

**AVRA VALLEY FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2018**

**Saunders Company, Ltd  
6008 West Cortez Street  
Glendale, Arizona 85304  
Fax 602-926-2431  
Phone 623-476-8660**

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**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2018**

**TABLE OF CONTENTS**

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1-4	
INDEPENDENT AUDITOR 'S REPORT	5-8	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9-18	
BASIC FINANCIAL STATEMENTS:	19-26	
Government -Wide Financial Statements		
Statement of Net Position	20	A
Statement of Activities	21	B
Fund Financial Statements		
Balance Sheet - Governmental Funds	22	C
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23	D
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	24	E
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds To the Statement of Activities	25-26	F
Notes to the Financial Statements	27-56	

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**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
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JUNE 30, 2018**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	57-74	
Budgetary Comparison Schedule-General Fund	59	G
Notes to Budgetary Comparison Schedule	60	
Schedule of Changes in the District's Net Pension Liability and Related Ratios	61-64	
Schedule of Pension Contributions	65-69	
Schedule of Proportionate Share of Net Pension Liability	70-72	
Notes to Pension Plan Schedules	73-74	
OTHER SUPPLEMENTARY INFORMATION	75-78	
Arizona Annual Report Information	77-78	
GOVERNMENT AUDIT STANDARDS SECTION	79-86	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	81-82	
Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83-86	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS	87-88	

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# SAUNDERS COMPANY, LTD

**JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.  
TRICIA E. SAUNDERS, PI.**

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CERTIFIED PUBLIC ACCOUNTANT	6008 W. CORTEZ ST
CERTIFIED FRAUD EXAMINER	GLENDALE, ARIZONA 85304
CERTIFIED GOVERNMENT FINANCIAL MANAGER	Tel: (623) 476-8660
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706	Fax: (602) 926-2431
CERTIFIED IN FINANCIAL FORENSICS	E-Mail: <a href="mailto:JamesH49@AOL.com">JamesH49@AOL.com</a>
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT	<a href="mailto:Redheadedcutie10@AOL.com">Redheadedcutie10@AOL.com</a>

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Arizona Society of Certified Public Accountants	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Avra Valley Fire District  
Marana, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avra Valley Fire District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**INDEPENDENT AUDITOR'S REPORT**

6/30/2018

Page 2

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Required Supplementary Information and budgetary comparison 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 Legal and Regulatory Requirements**

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Saunders Company, Ltd.

Glendale, Arizona  
January 23, 2019

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# **Avra Valley Fire District**

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

The following discussion and analysis of the Avra Valley Fire District (the District's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

### **Nature of Operations**

The Avra Valley Fire District (AVFD) was established in 1977 to provide dedicated and caring professionals who safely serve the community of Avra Valley, Arizona, by protecting life and property through education, prevention, fire suppression and emergency medical services.

Avra Valley Fire District encompasses an area of approximately 325 square miles and provides ambulance coverage for 365 square miles. The District straddles two counties, with two-thirds (65.46%) of the District within Pima County, and one-third (33.74%) in Pinal County. The District serves an estimated population of approximately 11,500 residents.

The District provides a wide range of dedicated services to its residential and commercial property owners, as well as services to locations and persons outside the District through automatic and mutual aid agreements. In addition to fire protection, paramedic equipped units located in the District assist with advanced life support on medical calls and transportation services to hospitals. Fire prevention and injury prevention education services are provided to persons residing within the District boundaries. The District received 10 referrals to the Community Paramedicine Program, adding 6 patients this year. Additionally, our District assisted with the passage of new State legislation adding many types of cancer and heart disease to the list of illnesses presumed to be work related.

Through an arduous review and audit, our District maintained its' high ISO rating of 3.

Avra Valley cooperates with the Arizona Forestry Service to provide fire suppression services through a Cooperative Agreement. We continue to actively participate in wildland fire suppression throughout the Southwestern United States. We deployed crews to 16 wildland incidents during the fiscal year. Within these 16 incidents, our wildland firefighters attended 17 wildland fires, 3 initial attacks and 1 prescription burn.

The District has 41 full-time employees: 23 EMT's, 14 State certified paramedics, 4 administrative personnel.

The District operates under the supervision of a five-member Board of Directors. The members of the Board are elected at large from within the District's boundaries for four year terms and the officer positions are elected by the Board members every year for a 1-year term. The Board members at June 30, 2018 were:

Luis J.G. Castaneda, Jr.	Chairman
Sara Bauer	Vice-Chairwomen
Eric Neilson	Clerk
Thomas Armendarez	Member
James Haffner	Member

The District is administered on a day-to-day basis by a Fire Chief. The current Fire Chief is Brian Delfs.

### **Results of Operations**

#### **Calls**

The District responded to 2,006 requests for service during the fiscal year: 1, 602 rescue/EMS, 74 fire, 8 hazmat and 322 non-emergency calls. Service is currently provided from four fire stations. For FY18, the District's resources arrived on the scene of all incidents within 14 minutes 85% of the time meeting both the District's CON and self-imposed response time standards. We have extended our response IGA with Northwest Fire District for the downtown Marana area.

#### **Personnel**

- § The District has moved under administrative orders. As such, all crews have completed required EMS administrative order training.
- § 40% of suppression staff are Paramedics; Paramedics averaged 130 hours per pay period.
- § 60% of suppression staff are Firefighter/EMTs; Firefighters averaged 125 hours per pay period.
- § 59% of our personnel have been at the District for 5 years or more
- § 2 firefighters resigned and 1 firefighter retired during the fiscal year
- § The SAFER grant period terminated in January 2018.
- § The District is continuing to see fewer injuries. As a result, our worker's compensation EMod rate for next fiscal year will be reduced from 1.43 to 1.14.

#### **Public Safety Personnel Retirement System Changes**

The State legislature approved major changes to the State pension system. As such, the District incurred the following additional PSPRS retirement expense during the fiscal year:

- § Our employer contribution rate increased from 12.11% to 17.16% and up to 21.16% for Tier 2 employees. As a result, most employees received a 4% raise in the form of matching contributions to the retirement savings plan.
- § The District paid State mandated payments to legacy employees in July 2017 in the amount of \$119,817 and related interest on those payouts was paid in December 2017 totaling \$13,233.

## **Training**

- § Our District continues to certify, train and credential our personnel to higher levels than most other Districts.
- § 6 personnel attended Battalion Chief certification courses
- § 1 Captain obtained his wildland Engine Boss certification.
- § 1 firefighter is currently enrolled in the paramedic certification program
- § Both ACLS and PALS certification classes were brought in-house, saving the District both time and money.
- § All crews finished the required annual training including all MCS's, fire training, OSHA mandated training and EMS CE's.
- § All crews completed wildland refresher training and pack tests.
- § Crews completed tactical rescue training refresher courses including a hands-on rope rescue drill and swift water training at the CAP canal.
- § The District hosted a Driver-Operator program where 4 personnel received Pima College credit in addition to their State DO certification.
- § The District continues to host Pima College courses in-house.
- § Many personnel attended courses outside the District including confined space training and hazmat technician training.

