



HINTONBURDICK
CPAs & ADVISORS

To the Board of Directors of
Summit Fire District
Flagstaff, Arizona

We have audited the financial statements of the governmental activities and each major fund of Summit Fire District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Summit Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during fiscal year 2018.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Summit Fire District's financial statements were:

Management's estimate of accumulated depreciation and depreciation expense is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimated lives of the assets to determine that it seems reasonable in relation to the basic financial statements of the District for the year ended June 30, 2018, taken as a whole. The procedures used by management and the amount of depreciation expense seem reasonable at this time, however, there will usually be differences between the allowance and actual results and these differences may be material to the financial statements.

Management's estimate of accrued compensated absences (vacation and sick leave) is based on historical pay rates and the number of eligible employees. We evaluated the key factors and assumptions used to develop the compensated absences accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of other postemployment benefit obligations payable is based on an independent actuarial valuation as of January 1, 2017. The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, management's estimates have been determined on the same basis as they are reported by the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). The District's net pension liability was 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 key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. All of the material misstatements detected as a result of audit procedures were corrected by management (accounting personnel have a list of all audit adjustments proposed by us).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of the proportionate share of the net pension/OPEB liability, schedules of contributions, schedule of changes in the net pension liability/OPEB and related ratios, notes to the pension/OPEB plan schedules, and required disclosures for the General Obligation bonds, Series 2017, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the board, management and various state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "HintonBurdick, PLLC". The signature is written in dark ink and is positioned above the printed name of the firm.

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
November 10, 2018

SUMMIT FIRE DISTRICT

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

To the Board of Directors of
Summit Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of Summit Fire District, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Summit Fire District, as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the general fund.

Emphasis of Matter

As described in note 11 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension/OPEB related schedules on pages 4–8 and pages 46-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2018 on our consideration of the Summit Fire 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 Summit Fire District's internal control over financial reporting and compliance.



HintonBurdick Arizona, PLLC
Flagstaff, Arizona
November 10, 2018

BOARD OF DIRECTORS

Rock Parker

Chair

Jim Timney

Clerk

Jim Daskocil

Member

Michael Milich

Member

Victor Page

Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Summit Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total liabilities exceed total assets (net position) by \$942,550 at the close of the fiscal year.
- Total net position decreased by \$163,953, prior to the restatement adjustment.
- Total revenues from all sources were \$5,187,005 and the total cost of all District programs was \$5,350,958.
- Total revenue received in the General Fund was \$485,358 less than the final budget and expenditures were \$901,959 less than the final budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities. Property and fire assistance taxes, intergovernmental revenues and charges for services finance most of this activity.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined liabilities exceed assets by \$942,550 as of June 30, 2018 as shown on the following condensed statement of net position.

	Governmental activities	
	06/30/18	06/30/17
Current and other assets	\$ 2,504,580	\$ 2,525,493
Capital assets	4,579,589	4,625,107
Total assets	7,084,169	7,150,600
Deferred outflows	2,367,164	2,316,112
Long-term liabilities outstanding	9,291,543	8,878,966
Other liabilities	562,233	784,464
Total liabilities	9,853,776	9,663,430
Deferred inflows	540,107	629,182
Net position:		
Invested in capital assets, net of related debt	879,119	992,665
Restricted - debt service and capital outlay	550,922	779,222
Unrestricted	(2,372,591)	(2,597,787)
Total net position	\$ (942,550)	\$ (825,900)

Governmental Activities

The cost of all Governmental activities this year was \$5,350,958. Program revenues totaled \$1,116,203 and general revenues, including taxes, investment earnings and other revenues totaled \$4,070,802.

The District's programs includes: Public Safety (fire protection services). Each program's revenues and expenses are presented below.

	Governmental activities	
	6/30/2018	6/30/2017
Revenues:		
Program revenues:		
Charges for services	\$ 928,908	\$ 725,694
Operating grants and contributions	187,295	119,337
General revenues:		
Taxes	3,995,048	3,808,033
Unrestricted interest earnings	27,386	13,201
Other revenues	48,368	49,791
Total revenues	<u>5,187,005</u>	<u>4,716,056</u>
Expenses:		
Public Safety	<u>5,350,958</u>	<u>6,935,956</u>
Total expenses	<u>5,350,958</u>	<u>6,935,956</u>
Increase/(decrease) in net position	(163,953)	(2,219,900)
Net position, beginning	(825,900)	1,394,000
Restatement adjustment	47,303	-
Net position, ending	<u>\$ (942,550)</u>	<u>\$ (825,900)</u>

Total resources available during the year to finance governmental operations were \$4,408,408 consisting of restated net position at July 1, 2017 of (\$778,597), program revenues of \$1,116,203 and General Revenues of \$4,070,802. Total Governmental Activities expenses during the year were \$5,350,958; thus Governmental Net Position decreased by \$163,953 to (\$942,550).

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$901,959 more than actual expenditures. Actual revenues were less than the final budget by \$485,358.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings and improvements, emergency vehicles, equipment and furniture and fixtures. At the end of fiscal year 2018, net capital assets of the government activities totaled \$4,579,589. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

Debt

At year end, the District had \$9,723,476 in governmental-type debt. This amount includes compensated absences, capital leases, GO Bonds and related premium and net pension liability. The capital leases are secured by the equipment of the District. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2019, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Gaillard, Chief, 8905 Koch Field Road, Flagstaff, AZ 86004 or call (928) 526-9537.

