable	93,158	
Notes payable	<u>465,000</u>	743,916
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>(65,662)</u>
Change in net position of governmental activities		<u>\$ 363,519</u>



SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

ASSETS	Transport Services
Current assets:	
Cash and cash equivalents	\$ 170,055
Receivables, net of uncollectibles	351,627
Prepaid expenses	7,941
Inventory	71,104
Total current assets	<u>600,727</u>
Noncurrent assets:	
Net OPEB asset	
Capital assets:	473
Vehicles, net of depreciation	1,356,528
Total noncurrent assets	<u>1,357,001</u>
Total assets	<u>1,957,728</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions and OPEB	<u>314,226</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,273
Accrued wages and benefits	31,772
Due to other funds	2,457,990
Capital leases	142,025
Compensated absences	56,886
Total current liabilities	<u>2,705,946</u>
Noncurrent liabilities:	
Capital leases	947,552
Compensated absences	51,085
Net pension liability	909,398
Total noncurrent liabilities	<u>1,908,035</u>
Total liabilities	<u>4,613,981</u>
Deferred inflows of resources	
Deferred inflows of resources related to pensions and OPEB	<u>35,007</u>
NET POSITION	
Net investment in capital assets	266,951
Unrestricted	<u>(2,643,985)</u>
Total net position	<u>\$ (2,377,034)</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year ended June 30, 2018

	Transport Services
Operating revenues:	
Charges for services	\$ 2,689,552
Other	3,483
	<hr/>
Total operating revenues	2,693,035
	<hr/>
Operating expenses:	
Transport	2,607,707
General and administrative	1,424,576
Depreciation	109,008
	<hr/>
Total operating expenses	4,141,291
	<hr/>
Change in net position	(1,448,256)
	<hr/>
Net position, beginning of year	(928,078)
Restatement	(700)
	<hr/>
Net position-beginning of year restated	(928,778)
	<hr/>
Net position, end of year	\$ (2,377,034)

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2018

	<u>Transport Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,647,930
Payments to vendors	(48,158)
Payments for employees	<u>(2,465,377)</u>
Net cash provided (used) by operating activities	<u>134,395</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital lease	<u>(137,062)</u>
Net change in cash and cash equivalents	(2,667)
Cash and cash equivalents-July 1, 2017	<u>172,722</u>
Cash and cash equivalents-June 30, 2018	<u>\$ 170,055</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND
Year ended June 30, 2018

	<u>Transport Services</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,448,256)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	109,008
(Increase) decrease in:	
Accounts receivable	(45,105)
Prepaid expenses	1,402
Inventory	(10,734)
Net OPEB asset	(1,996)
Deferred outflows of resources related to pensions and OPEB	154,753
Increase (decrease) in:	
Accounts payable	(2,151)
Accrued wages	9,667
Compensated absences	44,832
Due to other funds	834,919
Net pension liability	504,373
Deferred inflows of resources related to pensions and OPEB	<u>(16,317)</u>
Total adjustments	<u>1,582,651</u>
Net cash provided (used) by operating activities	<u>\$ 134,395</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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.

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 three nonmajor funds for June 30, 2018.

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, 2018

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, 2018

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.

The business-type receivables are shown net of an allowance for uncollectibles. The amount of the estimated uncollectible business-type receivables at June 30, 2018 was \$343,924, which represents 49.9% of the current business-type receivables balance.

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, 2018

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, 2018

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 and the Transport Fund are generally used to liquidate the governmental funds, and business type liabilities, respectively, 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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions and OPEB

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' 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, 2018, the carrying amount of the District's deposits totaled \$3,235,025 and the amount on deposit with the Pinal County Treasurer's Office was \$3,690,310. 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, 2018

