Daisy Mountain Fire District

Financial Statements

June 30, 2017

Heidenreich & Heidenreich, CPAs, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the District Board
Daisy Mountain Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District, as of and for the year ended June 30, 2017, 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 on financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, budgetary comparison on pages 44 and 45 and net pension liability information on pages 46 through 48 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 January 16, 2018, on our consideration of the Daisy Mountain 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 Daisy Mountain Fire District's internal control over financial reporting and compliance.

Heidenreich : Heidenreich CPAs PLLC

Heidenreich & Heidenreich, CPAs, PLLC
Phoenix, AZ
January 16, 2018

As management of Daisy Mountain Fire District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance for the year ended June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by $2,471,899 (net position). Of this amount, $(3,306,844) (unrestricted net position) is in a deficit position, primarily due to net pension liability.
- The District's total net position on a full accrual basis decreased by $4,203,819, primarily due to a significant increase in pension expense that exceeded the increase in revenues.
- Combined fund balance on a modified accrual basis decreased by $3,106,949, which resulted primarily from bond-funded capital project expenditures.
- During the fiscal year, the District also obtained grants to supplement the existing training budget and for the purchase of equipment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government–wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are all considered to be major funds.

The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and can be found on pages 44-45 of this report.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-43 of this report.

Other Information

In addition, information on the District's participation in an agent retirement plan can be found on pages 28-40 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Daisy Mountain Fire District, assets exceeded liabilities by $2,471,899 at the close of the most recent fiscal year.

The largest portion of the District's net position (241 percent) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Condensed Statement of Net Position

	Governmental Activities	
	2017	**2016**
Assets		
Current and other assets	$ 12,337,900	$ 15,166,579
Capital assets	9,442,051	5,348,454
Total assets	21,779,951	20,515,033
Deferred outflows of resources	6,153,735	2,775,276
Current and other liabilities		
Current and other liabilities	3,101,149	771,263
Long-term liabilities	21,612,085	14,563,542
Total liabilities	24,713,234	15,334,805
Deferred inflows of resources	748,553	1,390,731
Net position:		
Net investment in capital assets	5,778,743	5,348,454
Unrestricted	(3,306,844)	1,216,319
Total net position	$ 2,471,899	$ 6,564,773

During 2017, current assets decreased primarily because of a decrease in cash and cash equivalents of $3,630,929 from prior year. The cash was used to purchase new assets for the District with a corresponding increase in capital assets of $4,093,597.

Government-wide Financial Analysis - Continued

The unrestricted net position of ($3,306,844) is not available to meet the District's ongoing obligations to citizens and creditors. As previously discussed, the deficit position arises from the actuarially determined unfunded future liability of the Public Safety Personnel Retirement System (PSPRS).

Governmental Activities

Governmental activities net position decreased by $4,203,819. Key elements of this decrease are reported below:

Condensed Statement of Activities

	Governmental Activities	
	2017	**2016**
Revenues:		
Program revenue:		
Charges for services	$ 1,918,345	$ 1,994,972
Capital grants	611,124	228,587
Total program revenues	2,529,469	2,223,559
General revenues:		
Property taxes	12,033,875	11,429,875
Fire district assistance tax	406,810	408,401
Fire insurance premium tax	139,767	111,763
Interest	78,194	29,865
Other income	77,658	87,538
Loss on disposal of assets	-	(17,725)
Total general revenues	12,736,304	12,049,717
Total revenues	15,265,773	14,273,276
Expenses:		
Fire protection and emergency services	19,469,592	13,726,193
Total expenses	19,469,592	13,726,193
Change in net position	(4,203,819)	547,083
Net position, beginning (as restated)	6,675,718	6,017,690
Net position, ending	$ 2,471,899	$ 6,564,773

Government-wide Financial Analysis – Continued

- Overall revenues increased by $992,497 while expenses increased by $5,743,399. The majority of the increase in total revenues resulted from increases in property tax receipts of $604,000 and grant revenues of $382,537. The increase in property taxes resulted from new development that increased the property tax base. The increase in grant revenues was due to grant-funded purchases of self-contained breathing apparatus during the year.

- Expenses increased primarily due to an increase in salary and related costs caused from negotiated wage increases and promotions as well as an increase of $3,725,670 in the PSPRS unfunded liability and recording of a contingent liability of $1,244,322 for refunds of excess PSPRS employee refunds as disclosed in Note 16 to the financial statements.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $11,201,805, a decrease of $3,106,949 in comparison with the prior year's balance.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, spendable fund balance of the general fund was $274,733. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 1.5% of total current year general fund expenditures of $18,167,140.

Budgetary Highlights

During 2017, there were no modifications to the originally adopted budget. Total revenues were $692,276 more than budgeted revenues while total expenditures were $17,640 more than budgeted expenditures. The positive revenue variance resulted primarily from wildland revenues greater than budget. The expenditure variance is insignificant overall but includes capital outlays that exceeded budget while employee benefits were below budget.

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets as of June 30, 2017, totals $9,442,051 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, improvements other than buildings, buildings and improvements, vehicles, furniture and equipment.

Outlays for capital assets during 2017 were $4,790,026 which consisted primarily of construction costs for the new Administration building and new Fire Station 145 as well as equipment purchased on behalf of the Regional Wireless Cooperative.

Additional information on the District's capital assets can be found in Note 6 to the financial statements on page 24.

Long-term liabilities – During the current fiscal year, the District did not incur any new long-term debt.

During the current fiscal year, the District issued $9,055,000 worth of general obligation bonds, project of 2015, Series A (2016). Repayment of the bonds commences July 1, 2017 and ends on July 1, 2035.

The District had long-term compensated absences payable of $1,991,590 at year-end.

Additional information on the District's long-term liabilities can be found in Note 7 to the financial statements on pages 25.

