



SUPERSTITION FIRE & MEDICAL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2019



SUPERSTITION FIRE & MEDICAL DISTRICT  
TABLE OF CONTENTS

REPORT ON AUDIT OF FINANCIAL STATEMENTS

|                                      |   |
|--------------------------------------|---|
| Independent Auditors' Report         | 1 |
| Management's Discussion and Analysis | 5 |

BASIC FINANCIAL STATEMENTS

|  |    |
|--|----|
| Statement of Net Position  | 12 |
| Statement of Activities  | 13 |
| Balance Sheet – Governmental Funds   | 14 |
| Reconciliation of the Balance Sheet to the Statement of Net Position -<br>Governmental Funds   | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Governmental Funds   | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund<br>Balances of Governmental Funds to the Statement of Activities | 17 |
| Statement of Net Position-Proprietary Fund   | 18 |
| Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund  | 19 |
| Statement of Cash Flows-Proprietary Fund   | 20 |
| Notes to Financial Statements  | 22 |

REQUIRED SUPPLEMENTARY INFORMATION

|  |    |
|--|----|
| Schedule of the District's Proportionate Share of the Net Pension Liability<br>Cost-Sharing Pension Plan | 49 |
| Schedule of Changes in the District's Net Pension Liability and<br>Related Ratios Agent Pension Plan     | 50 |
| Schedule of the District Pension Contributions   | 52 |
| Notes to Pension Plan Schedules  | 54 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance –<br>Budget and Actual – General Fund     | 56 |

## SUPPLEMENTARY INFORMATION

|   |    |
|---|----|
| Schedule of Revenues, Expenditures and Changes in Fund Balance –<br>Budget and Actual – Capital Projects Fund | 58 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance –<br>Budget and Actual – Non-Major Funds       | 59 |

## REPORT ON INTERNAL CONTROL AND COMPLIANCE

|   |    |
|---|----|
| Independent Auditors' Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance With <i>Government Auditing Standards</i> | 61 |
|---|----|

## INDEPENDENT AUDITORS' REPORT

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

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020 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*

Tempe, Arizona  
January 6, 2020





**Superstition Fire & Medical District**  
**Management's Discussion and Analysis of**  
**Basic Financial Statements**  
**June 30, 2019**

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, 2019. 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, 2019, the District's Fire Suppression division handled 9,620 Emergency Response calls, an increase of 3.0% over the previous fiscal year:

- 7,468 Rescue and Emergency Medical Service incidents
- 989 Service calls
- 725 Good Intent calls
- 305 Not Recorded calls
- 145 Fire calls
- 188 False Alarm / False calls
- 66 Hazardous Condition incidents (no fire)
- 20 Special incident type calls
- 5 Severe Weather
- 1 Overpressure/Rupture/Explosion calls

It is estimated that the Fire Suppression division saved \$24.8 million in property and content representing an 88% save ratio.

Average response time per emergent incident was 4 minutes, 13 seconds, a decrease of 9% over the previous year.

**Ground Transport.** During the FY ending June 30, 2019, the District's Ground Transport division handled 5,210 transports representing an average of 14 transports per day. This represents a 2.8% increase over the previous fiscal year.

- 4,426 Advanced Life Support (ALS) transports
- 784 Basic Life Support (BLS) transports
- 39,168 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 2018 / 2019, 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.

- 2018 CNF OSC Support fire
  - Deployment to California involving 1,180 man-hours
- Skyline fire
  - Deployment to California involving 548 man-hours
- Pasquel fire
  - Deployment to California involving 789 man-hours
- 2018 SHF Support fire
  - Deployment to California involving 1,638 man-hours
- 2018 SQF Cover fire
  - Deployment to California involving 2,573 man-hours
- Bruno fire
  - Deployment to Arizona involving 79 man-hours
- 2018 NV-EIC GACC Support fire
  - Deployment to Nevada involving 23 man-hours
- Gilbert WA-OWF fire
  - Deployment to Washington involving 153 man-hours
- Crescent Mountain WA-OWF fire
  - Deployment to Washington involving 554 man-hours.
- Klondike OR-RSF fire
  - Deployment to Oregon involving 454 man-hours
- Ryan WY-MRF fire
  - Deployment to Wyoming involving 801 man-hours
- Woosley CA fire
  - Deployment to California involving 708 man-hours
- White Wing AZ-A4S fire
  - Deployment within Arizona involving 193 man-hours
- Bylas AZ-SCA fire
  - Deployment within California involving 652 man-hours
- Woodbury AZ fire
  - Deployment within Arizona involving 1,106 man-hours
- GAP AZ fire
  - Deployment within Arizona involving 138 man-hours

**Operational Training.** SFMD's training hours by category during FY 2018 / 2019 were:

- 15,388 Fire Operations training
- 5,203 Health & Fitness
- 2,905 Administrative training
- 2,503 Driver / Operator training
- 2,441 Rescue and EMS training
- 1,265 Wild Land Firefighting training
- 1,160 Prevention / Fire Education training
- 889 Technical Rescue (TRT) training
- 545 Hazardous Material Handling training

**Community Training.** Tina Gerola, SFMD's Community Risk Reduction Specialist, conducted the following community-based services during FY 2018 / 2019:

- Trained 1,871 community members on how to perform the Hands-Only Cardio Cerebral Resuscitation (CCR) life-saving technique.
- Conducted 33 School Pub-Ed classes to instruct 1,820 Pre-K through 5<sup>th</sup> grade students on Arizona Burn Foundation accredited burn prevention techniques.
- Conducted 4 School Pub-Ed classes to instruct 340 6<sup>th</sup> grade students on Hands Only CCR techniques.
- Conducted 245 Automated External Defibrillator (AED) inspections.
- Placed 58 free child safety seats.
- Attended 75 community events, fairs, festivals, and city meetings.
- Made 25 Fire & Life Safety presentations at community centers.
- Performed 468 business inspections.
- Placed 550 smoke alarms, 60 CO2 detectors, 220 home grab bars, 185 night lights, and 20 slip proof home safety mats in community residences.
- Facilitated 7 fire station tours.

**Cardiac Arrest Survival Rate.** The District's cardiac arrest survival rate (ventricular fibrillation) was 30% during FY 2018 / 2019, compared to the Arizona statewide survival rate of 10.5%.

**Staffing for Adequate Fire & Emergency Response (SAFER) Grant.** In FY 2018 / 2019, SFMD was awarded a three-year SAFER grant with a total value of \$1,159,829. This grant covered 75% of the wages and benefits of seven (7) new hire firefighters in years 1 and 2, and 35% of the wages and benefits in year 3.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) fund financial statements, 2) government-wide financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

## **Fund Financial Statements**

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

## **Government-Wide Financial Statements**

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

### **Condensed Statement of Net Position**

|                                   | <u>2019</u>           | <u>2018</u>           |
|-----------------------------------|-----------------------|-----------------------|
| Current and other assets          | \$ 5,041,672          | \$ 4,426,508          |
| Capital assets                    | <u>13,172,039</u>     | <u>13,665,204</u>     |
| Total assets                      | <u>18,213,711</u>     | <u>18,091,712</u>     |
| Deferred outflows of resources    | 7,275,077             | 8,378,656             |
| Other liabilities                 | 1,953,017             | 1,961,504             |
| Long-term liabilities outstanding | <u>29,518,744</u>     | <u>27,796,356</u>     |
| Total liabilities                 | <u>31,471,761</u>     | <u>29,757,860</u>     |
| Deferred inflows of resources     | 1,544,065             | 2,515,140             |
| Net Position                      |                       |                       |
| Net investment in capital assets  | 6,345,031             | 6,142,453             |
| Restricted                        | 335,275               | 295,016               |
| Unrestricted                      | <u>(14,207,344)</u>   | <u>(12,240,101)</u>   |
| Total net position                | <u>\$ (7,527,038)</u> | <u>\$ (5,802,632)</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 2018 / 2019 down approximately 36% from the highest values experienced in FY 2008 / 2009.

### **Condensed Statement of Changes in Net Position**

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| Program revenues                             |                       |                       |
| Charges for services                         | \$ 4,376,867          | \$ 3,452,425          |
| Capital / Operating grants and contributions | 122,121               | 110,924               |
| General revenues                             |                       |                       |
| Taxes  | 14,347,791            | 13,876,984            |
| Centrally assessed taxes                     | 392,066               | 377,094               |
| Insurance premiums                           | 121,709               | 119,772               |
| County Aid                                   | 400,000               | 400,000               |
| Investment and other income                  | 91,566                | 65,160                |
| Total revenues                               | <u>\$ 19,852,120</u>  | <u>\$ 18,402,359</u>  |
| Program expenses                             |                       |                       |
| Administration                               | \$ 1,754,244          | \$ 1,977,260          |
| Technical Services                           | 735,376               | 566,845               |
| Communication Services                       | 181,620               | 187,707               |
| Emergency Services                           | 14,482,758            | 12,105,256            |
| Community Services                           | 142,365               | 182,800               |
| Interest on debt/debt issuance costs         | 288,074               | 325,937               |
| Transport Services                           | 3,994,765             | 4,141,291             |
| Total expenses                               | <u>\$ 21,579,202</u>  | <u>\$ 19,487,096</u>  |
| Change in net position                       | \$ (1,727,082)        | \$ (1,084,737)        |
| Net position - beginning of year             | <u>(5,802,632)</u>    | <u>(4,629,675)</u>    |
| Restatement                                  | 2,676                 | (88,220)              |
| Net position - beginning of year restated    | <u>(5,799,956)</u>    | <u>(4,717,895)</u>    |
| Net position - end of year                   | <u>\$ (7,527,038)</u> | <u>\$ (5,802,632)</u> |

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's **average** increase in NAV since the implementation of Proposition 117 in FY 2014 / 2015 has been approximately 3.57%, far below the maximum of 5.0%. So the impact of Proposition 117 on the District has been, and continues to be, significant.