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
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	12,832,120	10,200	(11,860)	12,830,460
Vehicles and apparatus	8,737,203	52,122	(39,609)	8,749,716
Furniture and equipment	2,997,278	247,065	-	3,244,343
Total capital assets being depreciated	<u>24,566,601</u>	<u>309,387</u>	<u>(51,469)</u>	<u>24,824,519</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,196,632)	(552,990)	11,860	(6,737,762)
Vehicles and apparatus	(4,642,852)	(465,022)	39,609	(5,068,265)
Furniture and equipment	(1,709,511)	(242,111)	-	(1,951,622)
Total accumulated depreciation	<u>(12,548,995)</u>	<u>(1,260,123)</u>	<u>51,469</u>	<u>(13,757,649)</u>
Total capital assets, being depreciated, net	<u>12,017,606</u>	<u>(950,736)</u>	<u>-</u>	<u>11,066,870</u>
Governmental activities capital assets, net	<u>\$ 13,259,412</u>	<u>\$ (950,736)</u>	<u>\$ -</u>	<u>\$ 12,308,676</u>
Capital assets, being depreciated:				
Vehicles and apparatus	\$ 1,592,245	\$ -	\$ -	\$ 1,592,245
Furniture and equipment	68,776	-	-	68,776
Total capital assets being depreciated	<u>1,661,021</u>	<u>-</u>	<u>-</u>	<u>1,661,021</u>
Less accumulated depreciation for:				
Vehicles and apparatus	(160,805)	(102,816)	-	(263,621)
Furniture and equipment	(34,680)	(6,192)	-	(40,872)
Total accumulated depreciation	<u>(195,485)</u>	<u>(109,008)</u>	<u>-</u>	<u>(304,493)</u>
Total capital assets, being depreciated, net	<u>1,465,536</u>	<u>(109,008)</u>	<u>-</u>	<u>1,356,528</u>
Business-Type activities capital assets, net	<u>\$ 1,465,536</u>	<u>\$ (109,008)</u>	<u>\$ -</u>	<u>\$ 1,356,528</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 CAPITAL ASSETS (Continued)

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

Governmental activities:		
Administrative		\$ 95,160
Technical Services		15,272
Emergency Services		<u>1,149,691</u>
Total depreciation expense - governmental activities		<u>\$ 1,260,123</u>

The depreciation expense for business-type activities was \$109,008.

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended by GASB Statement No. 85, Omnibus 2017, even though the impact to the District's financial statements is immaterial. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. The additional disclosures required by Statement No. 75 are not included in these financial statements, because the impact is not material to the District's financial statements.

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

At June 30, 2018, 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 Liability	\$ 18,627,934	\$ 909,398	\$ 19,537,332
Net OPEB asset	-	473	473
Net OPEB liability	59,382	-	59,382
Deferred outflow of resources	8,064,430	314,226	8,378,656

The District reported \$2,042,918 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided (Continued) – Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 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 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 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, 2018 were \$205,469. 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
2018	\$ 8,294	\$ 3,016
2017	10,545	2,636
2016	6,604	1,585

During fiscal year 2018, the District paid 34 percent of ASRS pension and OPEB contributions from the General Fund and 66 percent from the Transport Services Fund.

SUPERSTITION FIRE & MEDICAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Liability - At June 30, 2018, the District reported a liability of \$2,752,642 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The District's proportion of the net 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, 2017. The District's proportion measured as of June 30, 2017, was 0.017672 percent, which was an increase of 0.003428 percent from its proportion measured as of June 30, 2016.

The net asset and net liabilities measured as of June 30, 2018, 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 asset and net liabilities as a result of these changes is not known.

The District's reported liability at June 30, 2018, increased by \$454,163 from the District's prior year liability of \$2,298,479 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, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2018, the District recognized pension expense for ASRS of \$603,397. At June 30, 2018, 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	\$ -	\$ 82,539
Changes of assumptions or other inputs	119,553	82,309
Net difference between projected and actual earnings on pension plan investments	19,762	-
Changes in proportion and differences between District contributions and proportionate share of contributions	738,165	-
District contributions subsequent to the measurement date	<u>205,469</u>	<u>-</u>
Total	<u>\$ 1,082,949</u>	<u>\$ 164,848</u>

The \$205,469 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in expenses as follows:

<u>Year ending June 30</u>	
2018	\$ 360,813
2019	346,575
2020	68,563
2021	(63,319)
2022	-
Thereafter	-

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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, 2016
Actuarial roll forward date	June 20, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not Applicable

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, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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
	Target	Expected Arithmetic Real
Asset Class	Allocation	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, 2018

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 8.7 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension 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	\$ 3,533,063	\$ 2,752,642	\$ 2,100,532

Plan Fiduciary Net Position - Detailed information about the 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 agent and cost-sharing multiple-employer defined benefit pension plan and an agent and cost-sharing 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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, 2018

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 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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	50% less 2.0% for each year years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service,
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. 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.