Economic Factors and Next Year's Budgets and Rates

The District will increase the mil rate to $3.7401 for FY 2018. The District's Board approved the issuance of bonds totaling $16.230 million which will result in an increase in debt service expenditures which will result in a future increase in property taxes of $.2450 per $100 of assessed property values.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Daisy Mountain Fire District, 515 E. Carefree Hwy., PMB #385, Phoenix, AZ 85085.

Daisy Mountain Fire District
Statement of Net Position - Governmental Activities
June 30, 2017

Assets	
Cash and cash equivalents	$ 10,576,198
Receivables	
Ambulance, net	250,946
Property taxes	232,069
Due from other governments	78,636
Prepaid expenses	1,089,106
Investment in joint venture	110,945
Capital assets, net	
Land	480,066
Buildings and equipment, net	8,961,985
Total assets	21,779,951
Deferred outflows of resources	
Deferred outflows of resources related to pensions	6,153,735
Liabilities	
Accounts payable	50,851
Retainage payable	256,536
Accrued salaries and benefits	436,489
Refunds due - excess PSPRS employee contributions	1,244,322
Capital lease payable	123,618
Bond payable	875,000
Noncurrent liabilities	
Due within one year - compensated absences	114,333
Due in more than one year:	
Compensated absences	1,991,590
Capital lease payable	617,156
Bond payable	8,910,705
Net pension liability	10,092,634
Total liabilities	24,713,234
Deferred inflows of resources	
Deferred inflows of resources related to pensions	748,553
Net position	
Net investment in capital assets	5,778,743
Unrestricted	(3,306,844)
Total net position	$ 2,471,899

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

Daisy Mountain Fire District
Statement of Activities - Governmental Activities
Year Ended June 30, 2017

Expenditures:	
Fire protection and emergency services	
Personnel	$ 8,616,668
Employee benefits and expenses	6,735,163
Refunds of excess PSPRS employee contributions	1,244,322
Depreciation	696,429
Utilities and communication	510,186
Repairs and maintenance	487,751
Administration	435,578
Other operating expenses	743,495
Total expenses	19,469,592
Program revenues:	
Charges for services	1,918,345
Capital grants	611,124
Total program revenues	2,529,469
General revenues:	
Property taxes	12,033,875
Fire district assistance taxes	406,810
Fire insurance premium tax	139,767
Interest	78,194
Other income	77,658
Total general revenues	12,736,304
Increase (decrease) in net position	(4,203,819)
Net position - beginning of year, as restated	6,675,718
Net position - end of year	$ 2,471,899

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

Daisy Mountain Fire District
Balance Sheet - Governmental Funds
June 30, 2017

	Major Funds			Total
	General Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
Assets				
Cash and cash equivalents	$ 1,732,702	$ 6,963,821	$ 1,879,675	$ 10,576,198
Receivables				
Ambulance, net	250,946	-	-	250,946
Property taxes	232,069	-	-	232,069
Due from other governments	78,636	-	-	78,636
Prepaid expenses	1,089,106	-	-	1,089,106
Total assets	$ 3,383,459	$ 6,963,821	$ 1,879,675	$ 12,226,955
Liabilities				
Accounts payable	$ 50,851	$ -	$ -	50,851
Retainage payable	256,536			256,536
Accrued salaries and benefits	436,489	-	-	436,489
Total liabilities	743,876	-	-	743,876
Deferred inflows of resources				
Unavailable revenues				
Ambulance receivables	133,697	-	-	133,697
Property taxes	147,577	-	-	147,577
Total deferred inflows of resources	281,274	-	-	281,274
Fund balances				
Assigned	994,470	6,963,821	1,879,675	9,837,966
Nonspendable	1,089,106	-	-	1,089,106
Unassigned	274,733	-	-	274,733
Total fund balances	2,358,309	6,963,821	1,879,675	11,201,805
Total liabilities, deferred inflows of resources, and fund balances	$ 3,383,459	$ 6,963,821	$ 1,879,675	$ 12,226,955

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

Daisy Mountain Fire District
Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2017

Fund balances - Governmental funds	$ 11,201,805
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds' balance sheet.	9,442,051
Refunds due to current and former employees for excess contributions to the Public Safety Retirement Personnel System will be recovered from future reductions to employer contributions and are not reported in the governmental funds' balance sheet.	(1,244,322)
Investment in joint venture is not a current financial resource and therefore is not reported in the governmental funds' balance sheet.	110,945
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet as follows:	
Property taxes receivable	147,577
Ambulance receivables	133,697
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds' balance sheet as follows:	
Net pension liability	(10,092,634)
Bond payable	(9,785,705)
Capital lease payable	(740,774)
Compensated absences	(2,105,923)
Some deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds: periods and, therefore, are not reported in the funds.	
Deferred inflows of resources related to pensions	5,405,182
Net position of governmental activities	$ 2,471,899

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

Daisy Mountain Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	Major Funds			Total
	General Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
Revenues:				
Taxes				
Property taxes	$ 12,068,552	$ -	$ -	$ 12,068,552
Fire district assistance taxes	406,810	-	-	406,810
Fire insurance premium tax	139,767	-	-	139,767
Charges for services	1,855,835	-	-	1,855,835
Intergovernmental	611,124	-	-	611,124
Interest	18,003	7,751	52,440	78,194
Other	77,659	-	-	77,659
Total revenues	15,177,750	7,751	52,440	15,237,941
Expenditures:				
Fire protection and emergency services				
Personnel	8,244,742	-	-	8,244,742
Employee benefits	3,009,493	-	-	3,009,493
Utilities and communication	510,186	-	-	510,186
Repairs and maintenance	487,751	-	-	487,751
Administration	435,578	-	-	435,578
Operating expenses	543,820	-	-	543,820
Capital outlay	4,790,026	-	-	4,790,026
Debt service:				
Principal payments	123,618	-	-	123,618
Interest payments	21,926	-	177,750	199,676
Total expenditures	18,167,140	-	177,750	18,344,890
Excess of revenues over expenditures	(2,989,390)	7,751	(125,310)	(3,106,949)
Other financing sources (uses):				
Transfers in	1,985,308	-	1,678,000	3,663,308
Transfers in (out)	-	(3,663,308)	-	(3,663,308)
Total other financing sources and uses	1,985,308	(3,663,308)	1,678,000	-
Net changes in fund balances	(1,004,082)	(3,655,557)	1,552,690	(3,106,949)
Fund balances, beginning of year	3,362,391	10,619,378	326,985	14,308,754
Fund balances, end of year	$ 2,358,309	$ 6,963,821	$ 1,879,675	$ 11,201,805

