

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2019

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year	
	(Measurement Date)	
	2019	2018
Actuarially determined contribution	\$ 8,583	\$ 8,398
Contributions in relation to the actuarially determined contribution	\$ (8,583)	\$ (8,398)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,543,201	\$ 2,238,735
Contributions as a percentage of covered-employee payroll	0.34%	0.38%

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

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SUMMIT FIRE DISTRICT
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2019

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 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, the projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. 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%.

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Note 1. Actuarially Determined Contribution Rates (Continued)

Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

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

SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2019

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, 2019	
			Amount	% of Levy	Amount	% of Levy
2018/19	3.250	\$ 3,869,716	\$ 3,803,101	98.28%	\$ 3,821,938	98.77%
2017/18	3.250	3,652,256	3,577,741	97.96	3,644,435	99.79
2016/17	3.250	3,474,459	3,395,780	97.74	3,467,479	99.80
2015/16	3.250	3,338,836	3,270,322	98.08	3,332,219	99.80
2014/15	3.250	3,242,101	3,167,105	97.43	3,236,042	99.81
2013/14	3.250	3,270,161	3,213,421	97.88	3,264,966	99.84
2012/13	3.110	3,914,145	3,828,774	97.36	3,910,275	99.90

(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	2018/19	2017/18
Commercial, industrial, utilities and mines	\$ 10,583,970	\$ 10,085,429
Agricultural and vacant	9,432,125	8,769,430
Residential (owner occupied)	84,448,579	73,432,257
Residential (rental)	21,218,172	19,506,976
Railroad	212,944	168,734
Totals (b)	<u>\$ 125,895,790</u>	<u>\$ 111,962,826</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.

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2017/18 Net Limited Assessed Property Value of Major Taxpayers

Major Taxpayer (a)	2018/19 Net Limited Assessed Property Value	As % of 2018/19 Net Limited Assessed Property Value
Transwestern Pipeline Company LLC	\$ 2,095,749	1.66%
Arizona Public Service Company	1,237,287	0.98
Doney Park Water	782,331	0.62
Kinder Morgan	612,155	0.49
Unisource Energy Corporation	549,584	0.44
Blazing Oak Inc.	456,426	0.36
Macarco VII	433,814	0.34
Stilley Properties LLC	382,809	0.30
Arizona Snowbowl Resort Ltd Partnership	355,184	0.28
Qwest Corporation	249,491	0.20
	<u>\$ 7,154,830</u>	<u>4.03%</u>

SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2019

Direct General Obligation Bonded Debt Outstanding and to be Outstanding

Total General Obligation Bonded Debt Outstanding	\$ 3,070,000
New Bonds	-
Total General Obligation Bonded Debt Outstanding and to be Outstanding	<u>\$ 3,070,000</u>

Statutory Debt Limited/Unused Borrowing Capacity after Bond Issuance

2018/19 Debt limitation (6% of Net Limited Assessed Property Value)	\$ 7,553,747
Less: General Obligation Bonds Outstanding and to be Outstanding (a)	<u>(3,070,000)</u>
Unused Borrowing Capacity	<u>\$ 4,483,747</u>

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SUMMIT FIRE DISTRICT
Required Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2019

Direct and Overlapping General Obligation Bonded Debt

<u>Overlapping Jurisdiction</u>	General Obligation Bonded Debt (b)	<u>Portion Applicable to the District (a)</u>	
		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.

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
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, 2019, 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 October 2, 2019.

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 (reissued)

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.



HintonBurdick, PLLC
Gilbert, Arizona
October 2, 2019

**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, 2019, and have issued our report thereon dated October 2, 2019. 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, 2019.

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
Gilbert, Arizona
October 2, 2019