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

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

	PSPRS Firefighter
Inactive employees or beneficiaries	
currently receiving benefits	15
Inactive employees entitled to	
but not yet receiving benefits	10
Active employees	81
Total	106

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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Firefighter
Active members - Pension	7.65%
District	
Pension	28.78%
Health insurance premium benefit	0.32%

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

	<u>PSPRS Firefighter</u>
Pension	13.90%
Health insurance permium benefit	0.04%

The District's contributions to the plans for the year ended June 30, 2018, were:

	<u>PSPRS Firefighter</u>
Pension	
Contributions made	\$ 1,837,449
Health Insurance Permium Benefit	
Annual OPEB cost contributions made	20,430

During fiscal year 2018, 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, 2018, the District reported a PSPRS net pension liability of \$17,103,890.

The net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the District's PSPRS net pension liabilities as a result of the refunds is not known.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Projected salary increases	3.5% for pensions/not applicable for OPEB
Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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		Target	Long-Term
Asset Class	Allocation	Expected Geometric	Rate of Return
U.S. equity	16%		7.60%
Non-U.S. equity	14%		8.70%
Private credit	12%		6.75%
Fixed income	5%		1.25%
Credit opportunities	16%		5.83%
Absolute return	2%		3.75%
GTAA	10%		3.96%
Real assets	9%		4.52%
Real estate	10%		3.75%
Risk Parity	4%		5.00%
Short term investments	2%		0.25%
Total	100.00%		

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rates – At June 30, 2017, the discount rate used to measure the PSPRS total pension liability was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. 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 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 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, 2017	\$ 42,767,872	\$ 26,782,833	\$ 15,985,039
Changes for the year:			
Service Cost	1,504,412	-	1,504,412
Interest on the total pension liability	3,210,772	-	3,210,772
Changes of benefit terms	354,150	-	354,150
Differences between expected and actual experience in the measurement of the pension liability	(90,813)	-	(90,813)
Changes of assumptions or other inputs	1,524,131	-	1,524,131
Contributions - employer	-	1,447,386	(1,447,386)
Contributions - employee	-	778,888	(778,888)
Net investment income	-	3,185,780	(3,185,780)
Benefit payments, including refunds of employee contributions	(1,419,571)	(1,419,571)	-
Administrative expense	-	(28,589)	28,589
Other changes	-	336	(336)
Net changes	5,083,081	3,964,230	1,118,851
Balances at June 30, 2018	\$ 47,850,953	\$ 30,747,063	\$ 17,103,890

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate - The following table presents the District's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

PSPRS - Firefighter	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% increase (8.40%)
Total pension liability	\$ 55,376,523	\$ 47,850,953	\$ 41,789,684
Plan fiduciary net position	30,747,063	30,747,063	30,747,063
Net pension liability	24,629,460	17,103,890	11,042,621

Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense - For the year ended June 30, 2018, the District recognized \$2,908,116 of PSPRS pension expense.

Deferred Outflows/Inflows of Resources - At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Firefighter	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 713,405	\$ 1,199,391
Changes of assumptions or other inputs	3,582,627	-
Net difference between projected and actual earnings on pension plan investments	1,516,264	1,137,555
District contributions subsequent to the measurement date	1,837,449	-
Total	\$ 7,649,745	\$ 2,336,946

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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 liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense as follows:

Year ending June 30,	PSPRS	
		Firefighter
2019	\$	608,443
2020		827,698
2021		630,966
2022		256,698
2023		445,901
Thereafter		705,644

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2018, were established by the June 30, 2016, 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 2018 contribution requirements:

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

PSPRS - OPEB Contribution Requirements

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
Wage growth	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
2018	\$ 20,430	100%	\$ -
2017	20,576	100%	-
2016	23,492	100%	-