## **Community Relations**

- § Our personnel continue to stay involved in the community.
- § We participated in a pool event at Red Rock Village, providing apparatus display and safety training.
- § A fire extinguisher class was provided for the teachers and staff at Roadrunner Elementary.
- § Our crews conducted numerous station tours for school children in the District.
- § We hosted a movie night at Roadrunner Elementary where on-duty personnel served popcorn.
- § We hosted Trunk-or-Treat events, numerous field days, fire drills & lock down training at both Red Rock and Roadrunner Elementary Schools.
- § We accompanied the local VFW to participate in the annual *Wreaths Across America* ceremony.
- § Our personnel taught a first aid class for local Boy Scouts.
- § We participated in the annual Marana Founder's Day Parade.
- § We conducted an observation for an emergency evacuation drill at the Marana Water headquarters.
- § We hosted 3 community CPR classes taught by District personnel.
- § We provided many families with holiday assistance through our annual Adopt-a-Family program.
- § Our firefighters won the annual chili cook-off for the third year in a row!!

### **Administration**

- § All of the SOPs have been reviewed and revised to reflect current operations.
- § Procedures manuals for both the administrative division and the finance division, including internal controls, are reviewed regularly to reflect current practices.
- § 12 properties were annexed into the District during the fiscal year.
- § Several subscription service agreements were obtained from properties in the Picacho Peak area.
- § The District implemented the State allowed ambulance billing rate increase of 3%. For next fiscal year, the allowed rate increase is only 2.65%.
- § The District has continued to maintain compliance with State retention schedules. Records have been appropriately purged and reported to the State Library & Archives. Also, under the State Library's agreement with Iron Mountain Storage facility in Tucson, our District is now able to store records off site when necessary.
- § The District has successfully deployed the Document Locator records database on a secure server.
- § The District website is continually updated to provide a documents library for the public, as well as photos & announcements related to current happenings in our District. Residents are able to pay their transport invoices online and also purchase a burn permit online.

### **Fleet**

- § Early in the fiscal year, the District replaced the mechanic's vehicle.
- § The District purchased a reserve ambulance.
- § Ambulance 307 was surplused.
- § Engines 215, 216 and 217 underwent major repairs.
- § Our Type 3 wildland engine was rebuilt.
- § The District took custody of the burn simulator trailer which is now permanently parked in our training yard at Station 191.

### **Logistics and Technical**

- § The firefighters have continued work on the training yard at Station 191.
- § Wells were replaced at both stations 191 and 193.
- § Roof repairs at Station 191.
- § A/C repairs at Station 194.
- § Generator repairs at Station 193.
- § PCWIN radios purchased, VHF communication system upgraded, new radio frequency implemented
- § New antennas were placed at Stations 192 and 194; networks were upgraded.

### **Financial Highlights**

- § District investment in capital assets decreased by \$129,651 or 3.98%.
- § The District's net position decreased \$113,737 or 7.74% from the previous fiscal year.
- § Total revenues decreased \$236,615 or 5.28% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$610,167.

### **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) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

### **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 net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the 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.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources which 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.

### **Net Position June 30, 2018**

	Balance <u>June 30, 2017</u>	Balance <u>June 30, 2018</u>
Invested in Capital Assets, net of related debt	\$ 376,982	\$ 389,331
Reserved – Debt Service	342,191	355,718
Unrestricted	<u>749,780</u>	<u>610,167</u>
<b>Total Net Position</b>	<b><u>\$ 1,468,953</u></b>	<b><u>\$ 1,355,216</u></b>

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Avra Valley Fire District, assets exceeded liabilities by \$1,355,216 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to Citizens, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

### Condensed Statement of Net Position

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2018</b>
Assets		
Current and other assets	\$ 1,963,371	\$ 1,629,494
Capital assets	<u>3,256,982</u>	<u>3,127,331</u>
Total assets	5,220,353	4,756,825
Deferred outflows of resources	1,082,607	1,299,052
Current and other liabilities		
Current and other liabilities	198,863	80,772
Long-term liabilities	<u>4,510,890</u>	<u>4,078,018</u>
Total liabilities	4,709,753	4,158,790
Deferred inflows of resources	<u>124,254</u>	<u>541,871</u>
Net position:		
Net investment in capital assets	376,982	389,331
Restricted	342,191	355,718
Unrestricted	<u>749,780</u>	<u>610,167</u>
Total net position	<u>\$ 1,468,953</u>	<u>\$ 1,355,216</u>

The unrestricted net position of \$610,167 is available to meet the District's ongoing obligations to citizens and creditors.

## Governmental Activities

Governmental Activities net position decreased by (\$146,927). Key elements of this decrease are reported below:

### Condensed Statement of Activities

	Governmental Activities	
	2017	2018
<b>Revenues:</b>		
Program revenue:		
Charges for services	\$ 1,354,017	\$ 1,426,733
Capital grants	<u>701,224</u>	<u>418,955</u>
Total program revenues	2,725,309	1,845,688
General revenues:		
Property taxes	1,752,617	1,815,072
Fire district assistance tax	302,681	306,645
Investment Earnings	3,493	61,253
Other income	<u>65,576</u>	<u>266,189</u>
Total general revenues	<u>2,424,367</u>	<u>2,449,159</u>
Total revenues	5,149,676	4,294,847
<b>Expenses:</b>		
Fire protection and emergency services	<u>4,780,550</u>	<u>4,441,774</u>
Total expenses	<u>4,780,550</u>	<u>4,441,774</u>
Change in net position	(300,942)	(146,927)
Net position, beginning	<u>1,769,895</u>	<u>1,502,143</u>
Net position, ending	<u>\$ 1,468,953</u>	<u>\$ 1,355,216</u>

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the Counties.

The District is grateful for grant funding provided by:

§ FEMA – SAFER Grant for staffing, January 2016 through January 2018

§ Also, the District is grateful to the Pima County Hazmat Regional Response Team and the Pinal County Local Emergency Planning Committee for the following grant-funded donations:

Class B Foam, Decontamination Equipment and Hazmat Air Monitoring Equipment

## **General Fund Budgetary Highlights**

The District was recently notified by Moody's Investor Services that our bond rating has been upgraded from a Baa2 to an A3.

The fiscal year budget is a financial plan designed to advance our organization mission of providing optimum services to those who live, work, recreate and do business in Avra Valley. Our goal is to have a dynamic organization which provides the highest quality services to our residents and visitors in a cost effective manner. The strategies used to construct and manage the budget focus on maintaining and enhancing frontline services, eliminating non-priority items, paying obligations, preserving employee compensation, and maintaining District assets.

Because assessed property values within the District have continued to decrease, our property tax levy has also decreased. Proposition 461 successfully passed in November 2017. This proposition allows a temporary budget override for five consecutive tax years and allows the statutory tax rate to increase by twenty-five cents to a rate of \$3.50 per one hundred dollars of assessed valuation. Even with this drop in property tax revenue, coordinated efforts of all personnel allowed the District to streamline expenditures and end the fiscal year on target. Additionally, strong teamwork has resulted in preparation of a sustainable 5-year budget plan.

In addition to the grant revenues/expenditures previously discussed, general fund revenues were generated from the following sources:

32 %	Ambulance Revenue
57 %	Property Tax Revenue
11 %	Other

General Fund expenditures can be broken into two main categories:

80%	Employee Related Expenditures (ERE)
20%	Operating Expenditures.