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

Daisy Mountain Fire District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds	$ (3,106,949)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets and losses on the disposal of capital assets as expenditures as follows:	
Capital asset purchases	4,790,026
Depreciation expense	(696,429)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds as follows:	
Ambulance services	62,510
Property taxes	(34,677)
District 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 reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities:	
District pension contributions	1,078,833
Pension expense	(4,804,503)
Refunds due to current and former employees for excess contributions to the Public Safety Retirement Personnel System will be recovered from future reductions to employer contributions and are reported as expenditures on the Statement of Activities but not as governmental funds expenditures.	(1,244,322)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	123,618
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(371,926)
Change in net position of governmental activities	$ (4,203,819)

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of The Daisy Mountain Fire District (the "District") conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2017, the District implemented the provisions of GASB Statement No. 72, Fair Value Measurement and Application. The Statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

Reporting Entity

The District was organized in 1989 pursuant to Title 48 of the Arizona Revised Statutes and is a special purpose local government governed by a separately elected governing body. The District provides fire protection and rescue services to residents of the New River area. The District is legally separate and fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide statements – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Note 1 – Summary of Significant Accounting Policies - Continued

Program revenues include:

- Charges to customers for services provided;
- Operating grants and contributions, and
- Capital grants and contributions.

Revenues not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenue.

The effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund financial statements – provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.

- The *capital projects fund* is used to account for activities related to the acquisition or construction of significant capital assets. The capital projects fund was authorized by the board to provide funds from each year's general fund budget for the replacement, acquisition or construction of major equipment of facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

- The *debt service fund is used* for the payment of long-term obligation debt principal, interest and related costs.

Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied. Grant and contract revenues are recognized when all eligibility requirements have been met.

Note 1 – Summary of Significant Accounting Policies – Continued

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all property tax revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

All other revenue items are considered to be measureable and available only when cash is received by the government.

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Nonspendable fund balance - amounts that cannot be expended because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances - amounts that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances - amounts with self-imposed limitations approved by the District's board of directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the board.

Note 1 – Summary of Significant Accounting Policies – Continued

Assigned fund balances - amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance - the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

Assignments of Fund Balance

The District has adopted a policy whereby it will assign unencumbered revenues equivalent to the unexpended budgeted wages and benefits to the Retirement Paid Time Off account within the general fund. This assignment will provide for the funding of previously unfunded liabilities associated with compensated absences. The Retirement Paid Time Off account will be evaluated annually and monies assigned based on the unexpended budget associated with wages and benefits, the fiscal year end compensated absence liability and current balance of the account. Such assignments are not restricted by state statute and can be unassigned upon board approval. As of June 30, 2017, $994,470 was assigned for this purpose.

The District has adopted a policy whereby it will transfer any unassigned and unencumbered revenues to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. As of June 30, 2017, the District's governing board has assigned $6,963,821 of the capital projects fund's fund balance for future capital projects.

The District has adopted a policy whereby it will assign amounts for the accumulation of financial resources that are restricted, committed, or assigned to expenditures for the payment of long-term obligation debt principal, interest and related costs. As of June 30, 2017 the debt service fund balance of $1,879,675 was assigned for this purpose.

Net Position

In the government-wide financial statements, net position is the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

When both restricted and unrestricted resources are available for use, it is the policy of the District to use restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies – Continued

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the Unites States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

Prepaid Items

Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Using this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources."

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and expensed over the period consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All program service receivables are shown net of an allowance for uncollectible accounts. The amount of the estimated uncollectible program service receivables at June 30, 2017, was $161,198, which represents 39% of the current program service receivables balance.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Maricopa County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectible accounts on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

Note 1 – Summary of Significant Accounting Policies – Continued

Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the general fund in the government-wide financial statements. Purchased assets are recorded at cost, except those assets for which historical costs were not available and estimated costs were used. Donated capital assets are recorded at fair market value on the date received. The threshold for capital assets is equipment that has a useful life greater than a year and costs more than $5,000. The costs of normal repair and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 30 years
Equipment	3 to 10 years
Vehicles	10 years

No depreciation is taken on land or construction in progress.

Pensions

For purposes of measuring the net pension asset and 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 and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs are expensed when incurred.

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

Note 1 – Summary of Significant Accounting Policies – Continued

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Intergovernmental Grants and Aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate and roll over time with no maximum limit. Upon retirement, the policy regarding sick leave allows an employee to be paid for 50% of the employee's unused sick leave at the employee's current rate of pay. An employee is deemed eligible to retire by having been employed with the District for at least ten full years or by having been employed in the PSPRS system for at least ten full years and employed by the District for at least five full years. The vacation policy allows any unused vacation to be paid upon termination at 100% of the employee's current rate of pay. The liability for compensated absences is reported in the government-wide statements as a noncurrent liability.

Property Tax Calendar

The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year; under statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

Note 1 – Summary of Significant Accounting Policies - Continued

All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

Note 2 – Deposits and Investments

Deposits – Amounts classified as deposits on June 30, 2017, are described below:

	Bank Balance	Carrying Amount
General Fund		
Maricopa County Treasurer's Investment Pool	$ 2,279,174	$ 1,023,880
Deposits with financial institutions	696,379	696,392
Total General Fund deposits and investments	$ 2,975,553	$ 1,720,272
Capital Projects Fund		
Maricopa County Treasurer's Investment Pool	$ 1,322,129	$ 1,322,129
Maricopa County Treasurer's Investment Pool - Bond	5,641,692	5,641,692
Total Capital Projects Fund deposits and investments	$ 6,963,821	$ 6,963,821
Debt Service Fund		
Maricopa County Treasurer's Investment Pool	$ 1,879,675	$ 1,879,675

The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the Maricopa County Treasurer's Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the Maricopa County Treasurer's Investment Pool (MCTIP) is included in the Comprehensive Annual Financial Report of Maricopa County. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool.