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Firefighter
Actuarial value of assets (a)	\$ 890,981
Actuarial accrued liability (b)	949,890
Unfunded actuarial accrued liability (funded excess) (b) - (a)	58,909
Funded ratio (a)/(b)	93.80%
Annual covered payroll (c)	6,677,374
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.88%

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS
includes inflation at	4% 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, 2018

NOTE 5 LONG TERM DEBT (Continued)

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

Fiscal year ending June 30,	Principal	Interest
2019	\$ 485,000	\$ 267,750
2020	510,000	243,500
2021	535,000	218,000
2022	560,000	191,250
2023	590,000	163,250
2024 - 2028	2,675,000	342,750
Total	<u>\$ 5,355,000</u>	<u>\$ 1,426,500</u>

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, 2018:

Year Ending, June 30	Governmental Activities	Business-type Activities
2019	\$ 128,354	\$ 175,148
2020	128,354	175,148
2021	128,354	175,148
2022	128,354	175,148
2023	128,354	175,148
2024-2026	427,316	350,296
Total requirements	1,069,084	1,226,035
Less interest	155,635	136,457
Present value of remaining payments	<u>\$ 913,449</u>	<u>\$ 1,089,577</u>

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	(130,856)	(260,253)
Net	<u>\$ 993,757</u>	<u>\$ 1,291,112</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 LONG TERM DEBT (Continued)

Changes in long-term debt as of June 30, 2018 are as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Governmental activities:						
Notes payable	\$ 5,820,000	\$ -	\$ (465,000)	\$ -	\$ 5,355,000	\$ 485,000
Premium on loan	195,483	-	(30,758)	-	164,725	-
Capital leases	1,006,607	-	(93,158)	-	913,449	96,415
Compensated absences	2,182,731	278,283	(212,621)	-	2,248,393	899,147
Net pension liability	17,878,493	749,441	-	-	18,627,934	-
Net OPEB liability	107,273	-	(47,891)	-	59,382	-
Governmental activities long-term liabilities	<u>\$ 27,190,587</u>	<u>\$ 1,027,724</u>	<u>\$ (849,428)</u>	<u>\$ -</u>	<u>\$ 27,368,883</u>	<u>\$ 1,480,562</u>

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Business-type activities:						
Capital lease	\$ 1,226,639	\$ -	\$ (137,062)	\$ -	\$ 1,089,577	\$ 142,025
Compensated absences	63,139	48,749	(3,917)	-	107,971	56,886
Net pension liability	405,025	504,373	-	-	909,398	-
Business-like activities long-term liabilities	<u>\$ 1,694,803</u>	<u>\$ 553,122</u>	<u>\$ (140,979)</u>	<u>\$ -</u>	<u>\$ 2,106,946</u>	<u>\$ 198,911</u>

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 equity interest in the venture for the fiscal year ended June 30, 2018 was \$162,198. 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.

SUPERSTITION FIRE & MEDICAL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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 \$625,913 during the year and no balance was outstanding at fiscal year-end.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
Capital Project	\$ 1,350,478	-
General	1,108,890	1,378
Transport Services	-	2,457,990
Total	\$ 2,459,368	\$ 2,459,368

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

NOTE 9 SUBSEQUENT EVENTS

In July 2018, the District issued a General Obligation Refunding Bond, Series 2018 in the amount of \$5,471,000 to refund the Greater Arizona Development Authority (GADA) loan debt. The general obligation bond has an interest rate of 2.83% and is payable semiannually on January 1 and July 1, beginning January 1, 2019. The bond is scheduled to mature July 1, 2027. 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.



