

CORONA DE TUCSON FIRE DISTRICT

YEAR ENDED JUNE 30, 2018

CORONA DE TUCSON FIRE DISTRICT

YEAR ENDED JUNE 30, 2018

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Independent Auditors' Report

Governing Board and Management
Corona de Tucson Fire District
Vail, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Corona de Tucson Fire District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Corona de Tucson Fire District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by *GASB Statement No. 85, Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of Corona de Tucson 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 Corona de Tucson Fire District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

The Management of the Corona De Tucson Fire District (District) presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. The total assets and deferred outflows of the Corona De Tucson Fire District were \$3,343,544 at the close of the fiscal year. The total liabilities and deferred inflows exceeded assets and deferred outflows by \$316,709. Of this amount \$(1,086,369) represents the balance of the unrestricted net position. This negative net position balance is directly attributed to the \$1,379,878 unfunded pension/OPEB liability and not reflective of the District's operational financial position.
2. The District realized a \$170,165 increase in fund balances during the fiscal year. The increase consists of excess revenues over expenditures of \$4,503, before capital expenditures of \$175,332, and net other financing sources of \$350,000.
3. The District realized a decrease in its net position under Governmental Activities of \$99,101, however due to the implementation of GASB 75, beginning net position was restated reducing the decrease to \$79,711.
4. At the end of the current fiscal year, unassigned fund balances for the General Fund was \$462,011, this represents an increase of \$157,057 over the prior year. The District Board and Administration are working diligently to enhance the financial position of the organization while still providing a high level of service to the community it serves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements.

The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). They are intended to provide a broad overview in a manner similar to a private sector business. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

Statement of Net Position - The *Statement of Net Position (page 11)* presents information of all District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities - The *Statement of Activities (page 12)* presents information showing how the net position of the District 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).

Fund Financial Statements.

The Fund Financial Statements provide detailed information about the most significant funds not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District. 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 near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Corona De Tucson Fire District, liabilities and deferred inflows exceeded assets and deferred outflows by \$316,709 at the close of the 2018 fiscal year.

The net investment in capital assets, \$769,660, reflects the District's investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in 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 unrestricted net position, \$(1,086,369), reflects its cash and current accounts receivable less any current liabilities (e.g. accounts payable, accrued payroll, and compensated absences) and long term liabilities not associated with capital assets. The District uses the cash balances to pay current and ongoing financial obligations in order to provide services to residents.

At the end of fiscal year 2018, the District has a negative balance in unrestricted net position. In fiscal year 2015, the District adopted Governmental Accounting Standards Board statement No. 68, Accounting and Financial Reporting for Pensions, which requires the District to report a net liability for pensions of \$1,379,878. In fiscal year 2018, the District adopted Governmental Accounting Standards Board statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires the District to report a net asset for OPEB of \$33,378. The District pays for pensions and OPEB on a pay-as-you go basis with current financial resources each year. However, the net liabilities required to be reported are actuarially determined amounts for resources that are required sometime in the future.

The following table reflects the condensed Statement of Net Position:

Corona De Tucson Fire District
Condensed Statement of Net Position
 As of June 30, 2018

	2018	2017	(Decrease)
Cash and Investments	\$ 595,591	\$ 344,498	\$ 251,093
Other Assets	77,949	78,233	(284)
Capital Assets	2,014,880	1,929,042	85,838
Total Assets	2,688,420	2,351,773	336,647
Deferred Outflows	655,124	823,693	(168,569)
Other Liabilities	143,371	88,636	54,735
Long Term Liabilities	3,116,779	3,206,445	(89,666)
Total Liabilities	3,260,150	3,295,081	(34,931)
Deferred Inflows	400,103	117,383	282,720
Net Investment in Capital Assets	769,660	567,251	202,409
Unrestricted	(1,086,369)	(804,249)	(282,120)
Total Net Position	\$ (316,709)	\$ (236,998)	\$ (79,711)

Governmental Activities.