However, recent home values and home sales have shown signs of improvement. For example, the NAV for FY 2019 / 2020 increased 5.26% over the previous fiscal year. The fact that the NAV increased more than 5.0% which is the maximum allowed by Proposition 117 on existing home means that the District is experiencing new residential and/or business growth, such as the new Frys Marketplace that recently opened in Apache Junction.

It is important to remember that the NAV lags approximately 36 months, so the NAV for the FY 2019 / 2020 will reflect assessed home values in the 2016 / 2017 period.

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, 2019

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS</b>   |                            |                             |                       |
| Cash and cash equivalents                                   | \$ 2,456,833               | \$ 126,538                  | \$ 2,583,371          |
| Receivables (net of no allowance for uncollectibles)        | 702,538                    | 1,169,669                   | 1,872,207             |
| Prepays   | 46,152                     | 8,912                       | 55,064                |
| Inventory   | -                          | 72,180                      | 72,180                |
| Restricted cash and cash equivalents                        | 283,684                    | -                           | 283,684               |
| Internal balances   | 3,373,469                  | (3,373,469)                 | -                     |
| Investment in joint venture                                 | 168,249                    | -                           | 168,249               |
| Net OPEB asset  | 3,952                      | 2,965                       | 6,917                 |
| Capital assets  |                            |                             |                       |
| Capital assets, not being depreciated                       | 1,241,806                  | -                           | 1,241,806             |
| Capital assets, being depreciated, net                      | <u>10,683,377</u>          | <u>1,246,856</u>            | <u>11,930,233</u>     |
| Total assets  | <u>18,960,060</u>          | <u>(746,349)</u>            | <u>18,213,711</u>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                            |                             |                       |
| Deferred outflows of resources related to pensions/OPEB     | <u>6,517,894</u>           | <u>757,183</u>              | <u>7,275,077</u>      |
| <b>LIABILITIES</b>  |                            |                             |                       |
| Accounts payable  | 47,066                     | 7,378                       | 54,444                |
| Accrued payroll and employee benefits                       | 288,447                    | 41,077                      | 329,524               |
| Current portion of:   |                            |                             |                       |
| Lease payable   | 99,786                     | 146,342                     | 246,128               |
| Compensated absences  | 723,632                    | 43,289                      | 766,921               |
| Bonds payable   | 556,000                    | -                           | 556,000               |
| Long-term portion of:                                       |                            |                             |                       |
| Lease payable   | 717,248                    | 801,210                     | 1,518,458             |
| Compensated absences  | 1,844,272                  | 82,171                      | 1,926,443             |
| Bonds payable   | 4,360,000                  | -                           | 4,360,000             |
| Net pension liability                                       | 19,276,368                 | 2,389,472                   | 21,665,840            |
| Net OPEB liability  | 40,866                     | 7,137                       | 48,003                |
| Total liabilities   | <u>27,953,685</u>          | <u>3,518,076</u>            | <u>31,471,761</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                            |                             |                       |
| Deferred inflow of resources for deferred gain on refunding | 146,422                    | -                           | 146,422               |
| Deferred inflows of resources related to pensions/OPEB      | <u>1,155,281</u>           | <u>242,362</u>              | <u>1,397,643</u>      |
| Total deferred inflows of resources                         | <u>1,301,703</u>           | <u>242,362</u>              | <u>1,544,065</u>      |
| <b>NET POSITION</b>   |                            |                             |                       |
| Net investment in capital assets                            | 6,045,727                  | 299,304                     | 6,345,031             |
| Restricted for:   |                            |                             |                       |
| Debt service  | 286,837                    | -                           | 286,837               |
| Grants  | 48,438                     | -                           | 48,438                |
| Unrestricted  | <u>(10,158,436)</u>        | <u>(4,048,908)</u>          | <u>(14,207,344)</u>   |
| Total net position  | <u>\$ (3,777,434)</u>      | <u>\$ (3,749,604)</u>       | <u>\$ (7,527,038)</u> |

See accompanying notes

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

| Functions/Programs                      | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                 |
| Primary government                      |                      |                      |                                    |                                  |   |                          |                       |
| Governmental activities                 |                      |                      |                                    |                                  |   |                          |                       |
| Administration                          | \$ 1,754,244         | \$ -                 | \$ -                               | \$ 35,500                        | \$ (1,718,744)                                    | \$ -                     | \$ (1,718,744)        |
| Technical services                      | 735,376              | -                    | -                                  | -                                | (735,376)   | -                        | (735,376)             |
| Communication services                  | 181,620              | -                    | -                                  | -                                | (181,620)   | -                        | (181,620)             |
| Emergency services                      | 14,482,758           | 870,917              | -                                  | 500                              | (13,611,341)                                      | -                        | (13,611,341)          |
| Community services                      | 142,365              | 2,459                | 86,121                             | -                                | (53,785)  | -                        | (53,785)              |
| Interest on debt                        | 288,074              | -                    | -                                  | -                                | (288,074)   | -                        | (288,074)             |
| Total governmental activities           | <u>17,584,437</u>    | <u>873,376</u>       | <u>86,121</u>                      | <u>36,000</u>                    | <u>(16,588,940)</u>                               | <u>-</u>                 | <u>(16,588,940)</u>   |
| Business-type activities:               |                      |                      |                                    |                                  |   |                          |                       |
| Transport services                      | <u>3,994,765</u>     | <u>3,503,491</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(491,274)</u>         | <u>(491,274)</u>      |
| Total primary government                | <u>\$ 21,579,202</u> | <u>\$ 4,376,867</u>  | <u>\$ 86,121</u>                   | <u>\$ 36,000</u>                 | <u>(16,588,940)</u>                               | <u>(491,274)</u>         | <u>(17,080,214)</u>   |
| General revenues                        |                      |                      |                                    |                                  |   |                          |                       |
| Property taxes                          |                      |                      |                                    |                                  | 14,347,791  | -                        | 14,347,791            |
| Centrally assessed taxes                |                      |                      |                                    |                                  | 392,066   | -                        | 392,066               |
| Insurance premiums                      |                      |                      |                                    |                                  | 121,709   | -                        | 121,709               |
| County aid                              |                      |                      |                                    |                                  | 400,000   | -                        | 400,000               |
| Investment earnings                     |                      |                      |                                    |                                  | 74,243  | 3,714                    | 77,957                |
| Other income                            |                      |                      |                                    |                                  | 12,674  | 935                      | 13,609                |
| Transfers in (out)                      |                      |                      |                                    |                                  | 889,125   | (889,125)                | -                     |
| Total general revenues and transfers    |                      |                      |                                    |                                  | <u>16,237,608</u>                                 | <u>(884,476)</u>         | <u>15,353,132</u>     |
| Change in net position                  |                      |                      |                                    |                                  | <u>(351,332)</u>                                  | <u>(1,375,750)</u>       | <u>(1,727,082)</u>    |
| Net position-beginning                  |                      |                      |                                    |                                  | (3,425,598)                                       | (2,377,034)              | (5,802,632)           |
| Restatement                             |                      |                      |                                    |                                  | (504)   | 3,180                    | 2,676                 |
| Net position-beginning of year restated |                      |                      |                                    |                                  | <u>(3,426,102)</u>                                | <u>(2,373,854)</u>       | <u>(5,799,956)</u>    |
| Net position-ending                     |                      |                      |                                    |                                  | <u>\$ (3,777,434)</u>                             | <u>\$ (3,749,604)</u>    | <u>\$ (7,527,038)</u> |

See accompanying notes

SUPERSTITION FIRE & MEDICAL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2019

|   | General             | Capital<br>Projects Fund | Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------|--------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                          |                    |                                |
| Cash and cash equivalents   | \$ 1,694,851        | \$ 713,544               | \$ 48,438          | \$ 2,456,833                   |
| Receivables   |                     |                          |                    |                                |
| Property taxes  | 384,108             | 21,455                   | 23,063             | 428,626                        |
| Accounts receivable   | 273,912             | -                        | -                  | 273,912                        |
| Due from other funds  | 1,849,222           | 1,524,247                | -                  | 3,373,469                      |
| Prepays   | 46,152              | -                        | -                  | 46,152                         |
| Restricted cash and cash equivalents  | -                   | -                        | 283,684            | 283,684                        |
| <b>Total assets</b>   | <b>4,248,245</b>    | <b>2,259,246</b>         | <b>355,185</b>     | <b>6,862,676</b>               |
| <b>LIABILITIES</b>  |                     |                          |                    |                                |
| Accounts payable  | 47,066              | -                        | -                  | 47,066                         |
| Accrued wages and benefits  | 288,447             | -                        | -                  | 288,447                        |
| <b>Total liabilities</b>  | <b>335,513</b>      | <b>-</b>                 | <b>-</b>           | <b>335,513</b>                 |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                                      |                     |                          |                    |                                |
| Deferred revenue  | 373,657             | 17,123                   | 19,910             | 410,690                        |
| <b>FUND BALANCES</b>  |                     |                          |                    |                                |
| Nonspendable  | 1,895,374           | 1,524,247                | -                  | 3,419,621                      |
| Restricted  |                     |                          |                    |                                |
| Debt retirement   | -                   | -                        | 286,837            | 286,837                        |
| Grants  | -                   | -                        | 48,438             | 48,438                         |
| Assigned - capital projects   | -                   | 717,876                  | -                  | 717,876                        |
| Unassigned  | 1,643,701           | -                        | -                  | 1,643,701                      |
| <b>Total fund balances</b>  | <b>3,539,075</b>    | <b>2,242,123</b>         | <b>335,275</b>     | <b>6,116,473</b>               |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <b>\$ 4,248,245</b> | <b>\$ 2,259,246</b>      | <b>\$ 355,185</b>  | <b>\$ 6,862,676</b>            |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -  
 GOVERNMENTAL FUNDS  
 June 30, 2019