## **Capital Asset and Debt Administration**

### **Capital Assets**

To continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. For fiscal year ended June 30, 2018 the District purchased, had contributed, or constructed the following assets:

- § 1 reserve ambulance
- § 1 vehicle for mechanic
- § PCWIN radios
- § Antennas at Stations 192 and 194
- § Acquired live fire training trailer

**Capital Assets, Net of Depreciation June 30, 2018**

	<u>BALANCE</u> <u>06/30/2017</u>	<u>BALANCE</u> <u>06/30/2018</u>
<u>Depreciable Assets</u>		
Vehicles	\$2,973,956	\$ 3,224,106
Buildings	2,426,175	2,426,175
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>1,022,112</u>	<u>1,022,112</u>
Total Historical Costs	<u>6,496,879</u>	<u>6,747,029</u>
Less Accum Depreciat ion		
Vehicles	2,047,822	2,296,083
Buildings	435,649	502,242
Equipment, Admin	73,840	138,224
Equipment, Fire	<u>790,694</u>	<u>791,257</u>
Less: Total Accumulated Depreciation	<u>3,348,005</u>	<u>3,727,806</u>
Depreciable Capital Assets, Net	3,148,874	3,019,223
<u>Non-Depreciable Assets</u>		
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$3,256,982</u>	<u>\$ 3,127,331</u>

**Long Term Debt**

At the end of the current fiscal year, the District had debt outstanding of \$2,905,134. All of the debt is backed by the full faith and credit of the District.

**Outstanding Debt**

	<u>BALANCE</u> <u>06/30/2017</u>	<u>BALANCE</u> <u>06/30/2018</u>
Bonds Payable Series 2003	\$ 105,000	\$ 53,000
Bonds Payable Series 2013	<u>2,775,000</u>	<u>2,685,000</u>
Total Lease/Purchases and Bonds	2,880,000	2,738,000
Compensated Absences	<u>164,894</u>	<u>167,134</u>
Totals	<u>\$3,044,894</u>	<u>\$2,905,134</u>

**Factors Affecting Future Results**

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues which vary with economic conditions. The District is currently involved in the following activities which we anticipate will better prepare the District to serve its' residents in the future:

- § Voter-approved temporary raise in tax rate
- § Possible annexations
- § Grant applications

**Contacting the District**

This financial report is designed to provide an overview of the District for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to:

Avra Valley Fire District  
15790 W Silverbell Road  
Marana, AZ 85653  
(520) 682-3255

## **BASIC FINANCIAL STATEMENTS**

**AVRA VALLEY FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash & Cash Equivalents (Note 3)	\$ 819,809
Receivables:	
Ambulance Service Fees, Net of Allowances for doubtful accounts (Note 6)	300,451
Wildland (Note 6)	104,333
Property Taxes (Note 7)	245,410
Prepaid Interest	59,491
Prepaid Principal	100,000
Total Capital Assets, Net (Note 8)	3,127,331
 Total Assets	 4,756,825
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Pension Outflows	1,299,052
Total Assets and Deferred Outflow of Resources	6,055,877
<b>LIABILITIES</b>	
Accounts Payable	30,553
Payroll Taxes Payable	25,755
Wages Payable	24,464
Net Pension Liability	1,172,884
Compensated Absences (Note 11)	167,134
Bond Payable (Note 12)	
Portion due within one year	153,000
Portion due after one year	2,585,000
Total Liabilities	4,158,790
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Pension Inflows	541,871
Total Liabilities and Inflow of Resources	4,700,661
<b>NET POSITION</b>	
Invested in Capital Assets, Net of related Debt	389,331
Restricted (Note 14)	355,718
Unrestricted (Note 14)	610,167
<b>Total Net Position</b>	<b>\$ 1,355,216</b>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit B

**Governmental  
Activities**

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**EXPENSES**

Public Safety - Fire/EMS Protection	
Personnel Services	\$ 3,302,624
Materials & Services	759,349
Depreciation	379,801
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Total Program Expenses	4,441,774
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**PROGRAM REVENUES**

Operating and Capital Grants	418,955
Charges for Service	1,426,733
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Total Program Revenues	1,845,688
	<hr style="width: 100%;"/>
Net Program Expense	2,596,086
	<hr style="width: 100%;"/>

**GENERAL REVENUES**

Property Taxes	1,815,072
Fire District Assistance	306,645
Investment Earnings	61,253
Miscellaneous	266,189
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Total General Revenues	2,449,159
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Increase (Decrease) in Net Position	(146,927)
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<b>NET POSITION-BEGINNING OF THE YEAR</b>	<hr style="width: 100%;"/>
	1,502,143

<b>NET POSITION-END OF THE YEAR</b>	<hr style="width: 100%;"/>
	\$ 1,355,216
	<hr style="width: 100%;"/>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

Exhibit C

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents (Note 3)	\$ 623,581	\$ 196,228	\$ -	\$ 819,809
Receivables:				
Ambulance Service Fees, Net of Allowances for Doubtful Accounts (Note 6)	300,451	-	-	300,451
Wildland (Note 6)	104,333	-	-	104,333
Property Taxes (Note 7)	245,410	-	-	245,410
Prepaid Payroll		-	-	
Prepaid Interest	-	59,491	-	59,491
Prepaid Principal	-	100,000	-	100,000
	-	100,000	-	100,000
Total Assets	\$ 1,273,775	\$ 355,719	\$ -	\$ 1,629,494
<b>LIABILITIES</b>				
Accounts Payable	\$ 30,553	\$ -	\$ -	\$ 30,553
Payroll Taxes Payable	25,755	-	-	25,755
Wages Payable	24,464	-	-	24,464
	-	-	-	-
Total Liabilities	80,772	-	-	80,772
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred Property Tax Revenue	220,014	-	-	220,014
	-	-	-	-
Total Liabilities and Inflow of Resources	300,786	-	-	300,786
<b>FUND BALANCES</b>				
Restricted (Note 14)	-	355,719	-	355,719
Assigned (Note 14)	50,064	-	-	50,064
Unassigned (Note 14)	922,925	-	-	922,925
	-	-	-	-
Total Fund Balances	972,989	355,719	-	1,328,708
Total Liabilities, Deferred Inflow of Resources, & Fund Balance	\$ 1,273,775	\$ 355,719	\$ -	\$ 1,629,494

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED  
JUNE 30, 2018**

Exhibit D

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Property Taxes	\$ 1,546,826	\$ 275,186	\$ -	\$ 1,822,012
Fire District Assistance Tax	306,645	-	-	306,645
Fees for Service	1,426,733	-	-	1,426,733
Interest	181	2,323	-	2,504
Grants	418,955	-	-	418,955
Miscellaneous	266,144	-	-	266,144
	<u>3,965,484</u>	<u>277,509</u>	<u>-</u>	<u>4,242,993</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
Public Safety	3,886,432	-	-	3,886,432
Administration	33,513	300	-	33,813
Debt Service				
Principal	-	142,000	-	142,000
Interest	-	121,681	-	121,681
Capital Outlay	267,956	-	-	267,956
	<u>4,187,901</u>	<u>263,981</u>	<u>-</u>	<u>4,451,882</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	(222,417)	13,528	-	(208,889)
Transfers In (Out)	<u>-</u>	<u>45</u>	<u>(45)</u>	<u>-</u>
Net Change in Fund Balances	(222,417)	13,573	(45)	(208,889)
<b>Fund Balances-Beginning of Year</b>	<u>1,195,406</u>	<u>342,146</u>	<u>45</u>	<u>1,537,597</u>
<b>Fund Balances-End of Year</b>	<u>\$ 972,989</u>	<u>\$ 355,719</u>	<u>\$ -</u>	<u>\$ 1,328,708</u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Exhibit E

**Reconciliation of Governmental Fund Balance to Net Position  
(Exhibit A) of governmental activities:**

Fund Balances - Total Governmental Funds (Exhibit C) \$ 1,328,708

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

Capital Assets used in governmental activities are  
not financial resources and, therefore are not  
reported in the other funds.