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BASIC FINANCIAL STATEMENTS

SUMMIT FIRE DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,885,021
Receivables	534,576
Prepaid insurance	45,485
Inventory	2,514
Net OPEB asset	36,984
Capital assets not being depreciated:	
Land	982,511
Construction in progress	103,863
Capital assets, net of accumulated depreciation:	
Buildings and improvements	2,804,406
Emergency vehicles	285,091
Equipment	395,508
Furniture and fixtures	8,210
Total assets	<u>7,084,169</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,367,150
Deferred outflows related to OPEB	14
Total deferred outflows	<u>2,367,164</u>
Liabilities	
Accounts payable and other current liabilities	130,300
Noncurrent liabilities:	
Due within one year	431,933
Due in more than one year	9,291,543
Total liabilities	<u>9,853,776</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	523,895
Deferred inflows related to OPEB	16,212
Total deferred inflows	<u>540,107</u>
Net Position	
Net investment in capital assets	879,119
Restricted for:	
Debt service and capital outlay	550,922
Unrestricted	(2,372,591)
Total net position	<u><u>\$ (942,550)</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
Expenses:	
Public safety - fire protection and emergency services	
Salaries, wages, and benefits	\$ 4,024,224
Repairs and maintenance	311,762
Insurance	47,043
Legal and professional	221,066
Operating expenses	309,235
Depreciation	316,637
Interest	120,991
	<u>5,350,958</u>
Total program expenses	
	<u>5,350,958</u>
Program revenues:	
Charges for services	928,908
Operating grants and contributions	187,295
	<u>1,116,203</u>
Total program revenues	
	<u>1,116,203</u>
Net program expenses	
	<u>4,234,755</u>
General revenues	
Property taxes	3,648,211
Fire District Assistance Tax (FDAT)	346,837
Investment earnings	27,386
Gain on sale of capital assets	48,368
	<u>4,070,802</u>
Total general revenues	
	<u>4,070,802</u>
Change in net position	(163,953)
Net position - beginning	(825,900)
Restatement adjustment	47,303
	<u>47,303</u>
Net position - ending	<u><u>\$ (942,550)</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
Assets:			
Cash	\$ 1,270,424	\$ 614,597	\$ 1,885,021
Property tax receivables	105,265	-	105,265
Due from other governments	365,636	-	365,636
Due from other funds	63,675	-	63,675
Prepaid insurance	45,485	-	45,485
Inventory	2,514	-	2,514
Total Assets	<u>1,852,999</u>	<u>614,597</u>	<u>2,467,596</u>
Liabilities:			
Accounts payable	602	-	602
Accrued liabilities	66,023	-	66,023
Due to other funds	-	63,675	63,675
Total Liabilities	<u>66,625</u>	<u>63,675</u>	<u>130,300</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	82,203	-	82,203
Total deferred inflows of resources	<u>82,203</u>	<u>-</u>	<u>82,203</u>
Fund Balance:			
Nonspendable	47,999	-	47,999
Restricted	-	550,922	550,922
Unassigned	1,656,172	-	1,656,172
Total Fund Balance	<u>1,704,171</u>	<u>550,922</u>	<u>2,255,093</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,852,999</u>	<u>\$ 614,597</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,579,589
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	82,203
Some liabilities, including capital leases and net pension/OPEB liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,686,492)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	1,827,057
Net position of governmental activities	<u>\$ (942,550)</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,646,566	\$ -	\$ 3,646,566
Fire district assistance tax	346,837	-	346,837
Grant income	187,295	-	187,295
Charges for services	928,908	-	928,908
Interest income	16,776	10,610	27,386
Total Revenues	<u>5,126,382</u>	<u>10,610</u>	<u>5,136,992</u>
Expenditures:			
Current:			
Bond issue costs	-	-	-
Salaries and wages	2,752,772	-	2,752,772
Employee benefits	1,346,195	-	1,346,195
Legal and professional	221,066	350	221,416
Education and training	20,243	-	20,243
Insurance	47,043	-	47,043
Repairs and maintenance	311,762	-	311,762
Supplies	82,200	-	82,200
Utilities	95,917	-	95,917
Grant related expense	28,920	-	28,920
Miscellaneous	103,368	-	103,368
Debt service:			
Principal	49,138	115,000	164,138
Interest	3,825	127,350	131,175
Capital outlay	18,823	238,560	257,383
Total Expenditures	<u>5,081,272</u>	<u>481,260</u>	<u>5,562,532</u>
Excess of Revenues Over (Under) Expenditures	<u>45,110</u>	<u>(470,650)</u>	<u>(425,540)</u>
Other financing sources (uses)			
Gain on sale of assets	56,395	-	56,395
Debt proceeds	-	242,350	242,350
Total other financing sources (uses):	<u>56,395</u>	<u>242,350</u>	<u>298,745</u>
Net change in fund balance	101,505	(228,300)	(126,795)
Fund Balance - Beginning of Year	1,574,508	779,222	2,353,730
Restatement adjustment	28,158	-	28,158
Fund Balance - End of Year	<u>\$ 1,704,171</u>	<u>\$ 550,922</u>	<u>\$ 2,255,093</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2018

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

Net change in fund balance - total governmental funds	\$ (126,795)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs 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.	(29,094)
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The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, etc.) is to decrease net position.	(6,242)
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The issuance of long-term debt (e.g., bonds, leases) 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.	(78,212)
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Pension contributions are reported as expenditures in the governmental funds when made.