|   |                     |                       |
|---|---------------------|-----------------------|
| Fund balance - total governmental funds balance sheet   |                     | \$ 6,116,473          |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                     |                       |
| Investment in joint venture   |                     | 168,249               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |                     |                       |
| Governmental capital assets   | \$ 26,939,003       |                       |
| Less accumulated depreciation   | <u>(15,013,820)</u> | 11,925,183            |
| Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position   |                     |                       |
|   |                     | 410,690               |
| 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   | (817,034)           |                       |
| Net OPEB asset  | 3,952               |                       |
| Net pension liability   | (19,276,368)        |                       |
| Net OPEB liability  | (40,866)            |                       |
| Compensated absences  | (2,567,904)         |                       |
| Deferred gain on bond refunding   | (146,422)           |                       |
| Bonds payable   | <u>(4,916,000)</u>  | (27,760,642)          |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.  |                     |                       |
| Deferred outflows of resources related to pensions  | 6,517,894           |                       |
| Deferred inflows of resources related to pensions   | <u>(1,155,281)</u>  | <u>5,362,613</u>      |
| Net position of governmental activities - statement of net position   |                     | <u>\$ (3,777,434)</u> |

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

|  | General             | Capital<br>Projects Fund | Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|--------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                          |                    |                                |
| Taxes  | \$ 12,609,434       | 996,752                  | \$ 697,520         | \$ 14,303,706                  |
| Centrally assessed taxes                                     | 371,492             | -                        | 20,574             | 392,066                        |
| Insurance premiums   | 121,709             | -                        | -                  | 121,709                        |
| County aid   | 400,000             | -                        | -                  | 400,000                        |
| Charges for services   | 873,376             | -                        | -                  | 873,376                        |
| Grants   | 102,222             | -                        | 36,000             | 138,222                        |
| Interest revenues  | 40,307              | 14,202                   | 19,734             | 74,243                         |
| Other income   | 2,694               | -                        | 9,980              | 12,674                         |
| <b>Total revenues</b>  | <b>14,521,234</b>   | <b>1,010,954</b>         | <b>783,808</b>     | <b>16,315,996</b>              |
| <b>EXPENDITURES</b>  |                     |                          |                    |                                |
| <b>Current</b>   |                     |                          |                    |                                |
| Administration   | 1,841,653           | 17                       | 12                 | 1,841,682                      |
| Technical services   | 722,177             | -                        | -                  | 722,177                        |
| Communication services                                       | 181,620             | -                        | -                  | 181,620                        |
| Emergency services   | 10,812,433          | -                        | -                  | 10,812,433                     |
| Community services   | 93,951              | -                        | -                  | 93,951                         |
| Capital outlay   | -                   | 1,181,177                | 48,414             | 1,229,591                      |
| <b>Debt service</b>  |                     |                          |                    |                                |
| Principal  | -                   | 96,415                   | 554,256            | 650,671                        |
| Interest and fiscal charges                                  | -                   | 31,939                   | 161,450            | 193,389                        |
| Debt issuance costs  | -                   | -                        | 95,417             | 95,417                         |
| <b>Total expenditures</b>                                    | <b>13,651,834</b>   | <b>1,309,548</b>         | <b>859,549</b>     | <b>15,820,931</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | 869,400             | (298,594)                | (75,741)           | 495,065                        |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                    |                     |                          |                    |                                |
| Payment to refunded bond escrow agent                        | -                   | -                        | (5,355,000)        | (5,355,000)                    |
| Refunding bonds issued                                       | -                   | -                        | 5,471,000          | 5,471,000                      |
| <b>Total other financing sources and uses</b>                | <b>-</b>            | <b>-</b>                 | <b>116,000</b>     | <b>116,000</b>                 |
| <b>Net change in fund balances</b>                           | <b>869,400</b>      | <b>(298,594)</b>         | <b>40,259</b>      | <b>611,065</b>                 |
| <b>Fund balances - beginning of year</b>                     | <b>2,669,675</b>    | <b>2,540,717</b>         | <b>295,016</b>     | <b>5,505,408</b>               |
| <b>Fund balances - end of year</b>                           | <b>\$ 3,539,075</b> | <b>\$ 2,242,123</b>      | <b>\$ 335,275</b>  | <b>\$ 6,116,473</b>            |

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, 2019

|  |                    |                     |
|--|--------------------|---------------------|
| Net change in fund balances - total governmental funds   |                    | \$ 611,065          |
| 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  |                    | 6,051               |
| 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  | \$ 872,678         |                     |
| Less current year depreciation   | <u>(1,256,171)</u> | (383,493)           |
| 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. |                    |                     |
| Transfers of pension and OPEB liabilities between enterprise and governmental activities   | 889,125            |                     |
| Pension and OPEB contributions   | 2,026,971          |                     |
| Pension and OPEB expense   | <u>(3,763,242)</u> | (847,146)           |
| Revenues received in the current year that were accrued in the statement of activities in prior years  |                    |                     |
| Property taxes   |                    | 27,984              |
| Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.  |                    |                     |
|  |                    | (5,471,000)         |
| 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.   |                    |                     |
| Amortization   | 18,303             |                     |
| Leases payable   | 96,415             |                     |
| Notes payable  | 5,355,000          |                     |
| Bonds payable  | <u>555,000</u>     | 6,024,718           |
| 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>(319,511)</u>    |
| Change in net position of governmental activities  |                    | <u>\$ (351,332)</u> |

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF NET POSITION-PROPRIETARY FUND  
June 30, 2019

|   |                       |
|---|-----------------------|
| ASSETS  | Transport             |
| Current assets:   | Services              |
| Cash and cash equivalents                                   | \$ 126,538            |
| Receivables, net of uncollectibles                          | 1,169,669             |
| Prepaid expenses  | 8,912                 |
| Inventory   | <u>72,180</u>         |
| Total current assets  | <u>1,377,299</u>      |
| Noncurrent assets:  |                       |
| Net OPEB asset  | 2,965                 |
| Capital assets:   |                       |
| Vehicles, net of depreciation                               | <u>1,246,856</u>      |
| Total capital assets, net                                   | <u>1,246,856</u>      |
| Total noncurrent assets                                     | <u>1,249,821</u>      |
| Total assets  | <u>2,627,120</u>      |
| DEFERRED OUTFLOWS OF RESOURCES                              |                       |
| Deferred outflows of resources related to pensions and OPEB | <u>757,183</u>        |
| Total deferred outflows of resources                        | <u>757,183</u>        |
| LIABILITIES   |                       |
| Current liabilities:  |                       |
| Accounts payable  | 7,378                 |
| Accrued wages and benefits                                  | 41,077                |
| Due to other funds  | 3,373,469             |
| Capital leases  | 146,342               |
| Compensated absences  | <u>43,289</u>         |
| Total current liabilities                                   | <u>3,611,555</u>      |
| Noncurrent liabilities:                                     |                       |
| Capital leases  | 801,210               |
| Compensated absences  | 82,171                |
| Net OPEB liability  | 7,137                 |
| Net pension liability                                       | <u>2,389,472</u>      |
| Total noncurrent liabilities                                | <u>3,279,990</u>      |
| Total liabilities   | <u>6,891,545</u>      |
| Deferred inflows of resources                               |                       |
| Deferred inflows of resources related to pensions and OPEB  | <u>242,362</u>        |
| NET POSITION  |                       |
| Net investment in capital assets                            | 299,304               |
| Unrestricted  | <u>(4,048,908)</u>    |
| Total net position  | <u>\$ (3,749,604)</u> |

See accompanying notes

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-  
PROPRIETARY FUND  
Year Ended June 30, 2019

|  | <u>Transport<br/>Services</u> |
|--|-------------------------------|
| Operating revenues:                          |                               |
| Charges for services                         | \$ 3,503,491                  |
| Other  | 4,649                         |
|  | <u>3,508,140</u>              |
| Operating expenses:                          |                               |
| Transport                                    | 2,449,483                     |
| General and administrative                   | 1,435,610                     |
| Depreciation                                 | 109,672                       |
|  | <u>3,994,765</u>              |
| Total operating expenses                     | <u>3,994,765</u>              |
| Operating income (loss) before contributions | <u>(486,625)</u>              |
| Other financing sources (uses)               |                               |
| Transfers out                                | <u>(889,125)</u>              |
| Change in net position                       | <u>(1,375,750)</u>            |
| Net position, beginning of year              | (2,377,034)                   |
| Restatement                                  | 3,180                         |
| Net position-beginning of year restated      | <u>(2,373,854)</u>            |
| Net position, end of year                    | <u>\$ (3,749,604)</u>         |

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF CASH FLOWS-PROPRIETARY FUND  
Year Ended June 30, 2019

|   | <u>Transport<br/>Services</u> |
|---|-------------------------------|
| CASH FLOWS FROM OPERATING<br>ACTIVITIES                         |                               |
| Receipts from customers   | \$ 2,690,098                  |
| Payments to vendors   | (898,285)                     |
| Payments for employees  | (1,719,660)                   |
| Payments to other funds   | 915,480                       |
| Net cash provided (used) by operating activities                | <u>987,633</u>                |
| <br>CASH FLOWS FROM NONCAPITAL<br>FINANCING ACTIVITIES          |                               |
| Transfers to/from other funds                                   | <u>(889,125)</u>              |
| <br>CASH FLOWS FROM CAPITAL AND<br>RELATED FINANCING ACTIVITIES |                               |
| Payments for capital lease                                      | <u>(142,025)</u>              |
| <br>Net change in cash<br>and cash equivalents                  | (43,517)                      |
| <br>Cash and cash equivalents at beginning of year              | <u>170,055</u>                |
| <br>Cash and cash equivalents at end of year                    | <u><u>\$ 126,538</u></u>      |