The Net Position of the District from governmental activities decreased from \$(236,998) to \$(316,709) a change of 33.63%. The following table reflects the Condensed Statement of Activities:

Corona De Tucson Fire District
Condensed Statement of Activities
For the Year Ended June 30, 2018

	2018		2017		(Decrease)
Program Revenues					
Charge for Services	\$ 263,261	\$	240,424	\$	22,837
Capital Grants and Contributions	103,018		105,416		(2,398)
General Revenues					
Property Taxes	1,620,656		1,551,777		68,879
Fire District Assistance Tax	319,814		306,671		13,143
Other	8,904		6,572		2,332
Miscellaneous	-		-		-
Total Revenues	<u>2,315,653</u>		<u>2,210,860</u>		<u>104,793</u>
Public Safety	2,370,697		2,327,202		43,495
Interest on Long Term Debt	44,057		102,117		(58,060)
Total Expenses	<u>2,414,754</u>		<u>2,429,319</u>		<u>(14,565)</u>
Increase (Decrease) in Net Position before Extraordinary Item	(99,101)		(218,459)		119,358
Extraordinary Item	-		149,650		(149,650)
Beginning Net Position	(217,608)		131,111		(348,719)
Ending Net Position	<u>\$ (316,709)</u>	\$	<u>(236,998)</u>	\$	<u>(79,711)</u>

DISTRICT FUNDS FINANCIAL ANALYSIS

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

As of June 30, 2018, the governmental funds of the District reported combined fund balances of \$480,575, which is an increase of \$170,165 compared to the prior period.

General Fund. The General Fund accounts for all the resources retained by the District not accounted for in any other fund.

The following statement provides the detail of the District fund balances:

Corona De Tucson Fire District
Governmental Funds – Fund Balances
 As of June 30, 2018

Major Funds	Fiscal Year June 30, 2018		Fiscal Year June 30, 2017	
	Amount	%	Amount	%
General	\$ 480,575	100.00%	\$ 310,410	100.00%
Total Fund Balance	\$ 480,575	100.00%	\$ 310,410	100.00%

BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

- Revenues were over budget by \$164,294, due largely to an increase in deployments on wildland fires outside of the District’s boundaries.
- Expenditures were over budget by \$345,630 mainly due to capital expenditures. This also contributed to the variance with the budgeted other financing sources.

Corona De Tucson Fire District
Condensed Budget to Actual
 As of June 30, 2018

	General Fund		Variance with budget
	Budget	Actual	
Total Revenues	\$ 2,150,670	\$ 2,314,964	\$ 164,294
Total Expenditures	2,149,169	2,494,799	345,630
Revenue over (under) expenditures	1,501	(179,835)	(181,336)
Total Other Financing Sources	-	350,000	350,000
Net Change in Fund Balance	\$ 1,501	\$ 170,165	\$ 168,664

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets.

As of June 30, 2018, the investment in capital assets for governmental activities amounts to \$2,014,880 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. The total increase in capital assets for the current fiscal year was \$85,838 or 4.45%.

Corona De Tucson Fire District
Capital Assets as of June 30, 2018
 (net of depreciation)

	Governmental Activities		Increase/ (Decrease)
	2018	2017	
Land and Buildings	\$ 2,385,879	\$ 2,385,879	\$ -
Equipment	254,567	126,869	127,698
Vehicles	723,503	675,869	47,634
Accumulated Depreciation	(1,349,069)	(1,259,575)	(89,494)
Net Capital Assets	\$ 2,014,880	\$ 1,929,042	\$ 85,838

Long Term Liabilities.

At the end of the current fiscal year, the District had \$3,116,779 million in long-term liabilities outstanding, a net decrease of \$89,666, or 2.80% from the prior year. The decrease is attributed to the decrease in net pension liability and claims and judgment payable related to the pension plan.

The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2018, the District had total long-term debt (capital leases) outstanding of \$1,595,219. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$240,000. All debt is backed by the full faith and credit of the District.

In accordance with GASB 68 and 75, the District is required to include the net pension/OPEB liability on the financial statements. The net pension/OPEB liability is measured as the total pension/OPEB liability, less the pension/OPEB plan's fiduciary net position. A net pension/OPEB liability is recorded at June 30, 2018 relating to the District's participation in the Public Safety Personnel Retirement System (PSPRS) of \$1,379,878.