However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the District's report date. Pension expense, which is the change in net pension liability adjusted for changed in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities.	(226,039)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes.	1,645
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represent the change in accrued compensated absences and PSPRS refunds payable.	300,784
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Change in net position of governmental activities	\$ (163,953)
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The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 3,638,792	\$ 3,638,792	\$ 3,646,566	\$ 7,774
Fire district assistance tax	350,000	350,000	346,837	(3,163)
Grant income	989,000	989,000	187,295	(801,705)
Charges for services	633,948	633,948	928,908	294,960
Interest income	-	-	16,776	16,776
Total Revenues	5,611,740	5,611,740	5,126,382	(485,358)
Expenditures:				
Current:				
Salaries and wages	3,085,162	3,085,162	2,752,772	332,390
Employee benefits	1,166,875	1,166,875	1,346,195	(179,320)
Legal and professional	171,071	171,071	221,066	(49,995)
Education and training	41,700	41,700	20,243	21,457
Insurance	46,000	46,000	47,043	(1,043)
Repairs and maintenance	195,579	195,579	311,762	(116,183)
Supplies	82,906	82,906	82,200	706
Utilities	100,580	100,580	95,917	4,663
Grant related expense	857,800	857,800	28,920	828,880
Miscellaneous	32,595	32,595	103,368	(70,773)
Debt service:	-	-	-	-
Principal	49,138	49,138	49,138	-
Interest	3,825	3,825	3,825	-
Capital outlay	150,000	150,000	18,823	131,177
Total Expenditures	5,983,231	5,983,231	5,081,272	901,959
Excess of Revenues Over/(Under) Expenditures	(371,491)	(371,491)	45,110	416,601
Other Financing Sources (Uses):				
Gain on sale of assets	-	-	56,395	56,395
Total other financing sources (uses):	-	-	56,395	56,395
Net change in fund balance	(371,491)	(371,491)	101,505	472,996
Fund Balance - Beginning of Year	1,574,508	1,574,508	1,574,508	-
Restatement adjustment	-	-	28,158	28,158
Fund Balance - End of Year	\$ 1,203,017	\$ 1,203,017	\$ 1,704,171	\$ 501,154

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Debt Service Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Interest income	\$ -	\$ -	10,610	\$ 242,350
Total Revenues	-	-	10,610	242,350
Expenditures:				
Current:				
Legal and professional	-	-	350	(350)
Debt service:				
Principal	-	-	115,000	(115,000)
Interest	-	-	127,350	(127,350)
Capital outlay	765,329	765,329	238,560	526,769
Total Expenditures	765,329	765,329	481,260	284,069
Excess of Revenues Over/(Under) Expenditures	(765,329)	765,329	481,260	526,419
Other Financing Sources (Uses):				
Debt proceeds	-	-	242,350	(242,350)
Total other financing sources (uses):	-	-	242,350	(242,350)
Net change in fund balance	(765,329)	(765,329)	(228,300)	537,029
Fund Balance - Beginning of Year	779,222	779,222	779,222	-
Fund Balance - End of Year	\$ 13,893	\$ 13,893	\$ 550,922	\$ 537,029

The accompanying notes are an integral part of the financial statements.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

Summit Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District is located north of Flagstaff, Arizona and is established to provide fire services to the citizens in the communities of Doney Park, Timberline, Fernwood and Highway 180 identified as the Fort Valley area. The District is governed by a board of directors that is elected by the residents of the District. The terms of the directors are staggered and each director serves for four years. The District has five fire stations to serve the residents of the District and also assists in out-of-district fires. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. The emphasis of the District's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government.

The **Debt Service Fund** is used to account for legally restricted tax levies of the District which are used to meet ongoing debt service requirements.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, Fire District Assistance Taxes (FDAT), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

Cash includes cash on hand, demand deposits with banks and deposits with the Coconino County Treasurer. The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. The District's inventory of materials and supplies related to the maintenance facility is recorded at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	5-39 years
Vehicles and equipment	5-20 years
Furniture and fixtures	5-15 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has one type of item which qualifies for reporting in this category. It is pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

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

Fund balance flow assumptions

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

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

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

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services rendered to the District. Fifty-six hour employees may accumulate up to 240 hours and forty hour employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. General sick leave benefits are cumulative and vest with employees based on years of service with the District and are accrued as compensated balances. The liability for vested compensated absences is recorded in the government-wide statements as a non-current liability.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 8,811,074
Accumulated depreciation	(4,231,485)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 4,579,589</u>

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 287,543
Depreciation expense	<u>(316,637)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ (29,094)</u></u>

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the Board must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased.

Final Budget Adoption: State law specifies that exactly seven days prior to the day the property tax levy is adopted, the Board must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the Board.

For management purposes, the District adopts a budget for departments within the General Fund. The Fire Chief is authorized to transfer budgeted amounts within departments; however, any revisions that alter total expenditures must be approved by the Board. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 3. Stewardship, Compliance and Accountability (Continued)

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2018, if any.