SUPERSTITION FIRE & MEDICAL DISTRICT  
STATEMENT OF CASH FLOWS-PROPRIETARY FUND  
Year Ended June 30, 2019

|   | <u>Transport<br/>Services</u> |
|---|-------------------------------|
| Reconciliation of operating income<br>(loss) to net cash provided (used)<br>by operating activities:        |                               |
| Operating income (loss)   | \$ (486,625)                  |
| Adjustments to reconcile operating<br>income (loss) to net cash provided<br>(used) by operating activities: |                               |
| Depreciation expense  | 109,672                       |
| (Increase) decrease in:   |                               |
| Accounts receivable   | (818,042)                     |
| Prepaid expenses  | (971)                         |
| Inventory   | (1,077)                       |
| Net OPEB asset  | 1,876                         |
| Deferred outflows of resources related to pensions and OPEB   | (435,495)                     |
| Increase (decrease) in:   |                               |
| Accounts payable  | (9,895)                       |
| Accrued wages   | 9,305                         |
| Compensated absences  | 17,489                        |
| Due to other funds  | 915,480                       |
| Net OPEB liability  | 4,421                         |
| Net pension liability   | 1,480,074                     |
| Deferred inflows of resources related to pensions and OPEB  | <u>201,421</u>                |
| Total adjustments   | <u>1,474,258</u>              |
| Net cash provided (used) by<br>operating activities   | <u><u>\$ 987,633</u></u>      |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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 FINANCIAL STATEMENTS  
June 30, 2019

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, 2019.

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 FINANCIAL STATEMENTS  
June 30, 2019

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 FINANCIAL STATEMENTS  
 June 30, 2019

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, 2019 was \$1,066,409, which represents 47.8% 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 FINANCIAL STATEMENTS  
June 30, 2019

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 FINANCIAL STATEMENTS  
June 30, 2019

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 resignation or retirement. 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 FINANCIAL STATEMENTS  
June 30, 2019

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.

R. Excess of Expenditures over Budget

At June 30, 2019, the District had expenditures in the capital projects, and debt service funds that exceeded the budget by \$447,459, and \$4,888,861, respectively; however, this does not constitute a violation of any legal provisions.

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, 2019, the carrying amount of the District's deposits totaled \$2,867,055 and the amount on deposit with the Pinal County Treasurer's Office was \$2,946,001. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 3 CAPITAL ASSETS

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

| Governmental Activities:                        | Beginning<br>Balance | Increases           | Decreases /<br>Transfers | Ending<br>Balance    |
|---|----------------------|---------------------|--------------------------|----------------------|
| Capital assets, not being depreciated:          |                      |                     |                          |                      |
| Land  | \$ 1,241,806         | \$ -                | \$ -                     | \$ 1,241,806         |
| Capital assets, being depreciated:              |                      |                     |                          |                      |
| Buildings, infrastructure<br>and improvements   | 12,830,460           | 24,580              | -                        | 12,855,040           |
| Vehicles and apparatus                          | 8,749,717            | 761,529             | -                        | 9,511,246            |
| Furniture and equipment                         | 3,244,343            | 86,569              | -                        | 3,330,912            |
| Total capital assets being depreciated          | <u>24,824,520</u>    | <u>872,678</u>      | <u>-</u>                 | <u>25,697,198</u>    |
| Less accumulated depreciation for:              |                      |                     |                          |                      |
| Buildings and improvements                      | (6,737,762)          | (537,812)           | -                        | (7,275,574)          |
| Vehicles and apparatus                          | (5,068,266)          | (415,701)           | -                        | (5,483,967)          |
| Furniture and equipment                         | (1,951,622)          | (302,658)           | -                        | (2,254,280)          |
| Total accumulated depreciation                  | <u>(13,757,650)</u>  | <u>(1,256,171)</u>  | <u>-</u>                 | <u>(15,013,821)</u>  |
| Total capital assets,<br>being depreciated, net | <u>11,066,870</u>    | <u>(383,493)</u>    | <u>-</u>                 | <u>10,683,377</u>    |
| Governmental activities<br>capital assets, net  | <u>\$ 12,308,676</u> | <u>\$ (383,493)</u> | <u>\$ -</u>              | <u>\$ 11,925,183</u> |
| <br>  |                      |                     |                          |                      |
| <u>Business-type Activities:</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                          | (263,621)            | (102,816)           | -                        | (366,437)            |
| Furniture and equipment                         | (40,872)             | (6,856)             | -                        | (47,728)             |
| Total accumulated depreciation                  | <u>(304,493)</u>     | <u>(109,672)</u>    | <u>-</u>                 | <u>(414,165)</u>     |
| Total capital assets,<br>being depreciated, net | <u>1,356,528</u>     | <u>(109,672)</u>    | <u>-</u>                 | <u>1,246,856</u>     |
| Business-Type activities<br>capital assets, net | <u>\$ 1,356,528</u>  | <u>\$ (109,672)</u> | <u>\$ -</u>              | <u>\$ 1,246,856</u>  |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 3 CAPITAL ASSETS (Continued)

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

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                             |  |                     |
| Administrative                                       |  | \$ 91,183           |
| Technical Services                                   |  | 13,199              |
| Emergency Services                                   |  | <u>1,151,789</u>    |
| Total depreciation expense - governmental activities |  | <u>\$ 1,256,171</u> |

The depreciation expense for business-type activities was \$109,672.

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2019, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

| Statement of Net Position and<br>Statement of Activities | Governmental<br>Activities | Business-type<br>Activities | Total         |
|--|----------------------------|-----------------------------|---------------|
| Net Pension Liability                                    | \$ 19,276,368              | \$ 2,389,472                | \$ 21,665,840 |
| Net OPEB asset   | 3,952                      | 2,965                       | 6,917         |
| Net OPEB liability                                       | 40,866                     | 7,137                       | 48,003        |
| Deferred outflow of resources                            | 6,517,894                  | 757,183                     | 7,275,077     |
| Deferred inflow of resources                             | 1,155,281                  | 242,362                     | 1,397,643     |
| Pension and OPEB expense                                 | 3,747,880                  | 587,909                     | 4,335,789     |

The District reported \$2,262,828 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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](http://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<br>10 years age 62<br>5 years age 50*<br>and years age 65 | 30 years age 55<br>25 years age 60<br>10 years age 62<br>5 years age 50*<br>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 FINANCIAL STATEMENTS  
 June 30, 2019

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 \$100 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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.8 percent (11.64 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 11.8 percent (11.18 percent for retirement, 0.46 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, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019 were \$236,377, \$9,726, and \$3,383, respectively.

During fiscal year 2019, the District paid 34 percent of ASRS contributions from the General Fund and 66 percent from the Transport Services Fund.

**Liability** - At June 30, 2019, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

| ASRS                             | Net<br>pension/OPEB<br>(Asset) Liability |
|----------------------------------|--|
| Pension                          | \$ 2,628,912                             |
| Health insurance premium benefit | (6,917)                                  |
| Long-term disability             | 9,870                                    |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Liability (Continued)** - The net asset and liabilities were measured as of June 30, 2018. The total asset and liabilities used to calculate the net asset and liabilities was determined using update procedures to roll forward the total asset and liabilities from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total asset and liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The District's proportion measured as of June 30, 2018, and the change from its proportion measured as of June 30, 2017, were:

| ASRS                             | Proportion<br>June 30, 2018 | Increase<br>(decrease) from<br>June 30, 2017 |
|----------------------------------|-----------------------------|--|
| Pension                          | 0.0188%                     | 0.0012%                                      |
| Health insurance premium benefit | 0.0192%                     | 0.0013%                                      |
| Long-term disability             | 0.0189%                     | 0.0031%                                      |

**Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2019, the District recognized pension and OPEB expense for ASRS of \$711,812 and \$10,591, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| ASRS  | Pension                              |                                     | Health Insurance<br>Premium Benefit  |                                     | Long-term Disability                 |                                     |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ 72,424                            | \$ 14,493                           | \$ -                                 | \$ 6,384                            | \$ 252                               | \$ -                                |
| Changes of assumptions or other inputs  | 69,566                               | 233,089                             | 13,340                               | -                                   | 2,138                                | -                                   |
| Net difference between projected and actual earnings on pension plan investments                              | -                                    | 63,219                              | -                                    | 13,758                              | -                                    | 956                                 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 390,330                              | -                                   | -                                    | 8                                   | 415                                  | -                                   |
| District contributions subsequent to the measurement date   | 236,377                              | -                                   | 9,726                                | -                                   | 3,383                                | -                                   |
| Total   | <u>\$ 768,697</u>                    | <u>\$ 310,801</u>                   | <u>\$ 23,066</u>                     | <u>\$ 20,150</u>                    | <u>\$ 6,188</u>                      | <u>\$ 956</u>                       |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Expense and Deferred Outflows/Inflows of Resources (Continued)** - The \$236,377 and \$13,109 reported as deferred outflows of resources related to ASRS pension and OPEB resulting from District contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in expenses as follows:

| Year ending June 30 | Pension    | Health Insurance<br>Premium Benefit | Long-term<br>Disability |
|---------------------|------------|-------------------------------------|-------------------------|
| 2020                | \$ 314,589 | \$ (2,667)                          | \$ 87                   |
| 2021                | \$ 31,180  | \$ (2,667)                          | \$ 87                   |
| 2022                | (95,899)   | (2,666)                             | 87                      |
| 2023                | (28,351)   | 279                                 | 343                     |
| 2024                | -          | 911                                 | 390                     |
| Thereafter          | -          | -                                   | 855                     |

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

|                             |   |
|-----------------------------|---|
| ASRS                        |   |
| Actuarial valuation date    | June 30, 2017   |
| Actuarial roll forward date | June 20, 2018   |
| Actuarial cost method       | Entry age normal  |
| Investment rate of return   | 7.5%  |
| Projected salary increases  | 2.7 - 7.2% for pensions/not applicable for OPEB                       |
| Inflation                   | 2.3%  |
| Permanent benefit increase  | Included for pensions/not applicable for OPEB                         |
| Mortality rates             | 2017 SRA Scale U-MP for pensions and health insurance premium benefit |
| Recovery rates              | 2012 GLDT for long-term disability                                    |
| 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.