Credit risk–Credit risk is the risk that an issuer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes. The MCTIP is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2017, the MCTIP had not received a credit quality rating from a national rating agency.

Note 2 – Deposits and Investments – Continued

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to the District. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to $250,000 for all interest-bearing accounts and another $250,000 for all demand deposit accounts in a given financial institution. Deposits in excess of insured amounts shall be collateralized by approved securities. The District participates in the Arizona State Treasurer's Pooled Collateral Program, and does not have any cash that is uninsured or uncollateralized.

Interest rate risk – Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Foreign currency risk – Arizona Revised Statutes do not allow foreign investments.

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

Note 3 – Ambulance Receivable

The District considers ambulance revenue as available if collected within sixty days after year-end. The ambulance receivable represents the calls invoiced by June 30, 2017. The receivable balance as of June 30, 2017 is $412,144. The allowance for doubtful accounts as of June 30, 2017 is $161,198. The portion of the receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

Note 4 – Property Taxes

Taxes are levied and collected by the Maricopa County Treasurer. Property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second installment is due in March of the following year.

Note 4 – Property Taxes - Continued

Taxes receivable represents the delinquent tax levied against the property taxes within the District. No reserve is made in the financial statements for doubtful accounts because in the event the taxes are not paid, a lien is placed on the property, which can be subsequently sold to collect the delinquent taxes. The taxes receivable at June 30, 2017 is $232,069, which represents property taxes outstanding. The portion of taxes receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

Note 5 – Due From Other Governments

Due from other governments consists mainly of receivables related to state land fires. The balance of this receivable as of June 30, 2017 is $78,636. Currently, there is no provision for an allowance for doubtful accounts as management considers all amounts collectible.

Note 6 – Capital Assets

The summary of changes in capital assets is as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Governmental Activities:				
Land	$ 480,066	$ -	$ -	$ 480,066
Construction in progress	15,000	4,127,274	-	4,142,274
Buildings	4,081,989	55,553	409,116	3,728,426
Equipment	7,477,610	607,199	-	8,084,809
Total capital assets	12,054,665	4,790,026	409,116	16,435,575
Accumulated depreciation				
Buildings	(1,651,900)	(132,096)	(409,116)	(1,374,880)
Equipment	(5,054,311)	(564,333)	-	(5,618,644)
Total accumulated depreciation	(6,706,211)	(696,429)	(409,116)	(6,993,524)
Capital assets, net	$ 5,348,454	$ 4,093,597	$ -	$ 9,442,051

One of the District's fire stations had an unstable building foundation. The District demolished the building in March 2017. The District constructed a new fire station on the site for approximately $3.6 million dollars with completion in November 2017. The District also constructed new administrative offices for approximately $2 million dollars with completion in November 2017. The District used general obligation bonds issued in May 2016 to pay for both the new fire station and administrative office building. Other major additions for the current fiscal year include acquisition of equipment on behalf of the Regional Wireless Cooperative (also in progress) and replacement of self-contained breathing apparatus.

Note 7 – Long-Term Debt

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/2017	Due in One Year
Governmental Activities:					
Capital leases	$ 864,392	$ -	$ 123,618	$ 740,774	$ 123,618
General obligation bonds	9,785,705	-	-	9,785,705	875,000
Net pension liability	2,346,327	7,746,307	-	10,092,634	-
Compensated absences	1,733,997	371,926	-	2,105,923	114,333
Total long-term debt	$14,730,421	$8,118,233	$ 123,618	$ 22,725,036	$ 1,112,951

The following is a summary of total debt service cash requirements to maturity of general obligation bonds:

Fiscal Year	Principal	Interest	Net Premium (Discount)	Total
2018	$ 875,000	$ 278,200	$ 11,673	$ 1,164,873
2019	725,000	258,575	30,791	1,014,366
2020	340,000	244,300	9,353	593,653
2021	350,000	237,400	10,504	597,904
2022	355,000	228,575	27,231	610,806
2023-2027	1,930,000	979,950	214,137	3,124,087
2028-2032	2,305,000	598,250	297,706	3,200,956
2033-2036	2,175,000	143,875	129,310	2,448,185
	$ 9,055,000	$ 2,969,125	$ 730,705	$ 12,754,830

Note 8 – Net Revenue

The District provides emergency medical and transportation services within the same geographic region as it provides fire prevention and suppression services. Charges for such emergency medical and transportation services are recognized as charges for services. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, and provisions for bad debt.

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these third-party payers not cover the entire amount of the services rendered, any remaining amounts are adjusted as uncompensated services with the remaining amounts necessary to support the program funded through tax revenues.

Note 9 – Operating Leases

The District has a cancelable computer aided dispatching service agreement with the City of Phoenix. The current agreement is effective for a period of one year ending June 30, 2018. Rents are paid on a quarterly basis for dispatch and technical services at a cost of $76,393. Total rent for the year ended June 30, 2017, was $305,572.

The District has an agreement for the use of a communications tower. The agreement is in effect until May 1, 2018. The term may extend for four renewal periods of five years each. Rents are paid on a monthly basis at a cost of $209 through April 1, 2017, after which it is $215. With each renewal period, the payment increases by 3%. Total rent for the year ended June 30, 2017, was $2,493.

The District has two agreements with a financial institution for the use of computers. The agreements are in effect until January 1, 2018 and October 1, 2019. Rents are paid on a monthly basis at a base cost of $916 and $307, respectively. The leases were paid off on May 31, 2017.