Governmental Capital Assets	6,855,137	
Less: Accumulated Depreciation	<u>(3,727,806)</u>	
		3,127,331

Deferred Outflows of Resources 1,299,052

Long-term liabilities, including bonds payable are  
not due and payable in the current period and therefore  
are not reported in the funds. (2,905,134)

Net Pension Liability (1,172,884)

Deferred Inflows of Resources (321,857)

Net Position of Governmental Activities (Exhibit A) \$ 1,355,216

**AVRA VALLEY FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
JUNE 30, 2018**

Exhibit F

**Reconciliation of the change in fund balance-total governmental funds  
to the change in net position of governmental activities:**

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$	(208,889)
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

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. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(129,651)
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Net Changes to Deferred Outflows or Inflows of Resources		331,372
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The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>(139,759)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>(146,927)</u>
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**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**REPORTING ENTITY**

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

**INTRODUCTION**

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**BASIC FINANCIAL STATEMENTS**

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

## **GOVERNMENT -WIDE STATEMENTS**

The government -wide financial statements (i.e., the Statement of Net Position and the Statement of Activities ) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to users of the services 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. Other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Governmental funds**

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General 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 another fund.

The *Capital Projects Fund* is used to account for the construction of capital projects other than those which are voter approved by a bond issue, therefore, capital projects funded by District operating revenues or Lease/Purchase arrangements.

The *Debt Service Fund* is used to account for the proceeds of tax revenues received from a voter approved bond issue for capital improvements to the District. The fund is administered and held by the County Treasurer. The proceeds of the fund may only be used to repay the bond issue.

### **Financial Statements Amounts**

#### **Cash & Cash Equivalents**

All savings, checking and money market accounts with an original maturity of less than 90 days are considered to be cash equivalents.

#### **Prepaid Items**

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the 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 lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

### **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 or fund balance that applies to a future period(s) and thus, 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### **Compensated Absences**

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

### **Long-Term Obligations**

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **Net Position/Fund Equity**

### **Net Position on Government Wide Financial Statements – Exhibit A**

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net position and is classified in the following categories:

- § Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- § Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital Assets balances.
- § Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

### **Fund Balances on Government Fund Financial Statements – Exhibit C**

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- § Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- § Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- § Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- § Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- § Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.2(a)

Pursuant to ARS 48.805.2(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1<sup>st</sup> of each year.

Budgets are adopted by the District on basis consistent with Arizona Revised Statutes.

Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

### **NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT**

#### **Deposits and Investments**

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the County Investment Pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the State Treasurer's Office.

The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2018:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 250,000	\$ 0	\$ 0	\$ 250,000
Collateralized	361,391	0	0	361,391
Uninsured	<u>24,451</u>	<u>196,228</u>	<u>0</u>	<u>220,679</u>
Total Deposits	635,842	196,228	0	832,070
In Transit Items	<u>(12,461)</u>	<u>0</u>	<u>0</u>	<u>(12,461)</u>
Total Depository Accounts	623,381	196,228	0	819,609

NON DEPOSITORY ACCOUNTS

Cash on Hand	<u>200</u>	<u>0</u>	<u>0</u>	<u>200</u>
Total Non Depository Accounts	<u>200</u>	<u>0</u>	<u>0</u>	<u>200</u>
Total Cash & Investments	<u>\$ 623,581</u>	<u>\$ 196,228</u>	<u>\$ 0</u>	<u>\$ 819,809</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Foreign Currency Risk. Arizona Revised Statutes do not allow foreign investments.

Investment Policy. The District does not have a formal policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$ 220,679

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The District normally invests only in FDIC insured bank accounts, accounts collateralized above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate risk factors and information are not available for the mutual fund investments of the District.

**NOTE 4 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities. The District also conducts regular drivers license checks on all employees authorized to operate District vehicles.

#### **NOTE 5 - INVENTORIES**

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

#### **NOTE 6 - RECEIVABLES**

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Ambulance receivables were \$303,772 with an allowance for bad debt of \$3,321 at June 30, 2018. This gave a net of \$300,451, before write off allowances and contractual adjustments, which was expected to be collectable.

Wildland receivables were \$104,333 with an allowance for bad debt of \$0.00 at June 30, 2018. This gave a net of \$104,333 which was expected to be collectable.

#### **NOTE 7 - PROPERTY TAX REVENUE RECEIVABLE**

Property Tax Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arise.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2018</u>
<u>Depreciable Assets</u>				
Vehicles	\$2,973,956	\$ 250,150	\$ 0	\$ 3,224,106
Buildings	2,426,175	0	0	2,426,175
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>1,022,112</u>	<u>0</u>	<u>0</u>	<u>1,022,112</u>
Total Historical Costs	<u>6,496,879</u>	<u>250,150</u>	<u>0</u>	<u>6,747,029</u>
Less Accum Depreciation				
Vehicles	2,047,822	248,261	0	2,296,083
Buildings	435,649	66,593	0	502,242
Equipment, Admin	73,840	64,384	0	138,224
Equipment, Fire	<u>790,694</u>	<u>563</u>	<u>0</u>	<u>791,257</u>
Less: Total Accumulated Depreciation	<u>3,348,005</u>	<u>379,801</u>	<u>0</u>	<u>3,727,806</u>
Depreciable Capital Assets, Net	3,148,874	(129,651)	0	3,019,223
<u>Non-Depreciable Assets</u>				
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$3,256,982</u>	<u>\$ (129,651)</u>	<u>\$ 0</u>	<u>\$ 3,127,331</u>

**NOTE 9 - DEFERRED OUTLOWS AND INFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District reports the deferred inflows and outflows as follows:

	Governmentwide <u>Activities</u>
Governmentwide Deferred Outflows	
Deferred Pensions	\$ 1,299,052
Total Governmentwide Activities	<u>\$ 1,299,052</u>
Governmentwide Deferred Inflows	
Deferred Pensions	\$ 541,871
Total Governmentwide Activities	<u>\$ 541,871</u>
	Governmental <u>Activities</u>
Governmental Deferred Inflows	
Deferred Property Taxes Revenue	\$ 220,014
Total Governmental Activities	<u>\$ 220,014</u>

#### **NOTE 10 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

#### **NOTE 11 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District's accrued PTO on June 30, 2018 was \$167,134. The District has elected to set aside funds in a designated account to cover the accrued liability.

**NOTE 12 – LONG-TERM INDEBTEDNESS**

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

**General Obligation Bonds**

**Bond Issue 2003:** On August 11<sup>th</sup> 2003 the District issued voter approved bonds in the amount of \$600,000 for the financing of two fire engines, an ambulance and various related equipment. The bonds were for 15 years at an interest rate of 4.25% with semi-annual interest payments due on July 1<sup>st</sup> and January 1<sup>st</sup> each year and annual principal payments due each July 1<sup>st</sup>. The amounts of the principal and interest payments vary over the life of the bonds. The final payment is scheduled on July 1, 2018.

**Bond Issue 2013:** On August 1<sup>st</sup> 2013 the District issued voter approved bonds in the amount of \$2,935,000 for the financing of two ambulances, various related equipment and the construction and remodel of fire stations. The bonds were for 18 years at an interest rate of 4.25% with semi-annual interest payments due on July 1<sup>st</sup> and January 1<sup>st</sup> each year and annual principal payments due each July 1<sup>st</sup>. The amounts of the principal and interest payments vary over the life of the bonds. The final payment is scheduled on July 1, 2031.