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Actuarial Assumptions (Continued)** - The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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 geometric real rates of return for each major asset class are summarized in the following table:

| ASRS         | Target     | Long-Term                                 |
|--------------|------------|---|
| Asset Class  | Allocation | Expected Geometric Real<br>Rate of Return |
| Equity       | 50%        | 5.50%                                     |
| Fixed Income | 30%        | 3.83%                                     |
| Real estate  | 20%        | 5.85%                                     |
| Total        | 100%       |   |

**Discount Rate** – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 Liability (Asset) to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| ASRS  | 1% Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% increase<br>(8.5%) |
|---|-----------------------|------------------------------------|-----------------------|
| District's proportionate share of the           |                       |                                    |                       |
| Net pension liability                           | \$ 3,747,574          | \$ 2,628,912                       | \$ 1,694,287          |
| Net insurance premium benefit liability (asset) | 24,510                | (6,917)                            | (33,687)              |
| Net long-term disability liability              | 11,186                | 9,870                              | 8,594                 |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). 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) which are not further disclosed because of their relative insignificance to the District's financial statements.

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](http://www.psprs.com).

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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<br>January 1, 2012 and<br>before July 1, 2017     | On or after July 1, 2017   |
| <b>Retirement and Disability</b>                     |  |   |  |
| Years of service and age required to receive benefit | 20 years of service, any age<br>15 years of service, age 62  | 25 years of service or 15 years of credited service, age 52.5 | 15 years of credited service, age 52.5<br>15 or more years of service age 55 |
| Final average salary is based on                     | Highest 36 consecutive months of last 20 years   | Highest 60 consecutive months of last 20 years                | Highest 60 consecutive months of last 15 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, not to exceed 80%  |  |
| Accidental Disability Retirement                     | 50% or normal retirement, whichever is greater   |   |  |
| Catastrophic Disability Retirement                   | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater  |   |  |
| Ordinary Disability Retirement                       | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 |   |  |
| <b>Survivor Benefits</b>                             |  |   |  |
| Retired Members                                      | 80% to 100% of retired member's pension benefit  |   |  |
| Active Members                                       | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job  |   |  |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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 \$100 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** - At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

|                                     | PSPRS<br>Firefighter |
|-------------------------------------|----------------------|
| Inactive employees or beneficiaries |                      |
| currently receiving benefits        | 17                   |
| Inactive employees entitled to      |                      |
| but not yet receiving benefits      | 13                   |
| Active employees                    | <u>77</u>            |
| Total                               | <u><u>107</u></u>    |

**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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

|                                  | PSPRS<br>Firefighter |
|----------------------------------|----------------------|
| Active members - Pension         | <u>7.65%</u>         |
| District                         |                      |
| Pension                          | 28.05%               |
| Health insurance premium benefit | 0.32%                |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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 and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the District's required contributions to PSPRS Tier 3 Risk Pool and PSPDCRP.

|                                  | PSPRS<br>Firefighter |
|----------------------------------|----------------------|
|                                  | <hr/>                |
| Pension                          | 14.12%               |
| Health insurance permium benefit | 0.03%                |

The District's contributions to the plans for the year ended June 30, 2019, were:

|   | PSPRS<br>Firefighter |
|---|----------------------|
|   | <hr/>                |
| Pension   |                      |
| Contributions made to PSPRS                                   | \$ 1,957,309         |
| Contributions made to PSPRS Tier 3 risk pool                  | 33,324               |
| Health Insurance Permium Benefit                              |                      |
| Annual OPEB cost contributions made to PSPRS                  | 22,330               |
| Annual OPEB cost contributions made to PSPRS Tier 3 risk pool | 380                  |

During fiscal year 2019, the District paid 96 percent of the PSPRS pension and OPEB contributions from the General Fund and 4 percent from the Transport Services Fund.

**Liability** - At June 30, 2019, the District reported a PSPRS net pension and OPEB liability of \$19,036,928 and \$38,135, respectively.

The net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS

|                            |  |
|----------------------------|--|
| Actuarial valuation date   | June 30, 2018  |
| Actuarial cost method      | Entry age normal   |
| Investment rate of return  | 7.40%  |
| Wage inflation             | 3.5% for pensions/not applicable for OPEB  |
| Price inflation            | 2.5% for pensions/not applicable for OPEB  |
| Cost-of-living adjustment  | 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, 2018, 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 |
| Short term investments | 2%             | 0.25%              |                |
| Risk Parity            | 4%             | 5.00%              |                |
| Fixed income           | 5%             | 1.25%              |                |
| Real assets            | 9%             | 4.52%              |                |
| GTS                    | 12%            | 3.96%              |                |
| Private credit         | 16%            | 6.75%              |                |
| Real estate            | 10%            | 3.75%              |                |
| Private equity         | 12%            | 5.83%              |                |
| Non-U.S. equity        | 14%            | 8.70%              |                |
| U.S. equity            | 16%            | 7.60%              |                |
| Total                  | <u>100.00%</u> |                    |                |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Discount Rates** – At June 30, 2018, the discount rate used to measure the PSPRS total pension liability was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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  | Pension                 |                             |                       | Health Insurance Premium Benefit |                             |                       |
|--|-------------------------|-----------------------------|-----------------------|----------------------------------|-----------------------------|-----------------------|
|  | Increase (Decrease)     |                             |                       | Increase (Decrease)              |                             |                       |
|  | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability | Total Pension Liability          | Plan Fiduciary Net Position | Net Pension Liability |
| (a)  | (b)                     | (a) - (b)                   | (a)                   | (b)                              | (a) - (b)                   |                       |
| Balances at June 30, 2018  | <u>\$47,850,953</u>     | <u>\$30,747,063</u>         | <u>\$17,103,890</u>   | <u>\$949,890</u>                 | <u>\$890,981</u>            | <u>\$58,909</u>       |
| Changes for the year:  |                         |                             |                       |                                  |                             |                       |
| Service Cost   | 1,442,576               | -                           | 1,442,576             | 19,386                           | -                           | 19,386                |
| Interest on the total pension liability  | 3,552,503               | -                           | 3,552,503             | 70,381                           | -                           | 70,381                |
| Changes of benefit terms   | -                       | -                           | -                     | -                                | -                           | -                     |
| Differences between expected and actual experience in the measurement of the pension liability | 561,965                 | -                           | 561,965               | (38,179)                         | -                           | (38,179)              |
| Changes of assumptions or other inputs   | -                       | -                           | -                     | -                                | -                           | -                     |
| Contributions - employer   | -                       | 1,886,507                   | (1,886,507)           | -                                | 11,386                      | (11,386)              |
| Contributions - employee   | -                       | 650,638                     | (650,638)             | -                                | -                           | -                     |
| Net investment income  | -                       | 2,134,046                   | (2,134,046)           | -                                | 61,918                      | (61,918)              |
| Benefit payments, including refunds of employee contributions                                  | (1,130,876)             | (1,130,876)                 | -                     | (16,981)                         | (16,981)                    | -                     |
| Hall/Parker settlement   | -                       | (1,014,363)                 | 1,014,363             | -                                | -                           | -                     |
| Administrative expense   | -                       | (33,180)                    | 33,180                | -                                | (942)                       | 942                   |
| Other changes  | -                       | 358                         | (358)                 | -                                | -                           | -                     |
| Net changes  | <u>4,426,168</u>        | <u>2,493,130</u>            | <u>1,933,038</u>      | <u>34,607</u>                    | <u>55,381</u>               | <u>(20,774)</u>       |
| Balances at June 30, 2019  | <u>\$52,277,121</u>     | <u>\$33,240,193</u>         | <u>\$19,036,928</u>   | <u>\$984,497</u>                 | <u>\$946,362</u>            | <u>\$38,135</u>       |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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   | Current                  | 1% increase   |
|----------------------------|---------------|--------------------------|---------------|
|                            | (6.40%)       | Discount Rate<br>(7.40%) | (8.40%)       |
| Net pension liability      | \$ 27,069,883 | \$ 19,036,928            | \$ 12,558,615 |
| Net OPEB (asset) liability | 168,246       | 38,135                   | (69,626)      |

**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, 2019, the District recognized \$3,769,036 and \$19,494 of PSPRS pension and OPEB expense, respectively.