Note 10 – Capital Leases

The District acquired two fire engines by granting leasehold interests in the underlying assets to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under these agreements, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligation to the Bank is satisfied. Once the obligations to the Bank are satisfied, all rights, title, and interest in the engines are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreements.

The District's obligations are accounted for in the Statement of Net Assets. Assets under capital lease totaled $922,266 less accumulated depreciation of $160,396 at June 30, 2017.

The description of the capital leases are as follows:

Description	Interest Rate	Lease Term	Balance 6/30/2017
E-One Max Typhoon Fire Engine	2.63%	9/1/2022	$ 370,387
E-One Max Typhoon Fire Engine	2.63%	9/1/2022	$ 370,387

Note 10 – Capital Leases - Continued

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2017:

Year Ended June 30	
2018	$ 145,544
2019	145,544
2020	145,544
2021	145,544
2022	145,544
Thereafter	72,773
	800,493
Less: Amount Representing Interest	(59,719)
	$ 740,774

Note 11 – General Obligation Bonds

General Obligation(GO) bonds have been issued, after approval by voters at an authorized bond election to finance construction of new administrative offices, a new fire station, upgrade radio infrastructure, purchase three new fire engines, and pay costs incurred in connection with delivery of the bonds. At June 30, 2017 the District had $6,980,000 of unissued GO bonds, which were authorized in November 2015.

As of June 30, 2017 bonds payable consisted of the following:

2015 General Obligation Bonds (issued 5/18/16) due in annual installments of $587,100 to $1,196,225 through 7/1/2035; interest at 2% to 4%. Original issue amount $9,055,000 principal with a premium of $730,705.	$9,785,705

Note 11 – General Obligation Bonds - Continued

The following is a summary of debt service requirements to maturity for GO bonds at June 30, 2017:

Fiscal Year	Principal	Interest	Net Premium (Discount)	Total
2018	$ 875,000	$ 278,200	$ 11,673	$ 1,164,873
2019	725,000	258,575	30,791	1,014,366
2020	340,000	244,300	9,353	593,653
2021	350,000	237,400	10,504	597,904
2022	355,000	228,575	27,231	610,806
2023-2027	1,930,000	979,950	214,137	3,124,087
2028-2032	2,305,000	598,250	297,706	3,200,956
2033-2036	2,175,000	143,875	129,310	2,448,185
	$ 9,055,000	$ 2,969,125	$ 730,705	$ 12,754,830

Note 12 – Commitments

The District has a line of credit with a financial institution totaling $10,000,000. The District did not have a balance outstanding on this line of credit as of June 30, 2017.

Note 13 – Retirement Plans

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

At June 30, 2017 the District reported the following aggregate amounts related to pensions for which it contributes:

	PSPRS
Net pension liability	$ 10,092,634
Deferred outflows of resources	6,153,735
Deferred inflows of resources	748,553
Pension expense	4,804,503

Note 13 – Retirement Plans - Continued

Deferred Compensation Plan

The District has a deferred compensation plan for all personnel. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan. The District makes the following contributions: support staff receives 6% of their salary, management receives 10% of their salary and operations personnel receive a $50 match per pay period. District contributions for the year ended June 30, 2017 totaled $159,183.

Public Safety Personnel Retirement System

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 plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards to the provision of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona 85016 or by calling (602) 255-5575.

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:

The calculation of retirement benefits for employees who became a member on or before December 31, 2011 commence the first day of the month following termination of employment and are based upon the following:

1. 20 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service.
2. Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service. The pension is reduced by 4 percent per year for each year of credited service under 20 years.
3. 20 to 24.99 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2 percent of the average monthly benefit compensation for each year of credited service between 20 and 24.99.

Note 13 – Retirement Plans – Continued

Benefits Provided - Continued

4. 25 or more years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year of credited service above 20 years – up to a maximum of 80 percent of the average monthly benefit compensation.

The calculation of retirement benefits for employees who became a member on or after January 1, 2012 commence the first day of the month following termination of employment and are based upon the following:

1. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.
2. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service – up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

The phrase "average monthly benefit compensation," as it is used in the above discussion, is defined as the average of the highest 36 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or before December 31, 2011) or as the average of the highest 60 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or after January 1, 2012).

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, Or normal pension amount, whichever is Greater.
Catastrophic Disability Retirement:	90% of average monthly compensation For the first 60 months. Thereafter, the Benefit is the greater of 62.5% of Average monthly compensation or the Member's accrued normal pension.
Ordinary Disability Retirement:	A percentage of normal pension on Employee's credited service (maximum 20 years divided by 20).

Note 13 – Retirement Plans – Continued

Benefits Provided - Continued

Survivor benefits are paid on behalf of an active member in the amount of 80 percent of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the benefit is 100 percent of the member's average compensation. The benefit amount is allocated to the surviving spouse and, if applicable, eligible children. If there is no surviving spouse, and there is at least one eligible child, the guardian of the eligible child(ren) and the eligible child(ren) are the recipients of the benefit. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions. Benefits are paid on behalf of inactive, non-retired member to the member's named beneficiary in the amount of member's accumulated contributions. Death benefits are paid on behalf of a retired member in a manner similar to an active member. The surviving spouse (if married for at least two consecutive years at the time of the member's death) will receive 80 percent of the member's pension benefit for lifetime. The surviving children and guardian provisions are the same as those regarding active members, with the exception that the percentages received are based upon the pension amount as opposed to the amounts referenced above for active members. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions less the pension payments made to the member.

A retired member or survivor of a retired member may receive a Permanent Benefit Increase (PBI) from the System if monies are available. PBI eligibility and calculation is contingent upon the effective retirement date.

Members who retired on or before July 1, 2011, may be entitled to a PBI of up to 4 percent of the average normal PSPRS benefit being received on the preceding June 30. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and have begun receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if he or she began receiving benefits on or before July 31 of the two previous years regardless of age. The increases are paid out of a PBI reserve account that is funded by the plan's earnings in excess of nine percent.