Note 4. Deposits and Investments

Deposits as of the District at June 30, 2018 consist of the following:

	<u>Fair Value</u>
Deposits:	
Cash on hand (General Fund)	\$ 1,354
Cash in bank (General Fund)	20,679
Cash on deposit with the	
Coconino County Treasurer (General Fund)	1,248,391
Coconino County Treasurer (Debt Service Fund)	<u>614,597</u>
Total deposits	<u><u>\$ 1,885,021</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2018, none of the District's bank balance of \$1,981,600 was exposed to custodial credit risk because it was insured and collateralized.

The District maintains a bank account at a local bank to record bank activity related to wildland suppression.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 4. Deposits and Investments (Continued)

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2018.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no assets measured at fair value as of June 30, 2018.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

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SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 5. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2018:

Governmental Activities:	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Capital assets, not being depreciated:				
Land and land improvements	\$ 982,511	\$ -	\$ -	\$ 982,511
Construction in progress	-	103,863	-	103,863
Total capital assets, not being depreciated	982,511	103,863	-	1,086,374
Capital assets, being depreciated:				
Buildings and improvements	4,186,658	-	-	4,186,658
Emergency vehicles	2,501,734	22,680	(135,934)	2,388,480
Equipment	1,038,274	155,000	(92,065)	1,101,209
Furniture and fixtures	42,353	6,000	-	48,353
Total capital assets, being depreciated	7,769,019	183,680	(227,999)	7,724,700
Less accumulated depreciation for:				
Buildings and improvements	(1,245,104)	(137,149)	-	(1,382,253)
Emergency vehicles	(2,122,402)	(113,461)	132,470	(2,103,393)
Equipment	(721,083)	(63,718)	79,105	(705,696)
Furniture and fixtures	(37,834)	(2,309)	-	(40,143)
Total accumulated depreciation	(4,126,423)	(316,637)	211,575	(4,231,485)
Total capital assets, being depreciated, net	4,625,107	(29,094)	(16,424)	4,579,589
Governmental activities capital assets, net	<u>\$ 4,625,107</u>	<u>\$ (29,094)</u>	<u>\$ (16,424)</u>	<u>\$ 4,579,589</u>

Depreciation expense of \$316,637 was charged to the public safety function of the District.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

Governmental Activities:	Balance 6/30/17	Additions	Retirements	Balance 6/30/18	Current Portion
Capital leases	\$ 138,953	\$ -	\$ (49,138)	\$ 89,815	\$ 50,714
Compensated absences	253,468	258,019	(255,312)	256,175	217,749
Net Pension Liabilities	5,382,826	384,005	-	5,766,831	-
County Loan	-	242,350	-	242,350	48,470
GO Bond, Series 2017	3,300,000	-	(115,000)	3,185,000	115,000
Unamortized premium	193,489	-	(10,184)	183,305	10,184
Total	\$ 9,268,736	\$ 884,374	\$ (429,634)	\$ 9,723,476	\$ 442,117

In March 2015, the District entered into a capital lease agreement with Community First National Bank as lessor to finance the purchase of new SCBA equipment. The capital lease payable to Community First National Bank totaled \$244,000. Under the terms of the lease, quarterly payments of \$13,241 shall be made including interest at an effective rate of 3.17%. The balance outstanding at June 30, 2018 was \$89,815.

In February 2017, the District entered into a bond purchase agreement with Stifel, Nicolaus & Company, Incorporated. The Arizona General Obligation Bonds, Series 2017 have a par amount of \$3,300,000. Under the terms of the agreement, the average annual payment is \$242,160 with an all-in true interest cost of 3.78%. The balance outstanding at June 30, 2017 was \$3,185,000.

In June 2018, the District entered into a loan agreement with Coconino County in order to finance the first year's bond payments on the Arizona General Obligation Bonds, Series 2017 mentioned above. The loan payable to Coconino County totaled \$242,350. Under the terms of the agreement, annual principal payments will be made in the amount of \$48,470 with semi-annual interest payments at a rate of 2.20%. The balance outstanding at June 30, 2017 was \$242,350

A summary of capital assets financed through capital leases is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment	\$ 271,111	\$ 27,111	\$ 63,259
Total	\$ 271,111	\$ 27,111	\$ 63,259

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6. Long-Term Debt (Continued)

The following is an annual schedule of future minimum debt payments with the present value of the net minimum debt payments for the years ended June 30th:

<u>Year</u>	<u>Community First SCBAs</u>	<u>GO Bond, Series 2017</u>	<u>County Loan</u>	<u>Total</u>
2019	52,962	240,050	53,802	346,814
2020	39,723	241,600	52,735	334,058
2021	-	243,000	51,669	294,669
2022	-	243,000	50,603	293,603
2023	-	242,800	49,003	291,803
2024-2028	-	1,209,000	-	1,209,000
2029-2033	-	1,210,400	-	1,210,400
2034-2037	-	971,000	-	971,000
Total remaining debt payments	92,685	4,600,850	257,812	4,951,347
Less: amount representing interest	(2,870)	(1,415,850)	(15,462)	(1,434,182)
Present value of net remaining minimum debt payments	<u>\$ 89,815</u>	<u>\$ 3,185,000</u>	<u>\$ 242,350</u>	<u>\$ 3,517,165</u>

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits

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

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

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Governmental Activities
Net pension and OPEB asset	\$ 969	\$ 36,015	\$ 36,984
Net pension and OPEB liability	274,812	5,492,019	5,766,831
Deferred outflows of resources	71,981	2,295,183	2,367,164
Deferred inflows of resources	19,879	520,228	540,107
Pension expense	38,867	930,750	969,617

The District's accounts payable and other current liabilities includes \$13,007 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2018. Also, the District reported \$779,550 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The District participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

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

* With actuarially reduced benefits.