**Deferred Outflows/Inflows of Resources** - At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PSPRS - Firefighter  | Pension                        |                               | Health Insurance Premium Benefit |                               |
|--|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources   | Deferred Inflows of Resources |
| Differences between expected and actual experience                               | \$ 1,074,719                   | \$ 985,857                    | \$ 1,064                         | \$ 33,134                     |
| Changes of assumptions or other inputs   | 3,007,781                      | -                             | -                                | 24,963                        |
| Net difference between projected and actual earnings on pension plan investments | 1,068,884                      | 688,726                       | 3,018                            | 20,419                        |
| District contributions subsequent to the measurement date                        | 1,990,633                      | -                             | 22,710                           | -                             |
| Total  | <u>\$ 7,142,017</u>            | <u>\$ 1,674,583</u>           | <u>\$ 26,792</u>                 | <u>\$ 78,516</u>              |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

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, 2020. 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 |             |
|----------------------|---------------------|-------------|
|                      | Pension             | OPEB        |
| 2020                 | \$ 934,292          | \$ (14,567) |
| 2021                 | 737,560             | (14,567)    |
| 2022                 | 363,292             | (14,567)    |
| 2023                 | 552,493             | (7,762)     |
| 2024                 | 434,162             | (8,515)     |
| Thereafter           | 455,002             | (14,456)    |

**PSPDCRP plan** - District's firefighters who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provision of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2019, active PSPDCRP members were required by statute to contribute at least 9 percent of the members' annual covered payroll, and the District was required by statute to contribute 9 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the District's contributions each year as set forth in statute. The plan retains nonvested District contributions when forfeited because of employment terminations. For the year ended June 30, 2019, the District recognized pension expense of \$77,114.

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 5 LONG TERM DEBT

General Obligation Bonds

In July 2018, the district issued general obligation refunding bonds, Series 2018 with an interest rate of 2.83% to refund the higher rate 2006 Greater Arizona Development Authority (GADA) notes. The District realized net proceeds of \$5,373,594 after payment of \$95,417 in issuance costs, plus a \$1,989 bond debt service fund deposit. Interest at the rate of 2.83% is payable semiannually on January 1 and July 1. The bonds are 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. The original GADA notes were used 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. The GADA notes are considered defeased, and related liabilities are not included in the District's financial statements. Details of the refunding transactions are as follows:

|                                    | Bond<br>Category |
|------------------------------------|------------------|
| Amount of refunding bonds issued   | \$ 5,471,000     |
| Amount of notes refunded           | 5,373,594        |
| Reduction in debt service payments | 424,040          |

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

| Fiscal year ending June 30, | Principal           | Interest          |
|-----------------------------|---------------------|-------------------|
| 2020                        | \$ 556,000          | \$ 139,123        |
| 2021                        | 571,000             | 123,388           |
| 2022                        | 586,000             | 107,229           |
| 2023                        | 604,000             | 90,645            |
| 2024                        | 622,000             | 73,552            |
| 2025-2027                   | 1,977,000           | 113,030           |
| Total                       | <u>\$ 4,916,000</u> | <u>\$ 646,966</u> |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 LONG TERM DEBT (Continued)

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, 2019:

| Year Ending, June 30                | Governmental<br>Activities | Business-type<br>Activities |
|-------------------------------------|----------------------------|-----------------------------|
| 2020                                | \$ 128,354                 | \$ 175,148                  |
| 2021                                | 128,354                    | 175,148                     |
| 2022                                | 128,354                    | 175,148                     |
| 2023                                | 128,354                    | 175,148                     |
| 2024                                | 128,354                    | 175,148                     |
| 2025-2026                           | 298,962                    | 175,148                     |
| Total requirements                  | 940,731                    | 1,050,886                   |
| Less interest                       | 123,696                    | 103,334                     |
| Present value of remaining payments | <u>\$ 817,034</u>          | <u>\$ 947,552</u>           |

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

|                               | Governmental<br>Activities | Business-type<br>Activities |
|-------------------------------|----------------------------|-----------------------------|
| Asset                         |                            |                             |
| Vehicles                      | \$ 1,124,613               | \$ 1,551,365                |
| Less accumulated depreciation | (201,164)                  | (360,344)                   |
| Net                           | <u>\$ 923,449</u>          | <u>\$ 1,191,021</u>         |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 5 LONG TERM DEBT (Continued)

Changes in long-term debt as of June 30, 2019 are as follows:

|  | Beginning<br>Balance | Additions           | Reductions            | Transfers   | Ending<br>Balance    | Due Within<br>One Year |
|--|----------------------|---------------------|-----------------------|-------------|----------------------|------------------------|
| <b>Governmental activities:</b>                  |                      |                     |                       |             |                      |                        |
| Notes payable                                    | \$ 5,355,000         | \$ -                | \$ (5,355,000)        | \$ -        | \$ -                 | \$ -                   |
| Refunding Series 2018 GO Bonds                   | -                    | 5,471,000           | (555,000)             | -           | 4,916,000            | 556,000                |
| Deferred gain on refunding                       | 164,725              | -                   | (164,725)             | -           | -                    | -                      |
| Capital leases                                   | 913,449              | -                   | (96,415)              | -           | 817,034              | 99,786                 |
| Compensated absences                             | 2,248,393            | 377,576             | (58,065)              | -           | 2,567,904            | 723,632                |
| Net pension liability                            | 18,627,934           | 648,434             | -                     | -           | 19,276,368           | -                      |
| Net OPEB liability                               | 59,382               | -                   | (18,516)              | -           | 40,866               | -                      |
| Governmental activities<br>long-term liabilities | <u>\$ 27,368,883</u> | <u>\$ 6,497,010</u> | <u>\$ (6,247,721)</u> | <u>\$ -</u> | <u>\$ 27,618,172</u> | <u>\$ 1,379,418</u>    |

|   | Beginning<br>Balance | Additions           | Reductions          | Transfers   | Ending<br>Balance   | Due Within<br>One Year |
|---|----------------------|---------------------|---------------------|-------------|---------------------|------------------------|
| <b>Business-type activities:</b>                  |                      |                     |                     |             |                     |                        |
| Capital lease                                     | \$ 1,089,577         | \$ -                | \$ (142,025)        | \$ -        | \$ 947,552          | \$ 146,342             |
| Compensated absences                              | 107,971              | 57,832              | (40,343)            | -           | 125,460             | 43,289                 |
| Net pension liability                             | 909,398              | 1,480,074           | -                   | -           | 2,389,472           | -                      |
| Net OPEB liability                                | -                    | 7,137               | -                   | -           | 7,137               | -                      |
| Business-like activities<br>long-term liabilities | <u>\$ 2,106,946</u>  | <u>\$ 1,545,043</u> | <u>\$ (182,368)</u> | <u>\$ -</u> | <u>\$ 3,469,621</u> | <u>\$ 189,631</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, 2019 was \$168,249. 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](http://www.topazrwc.org).

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 7 CREDIT LINE

The District has an approved line of credit for \$1.5 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 \$796,513 during the year and no balance was outstanding at fiscal year-end.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

| Fund               | Receivable<br>Amount | Payable<br>Amount   |
|--------------------|----------------------|---------------------|
| General            | \$ 1,849,222         | \$ -                |
| Capital Project    | 1,524,247            | -                   |
| Transport Services | -                    | 3,373,469           |
| Total              | <u>\$ 3,373,469</u>  | <u>\$ 3,373,469</u> |

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 RESTATEMENT

Prior to the year ended June 30, 2019, the net OPEB asset and liability related to ASRS had not been recorded due to the relative insignificance compared to the financial statements. However, during the year ended June 30, 2019, the ending net OPEB asset, liability, and related deferrals are now material to the financial statements. The District has now implemented GASB 75 for the ASRS pension liability resulting in a restatement of the prior period for the Governmental and Proprietary net position as follows:

|  |                       |                       |
|--|-----------------------|-----------------------|
| Net Position as previously reported at June 30, 2018           | <u>\$ (3,425,598)</u> | <u>\$ (2,377,034)</u> |
| Prior period adjustment - implementation of GASB 75:           |                       |                       |
| Net OPEB liability (measurement date as of June 30, 2017)      | (3,241)               | (3,189)               |
| Net OPEB asset (measurement date as of June 30, 2017)          | 4,920                 | 4,841                 |
| Deferred outflows - contributions made during fiscal year 2018 | 3,848                 | 7,462                 |
| Deferred inflows - resources related to OPEB                   | (6,031)               | (5,934)               |
| Total prior period adjustment                                  | <u>(504)</u>          | <u>3,180</u>          |
| Net position as restated, July 1, 2018                         | <u>\$ (3,426,102)</u> | <u>\$ (2,373,854)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COST-SHARING PENSION PLAN  
June 30, 2019

Arizona Retirement System - Pension

|   | Reporting Fiscal Year<br>(Measurement Date) |                |                |                |                | 2014<br>through<br>2010      |
|---|---|----------------|----------------|----------------|----------------|------------------------------|
|   | 2019<br>(2018)                              | 2018<br>(2017) | 2017<br>(2016) | 2016<br>(2015) | 2015<br>(2014) |                              |
| District's proportion of the net pension liability  | 0.018847%                                   | 0.017672%      | 0.014244%      | 0.008618%      | 0.007864%      | Information<br>not available |
| District's proportionate share of the net pension liability   | \$ 2,628,912                                | \$ 2,752,642   | \$ 2,298,479   | \$ 1,342,452   | \$ 1,163,628   |                              |
| District's covered payroll  | \$ 1,873,367                                | \$ 1,883,073   | \$ 1,320,736   | \$ 794,540     | \$ 708,897     |                              |
| District's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 140.33%                                     | 146.18%        | 174.03%        | 168.96%        | 164.15%        |                              |
| Plan fiduciary net position as a percentage of the total<br>pension liability                         | 73.40%                                      | 69.92%         | 67.06%         | 68.35%         | 69.49%         |                              |