Note 13 – Retirement Plans – Continued

Benefits Provided - Continued

Members who retired on or after August 1, 2011 are eligible for and receive PBIs as follows:

1. A retired member who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.

2. A retired member who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under 55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

The increase is contingent upon a total return of more than 10.5 percent for the prior fiscal year, and will be calculated as follows (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

Ratio of Actuarial Value of Assets to Liabilities	Maximum Increase
60-64%	2.00%
65-69%	2.50%
70-74%	3.00%
75-79%	3.50%
80% or more	4.00%

In May, 2016, Proposition 124 was passed by Arizona voters during a special election, essentially amending the state constitution to allow the legislature to replace the existing investment return based PBI for PSPRS retirees with a Cost of Living Adjustment (COLA) based on inflation and capped at 2 percent per year. The first payment shall be made on July 1, 2018 and every July 1 thereafter.

Note 13 – Retirement Plans – Continued

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
DROP	2
Active employees	83
Total	93

Contributions - State statues establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. The employee contribution rate for pensions was 11.65 percent of annual pay for all fire employees from July 1, 2016 through April 15, 2017. Beginning April 16, 2017, at the direction of PSPRS, the contribution rate was changed from 11.65 to 7.65 percent for employees hired on or before July 19, 2011, due to a mandate from the Arizona Supreme Court for the *Parker* lawsuit ruling. The Arizona Supreme Court determined that the 2011 legislative reforms that increased contribution rates for employees hired prior to that date were unconstitutional. The employee contribution rate for employees hired after July 19, 2011 remained at 11.65 percent. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2017, was 22.10% for the pension plan, and 0.40% for the health insurance premium benefit.

Pension Liability (asset) – at June 30, 2017, the District reported a net pension liability of $10,092,634. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions:

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earning to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Law 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.5 percent for PSPRS plan.

Note 13 – Retirement Plans – Continued

Pension Liability (asset) – Continued
The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

Annual Pension Cost (APC) - The District's annual and required contributions for the year ended June 30, 2017 were $997,389. The District's actuarial valuation is for the year ended June 30, 2015. Information related to this valuation follows.

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

Actuarial valuation date:	6/30/2016
Actuarial cost method:	Individual Entry Age Normal
Asset Valuation Method:	Fair Value of Assets
Payroll Growth:	4.00%
Inflation:	3.00%
Salary increases:	4.00% - 8.00%, including inflation
Investment rate of return:	7.50%, net of investment and administrative expenses
Mortality rates:	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

Note 13 – Retirement Plans – Continued

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
Total	100.00%	

Pension Discount Rates – The discount rate used to measure the total pension liability was 7.5 percent, which was a decrease of 0.35 percent from the discount rate used as for the prior year. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 13 – Retirement Plans – Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2016	$ 23,742,561	$ 21,396,234	$ 2,346,327
Changes for the current year:			
Service cost	1,403,668	-	1,403,668
Interest on the total pension liability	1,900,290	-	1,900,290
Changes of benefit terms	3,646,888	-	3,646,888
Differences between expected and actual experience in the measurement of the pension liability	1,512,320	-	1,512,320
Change of assumptions or other inputs	1,462,010	-	1,462,010
Contributions – Employer	-	997,389	(997,389)
Contributions – Employee	-	1,089,704	(1,089,704)
Net investment income	-	128,074	(128,074)
Benefit payments, including refunds of employee contributions	(473,756)	(473,756)	-
Pension Plan Administrative Expense		(18,829)	18,829
Other changes	-	(17,469)	17,469
Net changes	9,451,420	1,705,113	7,746,307
Balances at June 30, 2017	$ 33,193,981	$ 23,101,347	$ 10,092,634

Sensitivity of the District's net pension liability to changes in the discount rate – The following table presents the District's net pension liability calculated using the discount rates noted above, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.50%	**Current Discount Rate 7.50%**	**1% Increase 8.50%**
Net pension liability (asset)	$ 15,888,906	$ 10,092,634	$ 5,416,519

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

Note 13 – Retirement Plans – Continued

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2017, the District recognized pension expense for PSPRS of $4,804,503. At June 30, 2017, the District reported deferred inflows of resources related to pensions from the following sources:

PSPRS	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 2,017,629	$ 748,553
Changes of assumptions or other inputs	1,625,499	-
Net difference between projected and actual earnings on pension plan investments	1,431,280	-
District contributions subsequent to the measurement date	1,079,327	-
Total	$ 6,153,735	$ 748,553

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	$640,979
2019	640,977
2020	822,183
2021	654,533
2022	331,848
Thereafter	1,235,335
	$4,325,855

Note 13 – Retirement Plans – Continued

Agent plan OPEB actuarial assumptions – Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plan's funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the District and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods are assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining Amortization Period	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market; 80%/120% Market
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	3.50%-7.50%
Payroll growth	3.50%
Assumed future permanent benefit increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.

Note 13 – Retirement Plans – Continued

Trend Information – Information for the three most recent actuarial valuations follows:

Contributions Required		
Year Ended June 30	Annual Pension Cost	Percent Contributed
2017	$ 1,016,301 (est)	100%
2016	$ 902,698 (est)	100%
2015	$ 881,396 (est)	100%

Schedule of funding progress – Excluding Health Insurance Subsidy.