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

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.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

The District's contributions to the pension, health insurance premium benefit, and long term disability plans for the year ended June 30, 2018, were \$19,052, \$769, and \$280, respectively.

Liability – At June 30, 2018, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB
	(asset) liability
Pension	\$ 274,174
Health insurance premium benefit	(969)
Long-term disability	638

The net asset and liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.00178%	0.00176%	-0.00002%
Health insurance premium benefit	*	0.00178%	*
Long-term disability	*	0.03277%	*

* information not available

Expense—For the year ended June 30, 2018, the District recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 37,916
Health insurance premium benefit	567
Long-term disability	341

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

	Pension		Health Insurance Premium Benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,221	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	11,908	8,198	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,968	-	-	1,091	-	95
Changes in proportion and differences between contributions and proportionate share of contributions	38,004	2,274	-	-	-	-
Contributions subsequent to the measurement date	19,052	-	769	-	280	-
Total	\$ 70,932	\$ 18,693	\$ 769	\$ 1,091	\$ 280	\$ 95

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ 19,665	\$ (273)	\$ (24)
2020	16,673	(273)	(24)
2021	3,156	(273)	(24)
2022	(6,307)	(272)	(23)
2023	-	-	-
Thereafter	-	-	-

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3% for pensions/not applicable for OPEB
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits(Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.48%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Totals	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits(Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

Proportionate share of the	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 351,907	\$ 274,174	\$ 209,221
Net insurance premium benefit liability (asset)	1,609	(969)	(3,160)
Net long-term disability liability	763	638	532

Plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium (OPEB) plans that covers public safety personnel who are A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The report is available on the PSPRS website at www.psprs.com.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits(Continued)

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:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
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%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits(Continued)

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

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

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	8	8
Inactive employees entitled to but not yet receiving benefits	12	3
Active employees	38	38
Total	58	49

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	District - Pension	District-Health insurance premium
PSPRS	7.65-11.65	29.05	0.34
PSPRS Tier 3 risk pool	9.94	9.68	0.26

Also, statute required the District to contribute at the actuarially determined rate of 24.44 percent (23.80 percent for pension and 0.64 percent for health insurance premium benefit) of the annual covered payroll of District employees who were PSPRS Tier 3 Risk Pool members, in addition to the District's required contributions to the PSPRS Tier 3 Risk Pool for these District employees.

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

	Pension	Health insurance premium benefit
PSPRS	\$ 704,195	\$ 7,923
PSPRS Tier 3 risk pool	3,369	37

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

Liability – At June 30, 2018, the District reported a net pension liability of \$5,492,019 and a net OPEB asset of \$36,015. The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the District's PSPRS net pension liabilities as a result of the refunds is not known.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP 2016 improvement scale with adjustments to match current experience
Healthcare cost trend rates	Not applicable

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

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.70%
Private Credit	12.00%	6.75%
Fixed Income	5.00%	1.25%
Credit Opportunities	16.00%	5.83%
Absolute Return	2.00%	3.75%
GTAA	10.00%	3.96%
Real Assets	9.00%	4.52%
Real Estate	10.00%	3.75%
Risk Parity	4.00%	5.00%
Short Term Inv	2.00%	0.25%
Total	100.00%	

Discount Rate – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

Changes in the Net Pension/OPEB Liability

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 13,366,444	\$ 8,270,928	\$ 5,095,516	\$ 276,053	\$ 286,744	\$ (10,691)
Changes for the year:						
Service cost	538,989	-	538,989	8,255	-	8,255
Interest on total pension/OPEB liability	1,002,553	-	1,002,553	20,938	-	20,938
Changes of benefit terms	98,111	-	98,111	3,362	-	3,362
Difference between expected and actual experience in the measurement of the pension/OPEB liability	131,152	-	131,152	992	-	992
Changes of assumptions	332,203	-	332,203	(16,681)	-	(16,681)
Contributions - employer	-	469,097	(469,097)	-	8,398	(8,398)
Contributions - employee	-	269,996	(269,996)	-	-	-
Net investment income	-	976,342	(976,342)	-	34,094	(34,094)
Benefit payments, including refunds of employee contributions	(537,134)	(537,134)	-	(2,025)	(2,025)	-
Plan administrative expenses	-	(9,039)	9,039	(302)	(302)	302
Other changes*	-	109	(109)	-	-	-
Net changes	1,565,874	1,169,371	396,503	14,841	40,165	(25,324)
Balances at June 30, 2018	\$ 14,932,318	\$ 9,440,299	\$ 5,492,019	\$ 290,894	\$ 326,909	\$ (36,015)

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

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7. Pensions and Other Postemployment Benefits (Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's net pension/OPEB (asset) liability calculated using the discount rate of 7.4 percent, as well as what the District's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate share of			
Net pension (asset) / liability	\$ 7,852,682	\$ 5,492,019	\$ 3,598,069
Net OPEB (asset)/ liability	7,820	(36,015)	(71,947)

Plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued PSPRS financial report.