Arizona Retirement System - Health insurance premium benefit

|  | Reporting Fiscal Year<br>(Measurement Date) |                |                              |
|--|---|----------------|------------------------------|
|  | 2019<br>(2018)                              | 2018<br>(2017) | 2017<br>through<br>2010      |
| District's proportion of the net OPEB (asset)  | 0.019206%                                   | 0.017931%      | Information<br>not available |
| District's proportionate share of the net OPEB (asset)   | \$ (6,917)                                  | \$ (9,761)     |                              |
| District's covered payroll   | \$ 1,873,367                                | \$ 1,883,073   |                              |
| District's proportionate share of the net OPEB (asset)<br>as a percentage of its covered payroll | -0.37%                                      | -0.52%         |                              |
| Plan fiduciary net position as a percentage of the total<br>OPEB (asset)                         | 102.20%                                     | 103.57%        |                              |

Arizona Retirement System - Long-term disability

|  | Reporting Fiscal Year<br>(Measurement Date) |                |                              |
|--|---|----------------|------------------------------|
|  | 2019<br>(2018)                              | 2018<br>(2017) | 2017<br>through<br>2010      |
| District's proportion of the net OPEB liability  | 0.018888%                                   | 0.015757%      | Information<br>not available |
| District's proportionate share of the net OPEB liability   | \$ 9,870                                    | \$ 6,430       |                              |
| District's covered payroll   | \$ 1,873,367                                | \$ 1,883,073   |                              |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 0.53%                                       | 0.34%          |                              |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                         | 77.83%                                      | 84.44%         |                              |

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS AGENT PENSION PLAN  
June 30, 2019

PSPRS - Pension

|   | Reporting Fiscal Year<br>(Measurement Date) |                      |                      |                      |                      | 2014<br>through<br>2010      |
|---|---|----------------------|----------------------|----------------------|----------------------|------------------------------|
|   | 2019<br>(2018)                              | 2018<br>(2017)       | 2017<br>(2016)       | 2016<br>(2015)       | 2015<br>(2014)       |                              |
| Total pension liability   |   |                      |                      |                      |                      |                              |
| Service cost  | \$ 1,442,576                                | \$ 1,504,412         | \$ 1,309,752         | \$ 1,093,722         | \$ 1,174,458         | Information<br>not available |
| Interest on the total pension liability   | 3,552,503                                   | 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<br>in the measurement of the pension liability | 561,965                                     | (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<br>of employee contributions                                  | (1,130,876)                                 | (1,419,571)          | (638,368)            | (715,052)            | (671,310)            |                              |
| Net change in total pension liability   | 4,426,168                                   | 5,083,081            | 8,077,508            | 3,898,950            | 3,619,938            |                              |
| Total pension liability - beginning   | 47,850,953                                  | 42,767,872           | 34,690,364           | 30,791,414           | 27,171,476           |                              |
| Total pension liability - ending (a)  | <u>\$ 52,277,121</u>                        | <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  | \$ 1,886,507                                | \$ 1,447,386         | \$ 1,583,372         | \$ 1,015,424         | \$ 993,529           |                              |
| Contributions - employee  | 650,638                                     | 778,888              | 838,526              | 790,270              | 607,581              |                              |
| Net investment income   | 2,134,046                                   | 3,185,780            | 148,850              | 857,371              | 2,659,653            |                              |
| Benefit payments, including refunds<br>of employee contributions                                  | (1,130,876)                                 | (1,419,571)          | (638,368)            | (715,052)            | (671,310)            |                              |
| Hall/Parker Settlement  | (1,014,363)                                 | -                    | -                    | -                    | -                    |                              |
| Administrative expense  | (33,180)                                    | (28,589)             | (21,819)             | (21,306)             | (21,594)             |                              |
| Other changes   | 358   | 336                  | 36,564               | (17,818)             | (205,504)            |                              |
| Net change in plan fiduciary net position   | 2,493,130                                   | 3,964,230            | 1,947,125            | 1,908,889            | 3,362,355            |                              |
| Plan fiduciary net position - beginning   | 30,747,063                                  | 26,782,833           | 24,835,708           | 22,926,819           | 19,564,464           |                              |
| Plan fiduciary net position - ending (b)  | <u>\$ 33,240,193</u>                        | <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>\$ 19,036,928</u>                        | <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<br>total pension liability                     | 63.58%                                      | 64.26%               | 62.62%               | 71.59%               | 74.46%               |                              |
| Covered payroll   | \$ 6,684,780                                | \$ 6,677,374         | \$ 6,948,284         | \$ 6,715,243         | \$ 5,794,921         |                              |
| District's net pension liability as a percentage<br>of covered payroll                            | 284.78%                                     | 256.15%              | 230.06%              | 146.75%              | 135.72%              |                              |

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS AGENT PENSION PLAN (Continued)  
June 30, 2019

PSPRS - Health insurance premium benefit

|  | Reporting Fiscal Year<br>(Measurement Date) |                   |                           |
|--|---|-------------------|---------------------------|
|  | 2019<br>(2018)                              | 2018<br>(2017)    | 2017<br>through<br>2010   |
| Total pension liability  |   |                   |                           |
| Service cost   | \$ 19,386                                   | \$ 18,697         | Information not available |
| Interest on the total pension liability  | 70,381                                      | 67,706            |                           |
| Changes on benefit terms   | -   | 7,535             |                           |
| Differences between expected and actual experience in the measurement of the pension liability | (38,179)                                    | 1,374             |                           |
| Changes of assumptions or other inputs   | -   | (32,213)          |                           |
| Benefit payments, including refunds of employee contributions                                  | (16,981)                                    | (13,205)          |                           |
| Net change in total pension liability  | 34,607                                      | 49,894            |                           |
| Total pension liability - beginning  | 949,890                                     | 899,996           |                           |
| Total pension liability - ending (a)   | <u>\$ 984,497</u>                           | <u>\$ 949,890</u> |                           |
| Plan fiduciary net position  |   |                   |                           |
| Contributions - employer   | \$ 11,386                                   | \$ 20,209         |                           |
| Contributions - employee   | -   | -                 |                           |
| Net investment income  | 61,918                                      | 93,605            |                           |
| Benefit payments, including refunds of employee contributions                                  | (16,981)                                    | (13,205)          |                           |
| Administrative expense   | (942)                                       | (828)             |                           |
| Other changes  | -   | -                 |                           |
| Net change in plan fiduciary net position  | 55,381                                      | 99,781            |                           |
| Plan fiduciary net position - beginning  | 890,981                                     | 791,200           |                           |
| Plan fiduciary net position - ending (b)   | <u>\$ 946,362</u>                           | <u>\$ 890,981</u> |                           |
| District's net pension liability - ending (a) - (b)  | <u>\$ 38,135</u>                            | <u>\$ 58,909</u>  |                           |
| Plan fiduciary net position as a percentage of the total pension liability                     | 96.13%                                      | 93.80%            |                           |
| Covered payroll  | \$ 6,684,780                                | \$ 6,677,374      |                           |
| District's net pension liability as a percentage of covered payroll                            | 0.57%                                       | 0.88%             |                           |

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
June 30, 2019

ASRS - Pension

|  | Reporting Fiscal Year |              |              |              |            |            | 2013 through<br>2010         |
|--|-----------------------|--------------|--------------|--------------|------------|------------|------------------------------|
|  | 2019                  | 2018         | 2017         | 2016         | 2015       | 2014       |                              |
| Statutorily required contribution  | \$ 236,377            | \$ 204,197   | \$ 202,995   | \$ 143,300   | \$ 86,446  | \$ 75,852  | Information<br>not available |
| District's contributions in relation to the<br>statutorily required contribution | 236,377               | 204,197      | 202,995      | 143,300      | 86,446     | 75,852     |                              |
| District's contribution deficiency (excess)                                      | \$ -                  | \$ -         | \$ -         | \$ -         | \$ -       | \$ -       |                              |
| District's covered payroll   | \$ 2,114,281          | \$ 1,873,367 | \$ 1,883,073 | \$ 1,320,736 | \$ 794,540 | \$ 708,897 |                              |
| District's contributions as a percentage of<br>covered payroll                   | 11.18%                | 10.90%       | 10.78%       | 10.85%       | 10.88%     | 10.70%     |                              |

ASRS - Health insurance premium benefit

|  | Reporting Fiscal Year |              |              | 2016 through<br>2010         |
|--|-----------------------|--------------|--------------|------------------------------|
|  | 2019                  | 2018         | 2017         |                              |
| Statutorily required contribution  | \$ 9,726              | \$ 8,294     | \$ 10,545    | Information<br>not available |
| District's contributions in relation to the<br>statutorily required contribution | 9,726                 | 8,294        | 10,545       |                              |
| District's contribution deficiency (excess)                                      | \$ -                  | \$ -         | \$ -         |                              |
| District's covered payroll   | \$ 2,114,281          | \$ 1,873,367 | \$ 1,883,073 |                              |
| District's contributions as a percentage of<br>covered payroll                   | 0.46%                 | 0.44%        | 0.56%        |                              |

ASRS - Long-term disability

|  | Reporting Fiscal Year |              |              | 2016 through<br>2010         |
|--|-----------------------|--------------|--------------|------------------------------|
|  | 2019                  | 2018         | 2017         |                              |
| Statutorily required contribution  | \$ 3,383              | \$ 3,016     | \$ 2,636     | Information<br>not available |
| District's contributions in relation to the<br>statutorily required contribution | 3,383                 | 3,016        | 2,636        |                              |
| District's contribution deficiency (excess)                                      | \$ -                  | \$ -         | \$ -         |                              |
| District's covered payroll   | \$ 2,114,281          | \$ 1,873,367 | \$ 1,883,073 |                              |
| District's contributions as a percentage of<br>covered payroll                   | 0.16%                 | 0.16%        | 0.14%        |                              |