Valuation Ending June 30	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent of covered payroll ((b-a)/c)	AAL as a Percent of Covered Payroll (b)/(c)
2017	27,906,433	35,926,391	8,019,958	77.7%	7,009,252	114.4%	512.6%
2016	25,056,608	33,193,981	8,137,373	75.5%	7,242,871	112.4%	458.3%
2015	21,896,360	23,742,561	1,846,201	92.2%	6,612,440	27.9%	359.1%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

PSPRS	**Year ending June 30,**	**Annual OPEB Costs**	**Percentage Contributed**
Health Insurance	2017	$27,893	100%
	2016	29,783	100%
	2015	54,372	100%

Note 13 – Retirement Plans – Continued

Agent Plan OPEB Funding Status (Required Supplementary Information) – The health insurance premium benefit plan's funded status as of June 30, 2016 along with the actuarial assumptions used in those methods follow:

Valuation Ending June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
2017	$ 678,406	$ 678,057	$ (349)	100.1%	$7,009,252	0%
2016	608,085	733,020	124,935	83.0%	7,242,871	1.72%
2015	537,771	641,491	103,720	83.8%	6,612,440	1.57%

The actuarial methods and assumptions used are the same or all the PSPRS health insurance premium benefit plans (unless noted), and the most recent valuation date are as follows:

OPEB Funded Status	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	29 years for underfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% Market
Actuarial assumptions:	
Investment rate of return	7.4%
Projected salary increases	3.5%–7.5%
Wage growth	3.5%

Note 14 - Interfund Activity

Interfund transfers for the year ended June 30, 2017 consisted of a transfer from the capital projects fund to the general fund of $1,985,308 and a transfer from the capital projects fund to the debt service fund totaling $1,678,000. The transfer from the capital projects fund to the general fund is to fund planned capital projects and the transfer to the debt service fund was for payment of bond principal and interest.

Note 15 – Risk Management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District maintains commercial liability insurance to cover losses. Any settled claims resulting from these risks have not exceeded commercial insurance in any of the last three years. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Consequently, no provision has been made in the financial statements for possible losses of this nature.

Note 16 – Contingent Liabilities

During 2017, as a result of the Parker v. Public Safety Personnel Retirement System plan (PSPRS or the Plan) lawsuit, the courts found that recent increases in employee contribution rates for members hired prior to July 2011 were unconstitutional. Therefore, those members of the Plan are entitled to refunds of the excess employee contributions, plus interest. The District is required to provide the refunds to the employees, as IRS regulations prevent PSPRS from issuing the refunds from the Plan's trusts. The excess employee contributions and interest accrued during the year ended June 30, 2017 were $1,244,322. Interest is based on 5.25% per annum. The excess contribution amounts were refunded in July 2017 and the interest was refunded in December 2017. PSPRS will issue credit memos to the District that will allow them to reduce future required contributions to the Plans' trusts by the amount of excess employee contributions and prejudgment interest refunded to employees. Returning previously remitted employee contributions and retroactively increasing retiree benefits may have an adverse impact on the employer funded status and future employer contribution rates.

Note 17 – Prepaid Expenses

Prepaid expenses at June 30, 2017 consisted of the following:

Fire trucks paid for but not delivered until July 2017:	$993,113
Prepaid Workers' Compensation Insurance:	70,544
Other:	25,449
	$1,089,106

Note 18 – Beginning Balance Restated

Beginning net position is being restated due to the examination of the Intergovernmental Agreement governing the Regional Wireless Cooperative "RWC".

The District currently participates with nineteen other cities and districts in the Regional Wireless Cooperative agreement for the construction, operation and maintenance of a regional communications network. The District is a Maintenance Manager of the Network. As a Maintenance Manager, the District operates and maintains a portion of the network. The District has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The District's share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest for the District at June 30, 2016, was $110,945 per RWC's separately issued annual financial statements. This amount has been recognized as an Investment in Joint Venture as of June 30, 2016.

Prior year increase in Net Position is restated from $547,083 to $658,028.

Net position as previously reported at June 30, 2016	$ 6,564,773
Prior period adjustment Restatement due to errors	110,945
Net position as restated, July 1, 2016	$ 6,675,718

Note 19 – Subsequent Events

Management has evaluated subsequent events through January 16, 2018, the date of the financial statements were available to be issued noting the following:

One subsequent event was noted that is disclosed in Note 16 – Contingent Liabilities. Additional subsequent events are as follows.

Note 19 – Subsequent Events (Continued)

Subsequent event #1:

The District board of directors approved on September 25, 2017 the issuance and sale of not to exceed $6,980,000 aggregate principal amount of general obligation bonds. The Bond offering occurred in November 2017. Proceeds of the Bonds are expected to be used to: (i) remodel three fire stations, (ii) upgrade radio infrastructure, (iii) buy one new fire engine and (iv) pay costs incurred in connection with the delivery of the bonds. The bonds represent the second and final installment of an aggregate voted principal amount of $16,230,000 of general obligation bonds authorized at the election held on November 3, 2015. After the issuance of the Bonds, the District will have no remaining authorized but unissued bonds from the Election. Additional bonds payable from the same source as the Bonds may be issued in the future pursuant to additional authority approved at future elections for the District.

Subsequent event #2:

On May 22, 2017 and May 23, 2017, the district boards of the District and Black Canyon Fire District (BCFD) adopted resolutions approving the consolidation of BCFD into the District effective July 1, 2017. All assets and liabilities of both districts will belong to the newly merged District and taxes for all purposes, including general obligation bond debt service. As a result, property taxes will be levied against all of the taxable property in the new merged District for both the bonds and the $725,000 outstanding principal amount of bonds previously issued by BCFD. The newly added property represents approximately 3.5% of the District's assessed valuation. BCFD consisted of one fire station, four employees and approximately 200 square miles. The District acquired nine vehicles, which included engines, brush trucks, ambulances, a command vehicle, a water tanker and an antique unrestored fire engine. The District also assumed the net pension liability for the Public Safety Personnel Retirement System in the amount of $155,463.

In accordance with U.S. generally accepted accounting principles, the District will record the merger effective as of July 1, 2017 and will include all of BCFD's assets, liabilities, revenues and expenses/expenditures from that date forward.

Subsequent event #3:

Due to a reporting error, the fiscal year 2016/17 debt service on the District's bonds was not included in the levy of secondary ad valorem taxes for that year and was paid from other funds of the District. The tax levy for fiscal year 2017/18 includes the amount of debt service that would have been included in the fiscal year 2016/17 levy and the scheduled debt service for fiscal year 2017/18.