**Operating Leases**

The District does not currently have any operating leases.

**Capital Leases**

The District does not currently have any capital leases.

Changes in Long-Term Debt:

	<u>BALANCE</u> <u>06/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE</u> <u>06/30/2018</u>
Bonds Payable Series 2003	\$ 105,000	\$ 0	\$ 52,000	\$ 53,000
Bonds Payable Series 2013	<u>2,775,000</u>	<u>0</u>	<u>90,000</u>	<u>2,685,000</u>
Total Lease/Purchases and Bonds	2,880,000	0	142,000	2,738,000
Compensated Absences	<u>164,894</u>	<u>2,240</u>	<u>0</u>	<u>167,134</u>
Totals	<u>\$3,044,894</u>	<u>\$ 2,240</u>	<u>\$142,000</u>	<u>\$2,905,134</u>

**NOTE 13 - FUTURE MINIMUM LEASE/PURCHASE AND BOND OBLIGATIONS**

The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 153,000	\$ 117,998	\$ 270,998
2020	165,000	112,906	277,906
2021	175,000	107,806	282,806
2022	190,000	101,856	291,856
2023	200,000	94,531	294,531
2024/2028	860,000	366,416	1,226,416
2029/2032	<u>995,000</u>	<u>109,057</u>	<u>1,104,057</u>
Total Obligation	2,738,000	\$ <u>1,010,570</u>	\$ <u>3,748,570</u>
Less amount due within 1 year	<u>153,000</u>		
Amount due after 1 year	\$ <u>2,585,000</u>		

**NOTE 14 – NET POSITION/FUND BALANCE**

The District’s Net Position balances consist of restricted, unrestricted, nonspendable and net investment in capital assets amounts.

The District’s Governmental Funds fund balances consist of restricted, committed, assigned, nonspendable and unassigned amounts.

Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint .

Nonspendable fund balances are amounts that are not in a spendable form such as inventories or pre-paid expenses.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

Invested in Capital Assets, Net of Related Debt	\$ 389,331
Restricted – Debt Service	355,718
Unrestricted	<u>610,167</u>
 Total Net Position	 <u><u>\$ 1,355,216</u></u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	\$ 355,719
Assigned – Payroll	50,064
Unassigned Fund Balances	<u>922,925</u>
 Total Fund Balance	 <u><u>\$ 1,328,708</u></u>

**NOTE 15 - PROPERTY TAXES**

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

**NOTE 16 – DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally not subject to claims of creditors.

**NOTE 17 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District and employees contribute to two retirement plans. These plans are the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

At June 30, 2018, the District reported the following aggregate amounts related to pensions for which it contributes:

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension liability	\$ 498,498	\$ 719,772	\$ 1,218,270
Deferred outflows of resources	119,742	1,174,595	1,294,337
Deferred inflows of resources	45,558	478,762	524,320
Pension expense	72,515	547,356	619,871

**A. Arizona State Retirement System**

Plan Description: The District contributes to 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 administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute 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. Reports may be obtained online at [www.azasrs.gov](http://www.azasrs.gov), by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

**Benefits Provided** – Benefits are established by State Statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree’s average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree’s health care insurance premiums, in amount based on whether the benefit is for the retiree or for the retiree and his or her dependents. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<u>Retirement initial membership date</u>	
	Before July 1, 2011	After July 1, 2011
Years of service and receive benefits	Sum of years and age equals 80 10 years age 62 any years age 65	30 years age 55 25 years age 60 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 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 member 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 contribution and employer’s contributions, plus interest earned.

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

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members’ and the District’s contribution rates. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2018 active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent retirement, .00 percent for health benefit supplement premiums and .16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.10 percent for health insurance benefit, and 0.13 percent for long-term disability) of covered annual payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS. The District’s contributions to ASRS for the year ended June 30, 2018 was \$ 33,620.

The District’s combined contributions for pension and OPEB for the current and two preceding years, all of which were equal to the require contributions, were as follows:

<u>Years ended June 30</u>	<u>Total Contribution</u>
2018	\$ 33,620
2017	33,935
2016	22,358

During fiscal year 2018, the District paid for ASRS from the general fund.

**Pension Liability** – At June 30, 2018, the District reported a liability of \$ 498,498 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all employers’ contribution for the year ended June 30, 2018. The District’s proportion measure as of June 30, 2017, was 0.00320 percent, which was consistent to its proportion measured as of June 30, 2017.

The District proportion of the net liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2017. The District’s proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

<b>ASRS</b>	<b>Proportion June 30, 2017</b>	<b>Increase (Decrease) from June 30, 2016</b>
Pension	0.00320%	-0.00014%
Health insurance premium benefit	0.00324%	N/A
Long-term disability	0.00321%	N/A

The net assets and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the District net assets and net liabilities as a result of these changes is not known.

*Pension Expense and Deferred Outflows/Inflows of Resources* – For the year ended June 30, 2018, the District recognized pension expense for ASRS of \$ 72,515. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to ASR from the following sources:

	Pension		OPEB		LTD	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 14,948	\$ 0	\$ 0	\$ 0	\$ 0
Changes in assumptions or other inputs	21,651	14,906	0	0	0	0
Net difference between projected and actual earnings	3,579	0	0	1,986	0	174
Changes in proportion and differences between contributions and proportionate share of contributions	61,514	15,704	0	0	0	0
Contributions subsequent to the measurement date	<u>32,998</u>	<u>0</u>	<u>1,692</u>	<u>0</u>	<u>505</u>	<u>0</u>
Total	<u>\$ 119,742</u>	<u>\$ 45,558</u>	<u>\$ 1,692</u>	<u>\$ 1,986</u>	<u>\$ 505</u>	<u>\$ 174</u>

The amount reported as deferred outflows of resources relates to ASRS pensions resulting from the District's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2019	\$ 24,176	\$ (497)	\$ (44)
2020	23,794	(497)	(44)
2021	4,682	(497)	(44)
2022	(11,467)	(497)	(44)
2023	0	0	0
Future	0	0	0

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Asset Valuation	Fair Value
Discount Rate	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed Income	25%	3.70%
Real Estate	10%	4.25%
Other	7%	3.63%
Total	<u>100%</u>	<u>4.58%</u>

**Discount Rate** – The discount rate used to measure the ASRS total pensions liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona Statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Net Insurance Premium			
Benefit Liability	<u>\$ 2,929</u>	<u>\$ (1,764)</u>	<u>\$ (5,752)</u>
Net Long-Term			
Disability Benefit	<u>\$ 1,391</u>	<u>\$ 1,164</u>	<u>\$ 970</u>
The district’s proportionate share of the net pension liability	<u>\$ 639,830</u>	<u>\$ 498,498</u>	<u>\$ 380,402</u>

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

**B. Public Safety Personnel Retirement System**

**Plan Description** – The District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to overall full-time personnel engage in fire suppression activities and/or fire support. 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.