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS (Continued)  
June 30, 2019

|  | Reporting Fiscal Year |              |              |              |              |              | 2013 through<br>2010         |
|--|-----------------------|--------------|--------------|--------------|--------------|--------------|------------------------------|
|  | 2019                  | 2018         | 2017         | 2016         | 2015         | 2014         |                              |
| Actuarially determined contribution  | \$ 1,990,633          | \$ 1,886,507 | \$ 1,447,386 | \$ 1,583,372 | \$ 1,015,424 | \$ 993,529   | Information<br>not available |
| District's contributions in relation to the<br>actuarially determined contribution | 1,990,633             | 1,886,507    | 1,447,386    | 1,583,372    | 993,529      | 902,497      |                              |
| District's contribution deficiency (excess)  | \$ -                  | \$ -         | \$ -         | \$ -         | \$ 21,895    | \$ 91,032    |                              |
| District's covered payroll   | \$ 7,096,731          | \$ 6,684,780 | \$ 6,677,374 | \$ 6,948,284 | \$ 6,715,243 | \$ 5,794,921 |                              |
| District's contributions as a percentage of<br>covered payroll                     | 28.05%                | 28.22%       | 21.68%       | 22.79%       | 14.80%       | 15.57%       |                              |
| <u>PSPRS - Health insurance premium benefit</u>                                    |                       |              |              |              |              |              |                              |
|  | Reporting Fiscal Year |              |              |              |              |              | 2016 through<br>2010         |
|  | 2019                  | 2018         | 2017         |              |              |              |                              |
| Actuarially determined contribution  | \$ 22,710             | \$ 11,386    | \$ 20,209    |              |              |              | Information<br>not available |
| District's contributions in relation to the<br>actuarially determined contribution | 22,710                | 11,386       | 20,209       |              |              |              |                              |
| District's contribution deficiency (excess)  | \$ -                  | \$ -         | \$ -         |              |              |              |                              |
| District's covered payroll   | \$ 7,096,731          | \$ 6,684,780 | \$ 6,677,374 |              |              |              |                              |
| District's contributions as a percentage of<br>covered payroll                     | 0.32%                 | 0.17%        | 0.30%        |              |              |              |                              |

SUPERSTITION FIRE & MEDICAL DISTRICT  
 NOTES TO PENSION PLAN SCHEDULES  
 For the Year Ended June 30, 2019

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 2017 actuarial valuation | 19 years for underfunded<br>20 years for overfunded  |
| Asset valuation method   | 7-year smoothed market value; 80%/120% market corridor   |
| Actuarial assumptions:<br>Investment rate of return              | PSPRS members with initial membership date before July 1, 2017:<br>In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, projected salary increase were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. 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  | In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)  |

SUPERSTITION FIRE & MEDICAL DISTRICT  
NOTES TO PENSION PLAN SCHEDULES  
For the Year Ended June 30, 2019

NOTE 2 FACTORS THAT AFFECT 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 increased 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 contributions for 2018 and 2019.

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2019

|   | Budgeted Amounts    |                     | Actual Amounts      | Variance with                           |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     | Final Budget-<br>Positive<br>(Negative) |
| REVENUES  |                     |                     |                     |   |
| Taxes   | \$ 12,538,495       | \$ 12,538,495       | \$ 12,609,434       | \$ 70,939                               |
| Centrally assessed taxes  | 377,000             | 377,000             | 371,492             | (5,508)                                 |
| Insurance premiums  | 100,000             | 100,000             | 121,709             | 21,709                                  |
| County aid  | 400,000             | 400,000             | 400,000             | -                                       |
| Charges for services  | 443,800             | 443,800             | 873,376             | 429,576                                 |
| Grants  | -                   | -                   | 102,222             | 102,222                                 |
| Interest revenues   | 10,000              | 10,000              | 40,307              | 30,307                                  |
| Other income  | 10,000              | 10,000              | 2,694               | (7,306)                                 |
| Total revenues  | <u>13,879,295</u>   | <u>13,879,295</u>   | <u>14,521,234</u>   | <u>641,939</u>                          |
| EXPENDITURES  |                     |                     |                     |   |
| Current   |                     |                     |                     |   |
| Administration  | 4,349,219           | 4,349,219           | 1,841,653           | 2,507,566                               |
| Technical Services  | 570,905             | 570,905             | 722,177             | (151,272)                               |
| Communication Services  | 178,250             | 178,250             | 181,620             | (3,370)                                 |
| Emergency Services  | 10,275,618          | 10,275,618          | 10,812,433          | (536,815)                               |
| Community Services  | 89,233              | 89,233              | 93,951              | (4,718)                                 |
| Total expenditures  | <u>15,463,225</u>   | <u>15,463,225</u>   | <u>13,651,834</u>   | <u>1,811,391</u>                        |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | <u>(1,583,930)</u>  | <u>(1,583,930)</u>  | <u>869,400</u>      | <u>2,453,330</u>                        |
| Net change in fund balances                                     | (1,583,930)         | (1,583,930)         | 869,400             | 2,453,330                               |
| Fund balance-beginning of year                                  | <u>2,669,675</u>    | <u>2,669,675</u>    | <u>2,669,675</u>    | <u>-</u>                                |
| Fund balance - end of year                                      | <u>\$ 1,085,745</u> | <u>\$ 1,085,745</u> | <u>\$ 3,539,075</u> | <u>\$ 2,453,330</u>                     |

## SUPPLEMENTARY INFORMATION

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND  
Year Ended June 30, 2019

| REVENUES  | Budgeted Amounts    |                     | Actual Amounts      | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| Taxes   | \$ 994,654          | \$ 994,654          | \$ 996,752          | \$ 2,098   |
| Investment income   | 4,000               | 4,000               | 14,202              | 10,202   |
| Total revenues  | <u>998,654</u>      | <u>998,654</u>      | <u>1,010,954</u>    | <u>12,300</u>  |
| EXPENDITURES  |                     |                     |                     |  |
| Carryover funds   | 375,232             | 375,232             | 17                  | 375,215  |
| Capital outlay  | 486,857             | 486,857             | 1,181,177           | (694,320)  |
| Debt service  |                     |                     |                     |  |
| Principal   | -                   | -                   | 96,415              | (96,415)   |
| Interest and fiscal charges                                     | -                   | -                   | 31,939              | (31,939)   |
| Total expenditures  | <u>862,089</u>      | <u>862,089</u>      | <u>1,309,548</u>    | <u>(447,459)</u>   |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | <u>136,565</u>      | <u>136,565</u>      | <u>(298,594)</u>    | <u>(435,159)</u>   |
| OTHER FINANCING SOURCES   |                     |                     |                     |  |
| Transfers out   | <u>(201,366)</u>    | <u>(201,366)</u>    | <u>-</u>            | <u>201,366</u>   |
| Net change in fund balances                                     | (64,801)            | (64,801)            | (298,594)           | (233,793)  |
| Fund balance-beginning of year                                  | <u>2,540,717</u>    | <u>2,540,717</u>    | <u>2,540,717</u>    | <u>-</u>   |
| Fund balance - end of year                                      | <u>\$ 2,475,916</u> | <u>\$ 2,475,916</u> | <u>\$ 2,242,123</u> | <u>\$ (233,793)</u>                                      |

SUPERSTITION FIRE & MEDICAL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – NON-MAJOR FUNDS  
Year Ended June 30, 2019

| REVENUES  | Budgeted Amounts    |                     | Actual Amounts    | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|---|---------------------|---------------------|-------------------|--|
|   | Original            | Final               |                   |  |
| Property Taxes  | \$ 694,518          | \$ 694,518          | \$ 697,520        | \$ 3,002   |
| Centrally assessed taxes  | 20,880              | 20,880              | 20,574            | (306)  |
| Grants  | 283,687             | 283,687             | 36,000            | (247,687)  |
| Investment income   | 3,000               | 3,000               | 19,734            | 16,734   |
| Other income  | 26,600              | 26,600              | 9,980             | (16,620)   |
| Total revenues  | <u>1,028,685</u>    | <u>1,028,685</u>    | <u>783,808</u>    | <u>(244,877)</u>   |
| EXPENDITURES  |                     |                     |                   |  |
| Current   |                     |                     |                   |  |
| Administration  | 158                 | 158                 | 12                | 146  |
| Capital outlay  | 365,555             | 365,555             | 48,414            | 317,141  |
| Debt Service:   |                     |                     |                   |  |
| Principal   | 485,000             | 485,000             | 554,256           | (69,256)   |
| Interest and other charges                                      | 474,975             | 474,975             | 161,450           | 313,525  |
| Bond issuance costs   | -                   | -                   | 95,417            | (95,417)   |
| Total expenditures  | <u>1,325,688</u>    | <u>1,325,688</u>    | <u>859,549</u>    | <u>466,139</u>   |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | <u>(297,003)</u>    | <u>(297,003)</u>    | <u>(75,741)</u>   | <u>221,262</u>   |
| OTHER FINANCING SOURCES (USES)                                  |                     |                     |                   |  |
| Payment to refunded bond escrow agent                           | -                   | -                   | (5,355,000)       | (5,355,000)  |
| Refunding bonds issued  | -                   | -                   | 5,471,000         | 5,471,000  |
| Transfers in  | 26,218              | 26,218              | -                 | (26,218)   |
| Total other financing sources                                   | <u>26,218</u>       | <u>26,218</u>       | <u>116,000</u>    | <u>89,782</u>  |
| Net change in fund balances                                     | (270,785)           | (270,785)           | 40,259            | 311,044  |
| Fund balance - beginning of year                                | <u>15,731</u>       | <u>15,731</u>       | <u>295,016</u>    | <u>279,285</u>   |
| Fund balance - end of year                                      | <u>\$ (255,054)</u> | <u>\$ (255,054)</u> | <u>\$ 335,275</u> | <u>\$ 590,329</u>  |

## 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, 2019, 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 January 6, 2020.

### 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*

Tempe, Arizona  
January 6, 2020