Daisy Mountain Fire District
Required Supplementary Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2017

	Amended and Final Budget	Actual Amounts	Variance with Final Budget-Favorable (Unfavorable)
Revenues			
Taxes:			
Property taxes	$ 12,051,171	$ 12,068,552	$ 17,381
Fire district assistance tax	400,000	406,810	6,810
Fire insurance premium tax	111,763	139,767	28,004
Charges for services	1,196,550	1,855,835	659,285
Capital grants	693,790	611,124	(82,666)
Interest	-	18,003	18,003
Other income	32,200	77,659	45,459
Total revenues	14,485,474	15,177,750	692,276
Expenditures			
Fire protection and emergency services			
Personnel	8,025,654	8,244,742	(219,088)
Employee benefits and expenses	3,384,098	3,009,493	374,605
Utilities and communication	665,798	510,186	155,612
Repairs and maintenance	325,950	487,751	(161,801)
Administration	465,525	435,578	29,947
Operating expenses	518,638	543,820	(25,182)
Contingency/carryforward	142,286	-	142,286
Capital outlay	4,451,026	4,790,026	(339,000)
Debt service:			
Principal payments	160,525	123,618	36,907
Interest payments	10,000	21,926	(11,926)
Total expenditures	18,149,500	18,167,140	(17,640)
Excess of revenues over expenditures	(3,664,026)	(2,989,390)	674,636
Transfers in	3,664,026	1,985,308	(1,678,718)
Changes in fund balance	-	(1,004,082)	(1,004,082)
Fund balance, beginning of year	-	3,362,391	3,362,391
Fund balance, end of yeaı	$ -	$ 2,358,309	$ 2,358,309

See accompanying notes to the budgetary comparison schedule.

Daisy Mountain Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2017

Note 1 – Budgetary Requirements and Basis of Accounting

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

Note 2– Expenditures in Excess of Appropriations

For the year ended June 30, 2017, expenditures and transfers that exceeded final budget amounts were as follows:

Category	Excess
Personnel	$219,088
Repairs and Maintenance	161,801
Operating Expenses	25,182
Capital Outlay	339,000
Interest Payments	11,926
Transfers in	1,678,718

The transfer from the capital projects fund was allocated between the general fund ($1,985,308) and the debt service fund ($1,678,000) to follow the movement of funds between bank accounts. The excesses in expenditures were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both. If the transfer to the debt service fund could have been recorded in the general fund, the total budget variance would have been positive by $595,282 during the year.

Daisy Mountain Fire District
Required Supplementary Information
Schedule of Changes in the District's
Net Pension Liability and Related Ratios
Year Ended June 30, 2017

	Fiscal Year			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2006**
Total pension liability				
Service cost	$ 1,403,668	$ 1,271,270	$ 1,289,372	Information not available
Interest on total pension liablity	1,900,290	1,627,227	1,473,556	
Changes of benefit terms	3,646,888	-	(54,793)	
Difference between expected and actual experience in the measurement of the pension liability	1,512,320	824,429	(1,044,263)	
Changes of assumptions or other inputs	1,462,010	-	439,020	
Benefit payments, including refunds of employee contributions	(473,756)	(147,467)	(125,047)	
Net change in pension liability	$ 9,451,420	$ 3,575,459	$ 1,977,845	
Total pension liability - beginning	23,742,561	20,167,102	18,189,257	
Total pension liability - ending (a)	$ 33,193,981	$ 23,742,561	$ 20,167,102	
Plan fiduciary net position				
Contributions - employer	$ 997,389	$ 877,149	$ 865,118	
Contributions - employee	1,089,704	763,225	739,872	
Net investment income	128,074	726,689	2,198,085	
Benefit payments, including refunds of employee contributions	(473,756)	(147,467)	(125,047)	
Pension plan administrative expense	(18,829)	(18,120)		
Other changes	(17,469)	(6,434)	(30,118)	
Net change in plan fiduciary net position	1,705,113	2,195,042	3,647,910	
Plan fiduciary net position - beginning	21,396,234	19,201,192	15,553,282	
Plan fiduciary net position - ending (b)	$ 23,101,347	$ 21,396,234	$ 19,201,192	
District's net pension liability - ending (a) - (b)	$ 10,092,634	$ 2,346,327	$ 965,910	
Plan fiduciary net position as a percentage of the total pension liability	70%	90%	95%	
Covered-employee payroll	$ 7,242,871	$ 6,612,440	$ 6,556,127	
District's net pension liability as a percentage of covered-employee payroll	139%	35%	15%	

See accompanying notes to the Pension Schedules

Daisy Mountain Fire District
Required Supplementary Information
Schedule of District Pension Contributions
Year Ended June 30, 2017

PSPRS	**2017 Measurement Date (2016)**	**2016 Measurement Date (2015)**	**2015 Measurement Date (2014)**	**2006 through 2014**
Actuarially determined contribution	$ 997,389	$ 877,149	$ 865,118	Information not available
District's contributions in relation to the actuarially determined contribution	997,389	877,149	865,118	
District's contribution deficiency (excess)	$ -	$ -	$ -	
District's covered-employee payrol	$ 7,242,874	$ 6,612,440	$ 6,556,127	
District's contributions as a percentage of covered-employee payrol	13.77%	13.27%	13.20%	

See accompanying notes to the Pension Schedules

Daisy Mountain Fire District
Required Supplementary Information
Notes to Pension Plan Schedules
Year Ended June 30, 2017

Note 1 – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Price Inflation:	3.0%; No explicit price inflation assumption is used in this valuation.
Projected salary increases	4%–8%
Wage growth	4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)
Assumed future permanent benefit Increases:	Members retired on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

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

To the District Board
Daisy Mountain 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, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Daisy Mountain Fire District's basic financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Daisy Mountain 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Daisy Mountain Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daisy Mountain 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.*

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Daisy Mountain Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02 subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This is supplemental reporting for state compliance purposes only.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heidenreich & Heidenreich CPAs PLLC

Heidenreich & Heidenreich, CPAs, PLLC
Phoenix, AZ
January 16, 2018