District public safety employees who became PSPRS members before July 1, 2017 participate in the agent plans, and those who became members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information of PSPRS. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

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

<u>Retirement and Disability</u>	<b>Initial membership date:</b>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Years of service and age required to receive benefit	20 years any age 15 year age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%

Accidental Disability Retirement	50% or normal retirement, whichever is greater
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20
<b>Survivor Benefit</b>	
<hr/> Retired Members	80% to 100% of retired members 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

**For members hired after July 1, 2017:**

Normal retirement may be taken after 15 years of service and attainment of age 55. Early retirement may be taken after 15 years of service and attainment of age 52.5. Benefits are one sixtieth of the highest five consecutive years out of the last 15 years of service.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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

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

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the agent pension plan’s benefit terms:

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitle to but not yet receiving benefits	12	0
DROP	0	0
Active employees	<u>39</u>	<u>39</u>
Total	<u>56</u>	<u>44</u>

**Contributions** – 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 members and employer contribution rates are expected to finance costs of accrued liability. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active member Pension</u>	<u>District Pension</u>	<u>Health insurance Premium benefit</u>
Active members - pension	7.65%		
District:			
Pension	17.30%	16.91%	0.39%
Tier 3 Risk Pool	9.94%	9.68%	0.26%

Also, statute required the District to contribute at the actuarially determined rate of 9.94 percent (9.68 percent for pension and .26 percent for health insurance premium benefit) of the annual covered payroll of employees who were PSPRS Tier 3 Risk Pool members, in addition to the required contributions to the PSPRS Tier 3 Risk Pool.

In addition, statute required the District to contribute at the actuarially determined rate of 14.77 percent for the PSPRS of annual covered payroll (14.60% for pension and .17% for health insurance) of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

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

	Net pension	Net OPEB
PSPRS	\$ 375,077	\$ 2,378

**Pension Liability** – The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2018, reflect the following changes of benefit terms and actuarial assumptions:

- § In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- § Based on an actuarial experience study for the 5-year period ended on June 30, 2016 the wage inflation assumption was decreased from 4.0 percent to 3.5 percent. The investment rate of return was reduced from 7.5 percent to 7.4 percent. The mortality, withdrawal, disability, and retirement assumptions were revised.

**Annual Pension Cost (APC)** – The District’s annual and required contributions for the year ended June 30, 2018, were \$ 207,114. The District’s most recent actuarial valuation is for the year ended June 30, 2017. Information related to this valuation follows.

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

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return *</b>
Short Term investments	2%	.25%
Absolute return	5%	3.75%
Risk parity	4%	5.00%
Fixed Income	7%	1.25%
Real assets	8%	4.52%
GTAA	10%	3.96%
Private equity	11%	6.75%
Real estate	10%	3.75%
Credit opportunities	13%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

§ *Geometric Real Rate of Return. Based on inflation assumption of 2.75%*

***Pension Discount Rates*** – The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension/OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

## Pension/OPEB

### Changes in the Net Pension Liability

	Pension			Health insurance premium benefit		
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
<b>Balances At June 30, 2017</b>	\$ 4,633,343	\$ 3,706,457	\$ 926,886	\$ 116,217	\$ 151,498	\$ (35,281)
Changes for the current year:						
Service Cost	418,910	0	418,910	7,733	0	7,733
Interest on the total pension liability	357,117	0	357,117	8,932	0	8,932
Changes of benefit terms	40,845	0	40,845	3,575	0	3,575
Differences between expected and actual experience in the measurement of the total liability	(345,958)	0	(345,958)	(2,485)	0	(2,485)
Change of assumptions or other inputs	77,781	0	77,781	(7,142)	0	(7,142)
Contributions – Employer	0	237,565	(237,565)	0	2,378	(2,378)
Contributions – Employee	0	225,134	(225,134)	0	0	0
Net investment income	0	452,781	(452,781)	0	17,899	(17,899)
Benefit payments, including refunds of employee contributions	(162,463)	(162,463)	0	(1,972)	(1,972)	0
Other changes	0	(159,671)	159,671	0	(159)	159
<b>Net Changes</b>	<u>386,232</u>	<u>593,346</u>	<u>(207,114)</u>	<u>8,641</u>	<u>18,146</u>	<u>(9,505)</u>
<b>Balances at June 30, 2018</b>	<u>\$ 5,019,575</u>	<u>\$ 4,299,803</u>	<u>\$ 719,772</u>	<u>\$ 124,858</u>	<u>\$ 169,644</u>	<u>\$ (44,786)</u>

**Sensitivity of the District’s net pension liability to changes in the discount rate** – The following table presents the District’s net pension liability calculated using the discount rates noted above, 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 or 1 percentage point higher than the current rate:

	1% Decrease <b>6.40%</b>	Current Discount Rate <b>7.40%</b>	1% Increase <b>8.40%</b>
Net OPEB liability	\$ (22,723)	\$ (44,786)	\$ (62,394)
Net pension liability	\$ 1,636,899	\$ 719,772	\$ (1,015)

**Pension plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2018, the District recognized pension expense for PSPRS of \$ 547,356 and \$ 9,505 as OPEB expense.

At June 30, 2018, the District reported deferred inflows of resources related pensions from the following sources:

	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	\$ 235,577	\$ 313,819	\$ 0	\$ 2,309
Changes of assumption or other inputs	355,184	0	0	6,636
Net difference between project and actual earnings on pension plan investments	208,756	164,943	0	5,222
Contributions subsequent to the measurement date	375,078	0	2,518	0
Total	<u>\$ 1,174,595</u>	<u>\$ 478,762</u>	<u>\$ 2,518</u>	<u>\$ 14,167</u>

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Net Deferred Outflows of Resources	OPEB Net Deferred Inflows of Resources
Year Ending June 30:		
2019	\$ 79,202	\$ (1,987)
2020	108,525	(1,987)
2021	81,722	(1,987)
2022	30,004	(1,989)
2023	63,910	(682)
Thereafter	(42,608)	(5,535)
	<u>\$ 320,755</u>	<u>\$ (14,167)</u>

#### **NOTE 18 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report.

#### **NOTE 19 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to adjust the governmental activities beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability for OPEB, to comply with GASB Statement #75.

The restatement of beginning net position of the governmental activities is summarized as follows:

	Governmental <u>Activities</u>
Net position at June 30, 2017	\$ 1,468,953
Net OPEB liability adjustment	<u>33,190</u>
Net restated position at July 1, 2017	<u>\$ 1,502,143</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**AVRA VALLEY FIRE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETAR COMPARISION SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2018**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Property Taxes	\$ 1,539,344	\$ 1,539,344	\$ 1,546,826	\$ 7,482
Fire District Assistance	307,868	307,868	306,645	(1,223)
Fees for Service	1,344,450	1,344,450	1,426,733	82,283
Grant Revenue	2,500,000	2,500,000	418,955	(2,081,045)
Interest	-	-	181	181
Miscellaneous	-	-	266,144	266,144
<b>Total Revenues</b>	<b>5,691,662</b>	<b>5,691,662</b>	<b>3,965,484</b>	<b>(1,726,178)</b>
Expenditures:				
Current:				
Public Safety	3,468,070	3,468,070	3,886,432	(418,362)
Administration	56,925	56,925	33,513	23,412
Grants	2,500,000	2,500,000	-	2,500,000
Capital Outlay	-	-	267,956	(267,956)
<b>Total Expenditures</b>	<b>6,024,995</b>	<b>6,024,995</b>	<b>4,187,901</b>	<b>1,837,094</b>
Excess (Deficiency) of Revenues over Expenditures	(333,333)	(333,333)	(222,417)	110,916
Net Change in Fund Balances	(333,333)	(333,333)	(222,417)	110,916
Fund Balances at Beginning of Year	800,000	800,000	1,195,406	395,406
Fund Balances at End of Year	\$ 466,667	\$ 466,667	\$ 972,989	\$ 506,322

See Accompanying Notes To The Budgetary Comparison Schedule

**AVRA VALLEY FIRE DISTRICT  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 – BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING**

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget no later than August 1<sup>st</sup>. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year-end.