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, 2018

Arizona Retirement System	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
District's proportion of the net pension liability	0.017672%	0.014244%	0.008618%	0.007864%	Information not available
District's proportionate share of the net pension liability	\$ 2,752,642	\$ 2,298,479	\$ 1,342,452	\$ 1,163,628	
District's covered payroll	1,342,347	796,737	697,169	712,692	
District's proportionate share of the net pension liability as a percentage of its covered payroll	205.06%	288.49%	192.56%	163.27%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	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, 2018

Fire District Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 1,504,412	\$ 1,309,752	\$ 1,093,722	\$ 1,174,458	
Interest on the total pension liability	3,210,772	2,749,545	2,431,989	2,152,709	
Changes on benefit terms	354,150	3,751,261	-	181,548	
Differences between expected and actual experience in the measurement of the pension liability	(90,813)	(750,533)	1,088,291	(1,010,683)	
Changes of assumptions or other inputs	1,524,131	1,655,851	-	1,793,216	
Benefit payments, including refunds of employee contributions	(1,419,571)	(638,368)	(715,052)	(671,310)	
Net change in total pension liability	5,083,081	8,077,508	3,898,950	3,619,938	
Total pension liability - beginning	42,767,872	34,690,364	30,791,414	27,171,476	
Total pension liability - ending (a)	<u>\$ 47,850,953</u>	<u>\$ 42,767,872</u>	<u>\$ 34,690,364</u>	<u>\$ 30,791,414</u>	
Plan fiduciary net position					
Contributions - employer	\$ 1,447,386	\$ 1,583,372	\$ 1,015,424	\$ 993,529	
Contributions - employee	778,888	838,526	790,270	607,581	
Net investment income	3,185,780	148,850	857,371	2,659,653	
Benefit payments, including refunds of employee contributions	(1,419,571)	(638,368)	(715,052)	(671,310)	
Administrative expense	(28,589)	(21,819)	(21,306)	(21,594)	
Other changes	336	36,564	(17,818)	(205,504)	
Net change in plan fiduciary net position	3,964,230	1,947,125	1,908,889	3,362,355	
Plan fiduciary net position - beginning	26,782,833	24,835,708	22,926,819	19,564,464	
Plan fiduciary net position - ending (b)	<u>\$ 30,747,063</u>	<u>\$ 26,782,833</u>	<u>\$ 24,835,708</u>	<u>\$ 22,926,819</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 17,103,890</u>	<u>\$ 15,985,039</u>	<u>\$ 9,854,656</u>	<u>\$ 7,864,595</u>	
Plan fiduciary net position as a percentage of the total pension liability	64.26%	62.62%	71.59%	74.46%	
Covered payroll	\$ 7,690,005	\$ 5,077,120	\$ 6,025,039	\$ 5,472,996	
District's net pension liability as a percentage of covered payroll	222.42%	314.84%	163.56%	143.70%	

See accompanying notes to pension plan schedules.

SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
 June 30, 2018

Arizona Retirement System

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 185,816	\$ 144,705	\$ 86,446	\$ 75,852	\$ 76,258	Information not available
District's contributions in relation to the statutorily required contribution	<u>185,816</u>	<u>144,705</u>	<u>86,446</u>	<u>75,852</u>	<u>76,258</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 1,723,711	\$ 1,342,347	\$ 796,737	\$ 697,169	\$ 712,692	
District's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.88%	10.70%	

Superstition Fire and Medical District
 Public Safety Personnel Retirement System

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,447,386	\$ 1,583,372	\$ 1,015,424	\$ 993,529	\$ 902,497	Information not available
District's contributions in relation to the actuarially determined contribution	<u>1,447,386</u>	<u>1,583,372</u>	<u>1,015,424</u>	<u>993,529</u>	<u>902,497</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 7,029,558	\$ 7,690,005	\$ 5,077,120	\$ 6,025,039	\$ 5,472,996	
District's contributions as a percentage of covered payroll	28.78%	20.59%	20.00%	16.49%	16.49%	

See accompanying notes to pension plan schedules.



SUPERSTITION FIRE AND MEDICAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE PENSION PLAN SCHEDULES
 June 30, 2018

NOTE 1 ACTUARIALLY 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-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-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, 2018

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, 2018

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						
6/30/2017	\$ 923,304	\$ 949,890	\$ 26,586	97.20%	\$ 6,677,374	0.40%
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 \$13,205.