Expense and deferred outflows/inflows of resources – For the year ended June 30, 2018, the District recognized pension expense for PSPRS of \$208,131 and OPEB income of \$865. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB 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	\$ 568,963	\$ 505,202	\$ 894	\$ -
Changes in assumptions	875,536	-	-	15,026
Net difference between projected and actual earnings on pension/OPEB plan investments	144,155	-	(9,889)	-
Contributions subsequent to the measurement date	707,564	-	7,960	-
Total	<u>\$ 2,296,218</u>	<u>\$ 505,202</u>	<u>\$ (1,035)</u>	<u>\$ 15,026</u>

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

Year Ended December 31	Pension	Health Insurance Premium Benefit
2019	\$ 185,990	\$ (4,029)
2020	261,041	(4,029)
2021	194,014	(4,029)
2022	72,622	(4,030)
2023	142,378	(1,557)
Thereafter	227,407	(6,347)

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and natural disasters. The District has insurance protection and the limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

Note 9. Intergovernmental Agreements

On August 23, 2010, the District entered into an agreement with Pinewood Fire District (Pinewood) and Highlands Fire District (Highlands) for the purpose of establishing, operating and managing the interagency fire crew known as the Bear Jaw Fire and Fuels Module (Module). The purpose of the Module is to perform all aspects of hazard fuel mitigation, primarily thinning and burning, public education and wildfire suppression across the partner agency's jurisdictions. The District, Pinewood and Highlands shall equally share the cost of operating supplies and Americorps positions in the event that insufficient revenue is generated to cover these costs. The agreement may be terminated by any party upon thirty days written notice to the other parties.

On January 1, 2016, the District entered into an agreement with the City of Flagstaff (City) for the City to provide management services to the District. The purpose of this agreement is to authorize the City Fire Chief to also function as the District Fire Chief. The District will compensate the City \$72,900 annually for the management services provided. The initial term of the agreement is two years. The District and City extended the agreement effective The agreement may be terminated by either party upon thirty days written notice.

Note 10. Contingencies

The District is involved with various matters of litigation from year to year. It is the opinion of the District that these cases will be handled by the District's insurance coverage or that they will not have a material effect on the District's financial condition.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 11. Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

Restatement adjustment -	
implementation of GASB 75:	
Net OPEB asset (measurement date as of June 30, 2016)	\$ 9,544
Deferred outflows - contributions made during	
fiscal year 2017	9,601
Total Restatement Adjustment	<u><u>\$ 19,145</u></u>

Note 12. Restatement adjustment

During 2018 it was determined that accounts receivable had been understated by \$28,158 in the prior year. This resulted in an increase of beginning fund balance in the governmental fund financial statements and the government-wide statements for this amount.

Required Supplementary Information

SUMMIT FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2018

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.001760%	0.001780%	0.001148%	0.001148%
Proportionate share of the net pension liability (asset)	\$ 274,174	\$ 287,310	\$ 181,849	\$ 169,899
Covered payroll	\$ 171,421	\$ 171,772	\$ 116,192	\$ 79,080
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	159.94%	167.26%	156.51%	214.84%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: The District implemented GASB 68 in fiscal year 2015.
Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2018

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)	
	2018	
	(2017)	
Proportion of the net OPEB (asset)		0.001780%
Proportionate share of the net OPEB (asset)	\$	(969)
Covered payroll	\$	171,421
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll		-0.57%
Plan fiduciary net position as a percentage of the total OPEB liability		103.57%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)	
	2018	
	(2017)	
Proportion of the net OPEB (asset)		0.032770%
Proportionate share of the net OPEB (asset)	\$	638
Covered payroll	\$	171,421
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll		0.37%
Plan fiduciary net position as a percentage of the total OPEB liability		84.44%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2018

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)		
	2018 (2017)	2016 (2016)	2015 (2014)
Total pension liability			
Service cost	\$ 538,989	\$ 405,614	\$ 439,618
Interest on total pension liability	1,002,553	878,953	708,033
Changes of benefit terms*	98,111	1,268,601	11,561
Difference between expected and actual experience of the total net pension liability			
Changes of assumptions	131,152	(301,119)	683,292
Benefit payments, including refunds of employee contributions	332,203	511,145	-
	(537,134)	(781,596)	(223,585)
Net change in total pension liability	1,565,874	1,981,598	1,653,734
Total pension liability - beginning	13,366,444	11,384,846	9,731,112
Total pension liability - ending (a)	<u>\$ 14,932,318</u>	<u>\$ 13,366,444</u>	<u>\$ 11,384,846</u>