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Changes in the District's Net Pension Liability and Related Ratios**  
**Agent Plans (PSPRS) Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

**PSPRS**

Reporting Year Measurement Date	<b>FISCAL YEAR</b>				2014 THROUGH 2007
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
<b>Total Pension Liability</b>					Information not available
Service Cost	\$ 418,910	\$ 361,166	\$ 243,114	\$ 236,448	
Interest on total pension liability	357,117	291,033	251,945	187,814	
Changes of benefit terms	40,845	303,456	-	21,731	
Difference between expected and actual experience in the measurement of the pension liability	(345,958)	4,069	66,867	333,382	
Changes of assumptions or other inputs	77,781	212,077	-	207,504	
Benefit payments including refund of employee contributions	(162,463)	(130,615)	(115,408)	(231,106)	
Net change in pension liability	386,232	1,041,186	446,518	755,773	
Total pension liability - beginning	4,633,343	3,592,157	3,145,639	2,389,866	
Total pension liability - ending (a)	<u>\$ 5,019,575</u>	<u>\$ 4,633,343</u>	<u>\$ 3,592,157</u>	<u>\$ 3,145,639</u>	
<b>Plan Fiduciary net position</b>					
Contributions - employer	\$ 237,565	\$ 239,062	\$ 174,206	\$ 173,189	
Contributions - employee	225,134	213,270	176,956	139,769	
Net investment income	452,781	20,638	116,873	355,692	
Benefit payments, including refunds of employee contributions	(162,463)	(130,615)	(115,408)	(231,106)	
Pension plan administrative expense	(4,406)	(3,369)	(3,235)	-	
Other changes	(155,265)	(60,473)	(2,591)	42,118	
Net change in plan fiduciary net position	593,346	278,513	346,801	479,662	
Plan fiduciary net position - beginning	3,706,457	3,427,944	3,081,143	2,601,481	
Plan fiduciary net position - ending (b)	<u>\$ 4,299,803</u>	<u>\$ 3,706,457</u>	<u>\$ 3,427,944</u>	<u>\$ 3,081,143</u>	

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Changes in the District's Net Pension Liability and Related Ratios**  
**Agent Plans (PSPRS) Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

**PSPRS**

	<b>FISCAL YEAR</b>				
Reporting Year Measurement Date	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 THROUGH 2007
District's net pension liability - ending (a) - (b)	<u>\$ 719,772</u>	<u>\$ 926,886</u>	<u>\$ 164,213</u>	<u>\$ 64,496</u>	
Plan fiduciary net position as a percentage of the total pension liability	85.66%	80.00%	95.43%	97.95%	
Covered-employee payroll	\$ 1,933,133	\$ 1,924,165	\$ 1,622,093	\$ 1,240,324	
District's net pension liability as a percentage of covered-employee payroll	37.23%	48.17%	10.12%	5.20%	

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Changes in the District's Net Pension Liability and Related Ratios**  
**Agent Plans ( PSPRS) Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

**OPEB**

Reporting Year Measurement Date	<b>FISCAL YEAR</b>				
	2018 <u>(2017)</u>	2017 <u>(2016)</u>	2016 <u>(2015)</u>	2015 <u>(2014)</u>	2014 THROUGH <u>2007</u>
<b>Total Pension Liability</b>		Information not available	Information not available	Information not available	Information not available
Service Cost	\$ 7,733				
Interest on total pension liability	8,932				
Changes of benefit terms	3,575				
Difference between expected and actual experience in the measurement of the pension liability	(2,485)				
Changes of assumptions or other inputs	(7,142)				
Benefit payments including refund of employee contributions	<u>(1,972)</u>				
Net change in pension liability	8,641		-	-	
Total pension liability - beginning	<u>116,217</u>				
Total pension liability - ending (a)	<u>\$ 124,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>Plan Fiduciary net position</b>					
Contributions - employer	\$ 2,378				
Contributions - employee	-				
Net investment income	17,899				
Benefit payments, including refunds of employee contributions	(1,972)				
Pension plan administrative expense	(159)				
Other changes	<u>0</u>				
Net change in plan fiduciary net position	18,146	-	-	-	
Plan fiduciary net position - beginning	<u>151,498</u>				
Plan fiduciary net position - ending (b)	<u>\$ 169,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Changes in the District's Net Pension Liability and Related Ratios**  
**Agent Plans ( PSPRS) Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

**OPEB**

	<b>FISCAL YEAR</b>				
Reporting Year Measurement Date	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 THROUGH 2007
District's net pension liability - ending (a) - (b)	<u>\$ (44,786)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Plan fiduciary net position as a percentage of the total pension liability	135.87%				
Covered-employee payroll	\$ 1,933,133				
District's net pension liability as a percentage of covered-employee payroll	-2.32%				

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Contributions**  
**Year Ended June 30, 2018**

**PSPRS - Pension**

	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2006</u> <u>through</u> <u>2013</u>
Actuarially determined contribution	\$ 237,565	\$ 239,062	\$ 174,206	\$ 173,189	Information not available
District's contributions in relation to the actuarially determined contribution	<u>237,565</u>	<u>239,062</u>	<u>174,206</u>	<u>173,189</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 1,933,133</u>	<u>\$ 1,924,165</u>	<u>\$ 1,622,093</u>	<u>\$ 1,240,324</u>	
District's contributions as a percentage of covered-employee payroll	<u>12.29%</u>	<u>12.42%</u>	<u>10.74%</u>	<u>13.96%</u>	

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Contributions**  
**Year Ended June 30, 2018**

**PSPRS - OPEB**

	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2006</u> <u>through</u> <u>2013</u>
Actuarially determined contribution	\$ 2,378	Information	Information	Information	Information
District's contributions in relation to the actuarially determined contribution	<u>2,378</u>	not available	not available	not available	not available
District's contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	<u>\$ 280,176</u>				
District's contributions as a percentage of covered-employee payroll	<u>0.85%</u>				

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Contributions**  
**Year Ended June 30, 2018**

**ASRS - Pension**

	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2006</u> <u>through</u> <u>2013</u>
Actuarially determined contribution	\$ 33,620	\$ 33,935	\$ 22,358	\$ 22,963	Information not available
District's contributions in relation to the actuarially determined contribution	<u>33,620</u>	<u>33,935</u>	<u>22,358</u>	<u>22,963</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 280,176</u>	<u>\$ 294,538</u>	<u>\$ 192,080</u>	<u>\$ 198,115</u>	
District's contributions as a percentage of covered-employee payroll	<u>12.00%</u>	<u>11.52%</u>	<u>11.64%</u>	<u>11.59%</u>	

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT  
Schedule of Contributions  
Year Ended June 30, 2018**

**ASRS - Health Insurance Premium Benefit**

	<b>2018 Measurement Date (2017)</b>	<b>2017 Measurement Date (2016)</b>	<b>2016 Measurement Date (2015)</b>	<b>2015 Measurement Date (2014)</b>	<b>2006 through 2013</b>
Actuarially determined contribution	\$ 1,746				
District's contributions in relation to the actuarially determined contribution	<u>1,746</u>				
District's contribution deficiency (excess)	<u>\$ -</u>				
 District's covered-employee payroll	 <u>\$ 280,176</u>				
District's contributions as a percentage of covered-employee payroll	 <u>0.62%</u>				

\*-Fiscal year 2018 was the 1st year of implementation, therefore only one year is displayed.