SUPERSTITION FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION PLAN SCHEDULES
June 30, 2018

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

SUPERSTITION FIRE & MEDICAL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 12,002,815	\$ 12,002,815	\$ 12,059,326	\$ 56,511
Centrally assessed taxes	357,796	357,796	353,186	(4,610)
Insurance premiums	100,000	100,000	119,772	19,772
County aid	400,000	400,000	400,000	-
Charges for services	309,300	309,300	762,873	453,573
Grants	9,800	9,800	88,369	78,569
Interest revenues	10,000	10,000	24,571	14,571
Other income	10,000	10,000	4,856	(5,144)
Total revenues	13,199,711	13,199,711	13,812,953	613,242
EXPENDITURES				
Current				
Administration	3,842,292	3,987,386	1,816,759	2,170,627
Technical Services	522,808	521,852	551,573	(29,721)
Communication Services	168,330	168,330	187,707	(19,377)
Emergency Services	9,834,097	9,797,004	10,211,511	(414,507)
Community Services	172,028	166,980	165,762	1,218
Total expenditures	14,539,555	14,641,552	12,933,312	1,708,240
Excess (deficiency) of revenues over (under) expenditures	(1,339,844)	(1,441,841)	879,641	2,321,482
OTHER FINANCING SOURCES				
Transfers in	-	92,197	-	(92,197)
Sales of assets	-	-	57	57
Total other financing sources	-	92,197	57	(92,140)
Net change in fund balances	(1,339,844)	(1,349,644)	879,698	2,229,342
Fund balance-beginning of year	1,789,977	1,789,977	1,789,977	-
Fund balance - end of year	\$ 450,133	\$ 440,333	\$ 2,669,675	\$ 2,229,342



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, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 951,970	\$ 951,970	\$ 941,065	\$ (10,905)
Investment income	4,000	4,000	13,595	9,595
Total revenues	<u>955,970</u>	<u>955,970</u>	<u>954,660</u>	<u>(1,310)</u>
EXPENDITURES				
Administration	1,110,306	1,138,664	-	1,138,664
Capital outlay	419,906	419,906	371,196	48,710
Debt service				
Principal	-	-	93,158	(93,158)
Interest and fiscal charges	-	-	35,196	(35,196)
Total expenditures	<u>1,530,212</u>	<u>1,558,570</u>	<u>499,550</u>	<u>1,059,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(574,242)</u>	<u>(602,600)</u>	<u>455,110</u>	<u>1,057,710</u>
OTHER FINANCING SOURCES				
Sale of assets	-	-	6,126	6,126
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>6,126</u>	<u>6,126</u>
Net change in fund balances	(574,242)	(602,600)	461,236	1,063,836
Fund balance-beginning of year	<u>2,079,481</u>	<u>2,079,481</u>	<u>2,079,481</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,505,239</u>	<u>\$ 1,476,881</u>	<u>\$ 2,540,717</u>	<u>\$ 1,063,836</u>

SUPERSTITION FIRE & MEDICAL DISTRICT
NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2018

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Property Taxes	\$ 812,632	\$ 812,632	\$ 815,202	\$ 2,570
Centrally assessed taxes	24,220	24,220	23,908	(312)
Grants	116,962	116,962	22,555	(94,407)
Investment income	2,900	2,900	7,092	4,192
Other income	16,600	16,600	5,380	(11,220)
Total revenues	973,314	973,314	874,137	(99,177)
EXPENDITURES				
Capital outlay	100,115	100,115	48,441	51,674
Debt Service:				
Principal	465,000	465,000	465,000	-
Interest and other charges	525,332	525,332	290,741	234,591
Total expenditures	1,090,447	1,090,447	804,182	286,265
Excess (deficiency) of revenues over (under) expenditures	(117,133)	(117,133)	69,955	187,088
OTHER FINANCING SOURCES				
Transfers out	(92,197)	(92,197)	-	92,197
Total other financing sources	(92,197)	(92,197)	-	92,197
Net change in fund balances	(209,330)	(209,330)	69,955	279,285
Fund balance - beginning of year	225,061	225,061	225,061	-
Fund balance - end of year	\$ 15,731	\$ 15,731	\$ 295,016	\$ 279,285



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 remaining fund information of Superstition Fire & Medical District, Arizona, (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Superstition Fire & Medical District's basic financial statements and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Compliance with State of Arizona Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Superstition Fire & Medical District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

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
December 19, 2018