Plan fiduciary net position

Contributions - employer	\$ 469,097	\$ 378,117	\$ 341,378
Contributions - employee	269,996	266,970	304,232
Net investment income	976,342	48,805	291,993
Benefit payments, including refunds of employee contributions	(537,134)	(781,596)	(223,585)
Other (net transfer)	(8,930)	(126,556)	(13,579)
Net change in plan fiduciary net position	1,169,371	(214,260)	700,439
Plan fiduciary net position - beginning	8,270,928	8,485,188	7,784,749
Plan fiduciary net position - ending (b)	<u>\$ 9,440,299</u>	<u>\$ 8,270,928</u>	<u>\$ 8,485,188</u>
Net pension liability - ending (a) - (b)	<u>\$ 5,492,019</u>	<u>\$ 5,095,516</u>	<u>\$ 2,899,658</u>

Plan fiduciary net position as a percentage of the total pension liability

Covered employee payroll	\$ 2,427,878	\$ 2,164,428	\$ 2,250,452
	63.22%	61.88%	74.53%
Net pension liability as a percentage of covered-employee payroll			80.00%
			2,220,970
			87.64%

Note: The District implemented GASB 68 in fiscal year 2018. Information prior to 2015 is not available.

SUMMIT FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2018

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)
	2018 (2017)
Total OPEB liability	
Service cost	\$ 8,255
Interest on total OPEB liability	20,938
Changes of benefit terms*	3,362
Difference between expected and actual experience of the total net OPEB liability	992
Changes of assumptions or other inputs	(16,681)
Benefit payments	(2,025)
Net change in total OPEB liability	14,841
Total OPEB liability - beginning	276,053
Total OPEB liability - ending (a)	\$ 290,894
Plan fiduciary net position	
Contributions - employer	\$ 8,398
Net investment income	34,094
Benefit payments	(2,025)
Administrative expense	(302)
Other changes	-
Net change in plan fiduciary net position	40,165
Plan fiduciary net position - beginning	286,744
Plan fiduciary net position - ending (b)	\$ 326,909
Net OPEB liability - ending (a) - (b)	\$ (36,015)
Plan fiduciary net position as a percentage of the total OPEB liability	112.38%
Covered employee payroll	\$ 2,427,878
Net OPEB liability as a percentage of covered-employee payroll	-1.48%

Note: The District implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2018

ASRS - Pension	Reporting Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 19,052	\$ 18,479	\$ 11,803	\$ 11,075
Contributions in relation to the contractually required contribution	(19,052)	(18,479)	(11,803)	(11,075)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 171,421	\$ 171,772	\$ 116,192	\$ 133,216
Contributions as a percentage of covered payroll	11.11%	10.76%	10.16%	8.31%

Note: The District implemented GASB 68 in fiscal year 2015.
Prior year information is not available.

ASRS - Health insurance premium benefit	Reporting Fiscal Year
	2018
Contractually required contribution	\$ 962
Contributions in relation to the contractually required contribution	(962)
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 171,421
Contributions as a percentage of covered payroll	0.56%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

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

ASRS - Long-term disability	<u>Reporting Fiscal Year</u> <u>2018</u>
Contractually required contribution	\$ 241
Contributions in relation to the contractually required contribution	(241)
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered payroll	\$ 171,421
Contributions as a percentage of covered payroll	0.14%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

PSPRS-Health Insurance Premium Benefit	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u> <u>2018</u> <u>(2017)</u>
Actuarially determined contribution	\$ 8,398
Contributions in relation to the actuarially determined contribution	\$ (8,398)
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 2,427,878
Contributions as a percentage of covered-employee payroll	0.35%

Note: The District implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2018

PSPRS-Pensions

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 469,097	\$ 378,117	\$ 341,378	\$ 358,783
Contributions in relation to the actuarially determined contribution	\$ (469,097)	\$ (378,117)	\$ (341,378)	\$ (358,783)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,427,878	\$ 2,164,428	\$ 2,250,452	\$ 2,220,970
Contributions as a percentage of covered-employee payroll	19.32%	17.47%	15.17%	16.15%

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

SUMMIT FIRE DISTRICT
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2018

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% 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%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

SUMMIT FIRE DISTRICT
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2018

Note 1. Actuarially Determined Contribution Rates

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

SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2018

Real and Secured Property Taxes Levied and Collected (a)

Fiscal year	Secondary tax rate	District tax levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections to August 30, 2018	
			Amount	% of Levy	Amount	% of Levy
2017/18	3.250	\$ 3,652,373	\$ 3,577,741	97.96%	\$ 3,604,179	98.68%
2016/17	3.250	3,474,571	3,395,780	97.73	3,467,135	99.79
2015/16	3.250	3,334,318	3,270,322	98.08	3,331,849	99.93
2014/15	3.250	3,250,631	3,167,105	97.43	3,235,696	99.54
2013/14	3.250	3,283,148	3,213,421	97.88	3,264,646	99.44
2012/13	3.110	3,914,145	3,828,774	97.36	3,909,954	99.89
2011/12	2.886	3,935,143	3,815,850	96.97	3,921,086	99.64

- (a) Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collects (delinquent November 1) are waived if the full year's taxes are paid by December 31.

Net Limited Assessed Property Value by Property Classification (a)

Class	2017/18	2016/17
Commercial, industrial, utilities and mines	\$ 10,085,429	\$ 9,880,892
Agricultural and vacant	8,769,430	8,621,775
Residential (owner occupied)	73,432,257	68,365,325
Residential (rental)	19,506,976	19,416,410
Railroad	168,734	162,431
Totals (b)	<u>\$ 111,962,826</u>	<u>\$ 106,446,833</u>

- (a) Determined by Net Assessed Property Value. See "PROPERTY TAXES - Limited Property Value" and - "Secondary Taxes" herein for a discussion of the use of Net Limited Assessed Property Value for fiscal years 2015-16 and thereafter.

SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2018

2017/18 Net Limited Assessed Property Value of Major Taxpayers

Major Taxpayer (a)	2017/18 Net Limited Assessed Property Value	As % of 2017/18 Net Limited Assessed Property Value
Transwestern Pipeline Company LLC	\$ 1,832,843	1.64%
Arizona Public Service Company	1,427,065	1.27
Doney Park Water	768,688	0.69
Unisource Energy Corporation	534,480	0.48
Kinder Morgan	578,209	0.52
Blazing Oak Inc.	466,452	0.42
Macarco VII	430,246	0.38
Stilley Properties LLC	329,046	0.29
Arizona Snowbowl Resort Ltd Partnership	359,111	0.32
Qwest Corporation	280,420	0.25
	\$ 7,006,560	4.64%

SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2018

Direct General Obligation Bonded Debt Outstanding and to be Outstanding

Total General Obligation Bonded Debt Outstanding	\$ 3,185,000
New Bonds	-
Total General Obligation Bonded Debt Outstanding and to be Outstanding	<u>\$ 3,185,000</u>

Statutory Debt Limited/Unused Borrowing Capacity after Bond Issuance

2016/17 Debt limitation	
(6% of Net Limited Assessed Property Value)	\$ 6,717,770
Less: General Obligation Bonds Outstanding and to be Outstanding (a)	<u>(3,185,000)</u>
Unused Borrowing Capacity	<u><u>\$ 3,532,770</u></u>

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SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2018

Direct and Overlapping General Obligation Bonded Debt

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Portion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	0.19%	None
Coconino County	None	6.78	None
Coconino County Community College District	\$ 5,990,000	6.78	\$ 406,122
Flagstaff Unified School District No. 1*	40,390,000	9.88	3,990,532
Summit Fire and Medical District	3,300,000	100.00	3,300,000 (c)
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 7,696,654</u>

(a) Proportion applicable to the District is computed on the ratio of Net Limited Assessed Property Value for 2016/17

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Does not include presently authorized general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
Flagstaff Unified District No. 1	None *
Summit Fire and Medical District	None

* Reflects Flagstaff Unified School District No. 1's anticipated sale of \$10,190,000 remaining bonds on February 8, 2017.

Other Communications from Independent Auditors

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Summit Fire District

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 and each major fund of Summit Fire District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Summit Fire District's basic financial statements, and have issued our report thereon dated November 10, 2018.

Internal Control Over Financial Reporting

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

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

2018-001 Year end accounting and financial statement controls

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. We did not identify any deficiencies in internal control, that we consider to be significant deficiencies.

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
Flagstaff, Arizona
November 10, 2018



HINTONBURDICK
CPAs & ADVISORS
**Independent Auditors' Report on
State Legal Compliance**

Summit Fire District
Flagstaff, Arizona

We have audited the basic financial statements of Summit Fire District (the District) for the year ended June 30, 2018, and have issued our report thereon dated November 10, 2018. Our audit also included 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 Summit 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:

ARS 48-805.02 requires the audit or report to include an attestation by the auditor of the District as to the following:

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 Summit 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,

HintonBurdick, PLLC
Flagstaff, Arizona
November 10, 2018

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NEW
COUNTY

STREET OR P.O. BOX: 8905 N. KOCH FIELD RD.
CITY: FLAGSTAFF **ZIP CODE:** 86004
BUSINESS TELEPHONE: 928-526-9537
COMPLETED BY: Chris Gioia
TITLE: Administrative Officer

Part A—Governing Board Members and Officers of the District

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COCONINO COUNTY TREASURER

**COCONINO COUNTY, ARIZONA
SUMMIT FIRE DISTRICT
ANNUAL REPORT
YEAR ENDED 2018**

Part B—Schedule of District Governing Board Regular Meetings

Date	Time	Location of Meeting	Locations of Public Notices
07/19/17	3:00 PM	Station 37	Station 31
08/16/17	3:00 PM	Station 32	6425 N. Cosnino Rd.
09/20/17	3:00 PM	Station 37	Station 32
10/18/17	3:00 PM	Station 32	8905 N. Koch Field Rd.
11/15/17	3:00 PM	Station 37	Station 33
12/13/17	3:00 PM	Station 32	6050 E. Firehouse Lane
01/24/18	3:00 PM	Station 37	Station 36
02/21/18	3:00 PM	Station 32	8015 Wing Mountain
03/28/18	3:00 PM	Station 32	Station 37
04/18/18	3:00 PM	Station 32	5500 N. Fort Valley Rd.
05/16/18	3:00 PM	Station 37	Silver Saddle Store
06/20/18	3:00 PM	Station 32	9001 N. Hwy 89
			Mountain View Market
			6896 Lumberjack Blvd
			Ski Lift Lodge
			6355 Hwy 180
			Cheveron
			11230 N. Hwy 89
			Peak View Country Store
			3400 N. Fort Valley Rd.

Part C—Legal Description of Boundary Changes Occurring During the Fiscal Year

NONE