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Contributions**  
**Year Ended June 30, 2018**

<b>ASRS - Long-Term Liability</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2006</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>through</b>
	<b>Date (2017)</b>	<b>Date (2016)</b>	<b>Date (2015)</b>	<b>Date (2014)</b>	<b>2013</b>
Actuarially determined contribution	\$ 437				Information not available
District's contributions in relation to the actuarially determined contribution	<u>437</u>				
District's contribution deficiency (excess)	<u><u>\$ -</u></u>				
District's covered-employee payroll	<u>\$ 280,176</u>				
District's contributions as a percentage of covered-employee payroll	<u><u>0.16%</u></u>				

\*-Fiscal year 2018 was the 1st year of implementation, therefore only one year is displayed.

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Proportionate Share of the Net Pension Liability (ASRS)**  
**Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

<b>ASRS - Pension</b>				
<b>Reporting Year</b>	2018	2017	2016	2015
Measurement Year	<u>(2017)</u>	<u>(2016)</u>	<u>(2015)</u>	<u>(2014)</u>
District's proportion of net pension liability (asset)	0.00320%	0.00334%	0.00235%	0.00232%
District's proportionate share of the net pension liability (asset)	498,498	539,110	365,996	342,490
District's covered-employee payroll	280,176	294,538	192,080	198,115
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	177.92%	183.04%	190.54%	172.87%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

\*-Fiscal year 2015 was the 1st year of implementation, therefore only four years are displayed.

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Proportionate Share of the Net Pension Liability (ASRS)**  
**Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

<b>ASRS - OPEB</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2006</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>through</b>
	<b><u>Date (2017)</u></b>	<b><u>Date (2016)</u></b>	<b><u>Date (2015)</u></b>	<b><u>Date (2014)</u></b>	<b><u>2013</u></b>
District's proportion of net pension liability (asset)	0.00324%				
District's proportionate share of the net OPEB liability (asset)	(1,764)				
District's covered-employee payroll	280,176				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.63%				
Plan fiduciary net position as a percentage of the total pension liability	69.92%				

\*-Fiscal year 2018 was the 1st year of implementation, therefore only one year is displayed.

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT**  
**Schedule of Proportionate Share of the Net Pension Liability (ASRS)**  
**Last Ten Fiscal Years**  
**Year Ended June 30, 2018**

**ASRS - LTD**

	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2006</u> <u>through</u> <u>2013</u>
District's proportion of net pension liability (asset)	0.00321%				
District's proportionate share of the net pension liability (asset)	\$ 1,164				
District's covered-employee payroll	\$ 280,176				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.42%				
Plan fiduciary net position as a percentage of the total pension liability	69.92%				

\*-Fiscal year 2018 was the 1st year of implementation, therefore only one year is displayed.

See accompanying notes to the Pension Schedules

**AVRA VALLEY FIRE DISTRICT  
NOTES TO PENSION PLAN SCHEDULES  
FISCAL YEAR ENDED JUNE 30, 2018**

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:	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 19 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method:	7-year smoothed market value; 80%/120% market corridor
Wage growth:	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.00%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Projected Salary Increases:	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%. PSPRS members with initial membership date before July 1, 2017: In the 2016 actuarial valuation the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%.
Retirement age:	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality:	RP-2000 mortality table (adjusted by 105% for both males and females)
Assumed future permanent benefit increases:	Members retire on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

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

See accompanying notes to the Pension Schedules

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## **OTHER SUPPLEMENTARY INFORMATION**

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**AVRA VALLEY FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2018**

AZ Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ “Annual Report” of Special Districts. This information is included as other supplementary information.

**REGULAR FIRE BOARD MEETINGS:**

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 31, 2017	2:00 P.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
August 23, 2017	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
Sept. 27, 2017	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
October 20, 2017	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
November 14, 2017	10:30 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
December 14, 2017	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
January 24, 2018	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
February 28, 2018	10:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
March 23, 2018	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
April 27, 2018	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
May 25, 2018	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
June 22, 2018	8:00 A.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ
June 22, 2018	6:00 P.M	Station 194, 21021 E Homestead Dr, Red Rock, AZ

**BOARD MEMBERS:**

<u>Name</u>	<u>Business Phone Number</u>	<u>Position</u>
Luis Castaneda , Jr	520-682-3255	Chairman
Sara Bauer	520-682-3255	Vice-Chairman
Thomas Armendarez	520-682-3255	Director
Eric Neilson	520-682-3255	Clerk
James Haffner	520-682-3255	Director

**LOCATION OF POSTING OF MEETING NOTICES (all meetings):**

District Website

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

208-25-098E: Lot 56	208-25-098D: Lot 57
208-25-084C: Lot 4	409-19-0010
409-15-0020	

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**AVRA VALLEY FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS**  
**June 30, 2018**

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**AVRA VALLEY FIRE DISTRICT  
MARANA, ARIZONA  
GOVERNMENT AUDIT STANDARDS SECTION  
TABLE OF CONTENTS**

**JUNE 30, 2018**

	<u>PAGE</u>
GOVERNMENT AUDIT STANDARDS SECTION	79-86
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	81-82
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83-86
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS	87-88

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# SAUNDERS COMPANY, LTD

**JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.**  
**TRICIA E. SAUNDERS, PI.**

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CERTIFIED PUBLIC ACCOUNTANT	6008 W. CORTEZ ST
CERTIFIED FRAUD EXAMINER	GLENDAL, ARIZONA 85304
CERTIFIED GOVERNMENT FINANCIAL MANAGER	Tel: (623) 476-8660
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706	Fax: (602) 926-2431
CERTIFIED IN FINANCIAL FORENSICS	E-Mail: <a href="mailto:JamesH49@AOL.com">JamesH49@AOL.com</a>
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT	Redheadedcutie10@AOL.com

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Member: American Institute of Certified Public Accountants	Arizona Association of Licensed Private Investigators	International Association of Certified Fraud Examiners
Arizona Society of Certified Public Accountants	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

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

To the Governing Board  
Avra Valley Fire District  
Marana, 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, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2019.

### **Internal Control over Financial Reporting**

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

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

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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **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.

Saunders Company, Ltd.

Glendale, Arizona  
January 23, 2019

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# SAUNDERS COMPANY, LTD

**JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.**  
**TRICIA E. SAUNDERS, PI.**

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CERTIFIED PUBLIC ACCOUNTANT	6008 W. CORTEZ ST
CERTIFIED FRAUD EXAMINER	GLENDALE, ARIZONA 85304
CERTIFIED GOVERNMENT FINANCIAL MANAGER	Tel: (623) 476-8660
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706	Fax: (602) 926-2431
CERTIFIED IN FINANCIAL FORENSICS	E-Mail: <a href="mailto:JamesH49@AOL.com">JamesH49@AOL.com</a>
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT	<a href="mailto:Redheadedcutie10@AOL.com">Redheadedcutie10@AOL.com</a>

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS

To the Governing Board  
Avra Valley District  
Marana, Arizona

We have audited the basic financial statements of Avra Valley Fire District (the District) for the year ended June 30, 2018, and have issued our report thereon January 23, 2019. Our audit also include test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

The management of Avra Valley Fire District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

1. That the District has not 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 general fund except for those liabilities as prescribed in section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807.
2. That the District complies with subsection F of section 48-805.
3. Whether the audit or report disclosed any information contrary to the certification made as prescribed by subsection D, paragraph 1 of section 48-805.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Avra Valley Fire District complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Sincerely,

**Saunders Company, Ltd.**

Glendale, Arizona  
January 23, 2019

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