The following table shows the District's Outstanding Debt:

Corona De Tucson Fire District
Outstanding Debt
As of June 30, 2018

	Governmental Activities		Increase/ (Decrease)
	2018	2017	
Compensated Absences	\$ 141,682	\$ 97,706	\$ 43,976
Capital Lease Obligation	1,595,219	1,361,791	233,428
Claims and Judgment Payable	-	149,650	(149,650)
Net Pension/OPEB Liability	1,379,878	1,597,298	(217,420)
Net Noncurrent Liabilities	\$ 3,116,779	\$ 3,206,445	\$ (89,666)

Additional information can be found in the notes to the Financial Statements that follow.

ECONOMIC FACTORS AND FY2019 BUDGET/TAX RATE

The District has continued to maintain the operational needs through vigilant management of expenses and exploration of non-tax revenue. Major sources of non-tax revenue are wildland revenue and out of district fire subscriptions. These non-tax revenues have helped to offset rising pension costs as well as allow the District to continue to build unrestricted reserve fund balances to meet its future financial needs and ensure the long term financial stability of the organization. The District also saw an increase in assessed valuation of 7.53%, as a result, the District has maintained its tax rate to \$3.0500 for fiscal year 2019.

FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Fire Chief of the District at 99 E Tallahassee Dr, Vail, AZ 85641 or at 520-762-5007.

Basic Financial Statements

CORONA DE TUCSON FIRE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 595,591
Receivables:	
Property taxes	25,618
Other	389
Prepaid items	18,564
Capital assets, not depreciated	351,477
Capital assets, depreciated, net	1,663,403
Net OPEB asset	<u>33,378</u>
Total assets	<u>2,688,420</u>
Deferred outflows of resources:	
Deferred outflows related to pensions/OPEB	<u>655,124</u>
Total deferred outflows of resources	<u>655,124</u>
Liabilities:	
Accounts payable	33,192
Accrued payroll and related benefits	62,024
Accrued interest	18,509
Unearned revenue	29,646
Noncurrent liabilities:	
Due within one year	284,503
Due in more than one year	<u>2,832,276</u>
Total liabilities	<u>3,260,150</u>
Deferred inflows of resources:	
Deferred inflows related to pensions/OPEB	<u>400,103</u>
Total deferred inflows of resources	<u>400,103</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	769,660
Unrestricted	<u>(1,086,369)</u>
Total net position	<u>\$ (316,709)</u>

See notes to financial statements.

CORONA DE TUCSON FIRE DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 67,057
Depreciation	89,494
Insurance	25,777
Managerial	166,452
Payroll taxes and employee benefits	543,958
Salaries and wages	1,278,045
Utilities and station expenses	46,125
Vehicles and equipment	153,789
Interest	<u>44,057</u>
Total program expenses	<u>2,414,754</u>
Program revenues:	
Charges for services	263,261
Capital grants and contributions	<u>103,018</u>
Total program revenues	<u>366,279</u>
Net program expense	<u>2,048,475</u>
General revenues:	
Property taxes	1,620,656
Fire district assistance tax	319,814
Other	<u>8,904</u>
Total general revenues	<u>1,949,374</u>
Change in net position	(99,101)
Net position, beginning of year	<u>(217,608)</u>
Net position, end of year	<u><u>\$ (316,709)</u></u>

CORONA DE TUCSON FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General fund</u>
Assets:	
Cash and investments	\$ 595,591
Receivables:	
Property taxes	25,618
Other	389
Prepaid items	<u>18,564</u>
Total assets	<u><u>\$ 640,162</u></u>
Liabilities:	
Accounts payable	\$ 33,192
Accrued payroll and related benefits	62,024
Accrued interest	18,509
Unearned revenue	<u>29,646</u>
Total liabilities	<u>143,371</u>
Deferred inflows of resources:	
Unavailable revenue - property taxes	<u>16,216</u>
Total deferred inflows of resources	<u>16,216</u>
Commitments and contingencies	
Fund balances:	
Nonspendable:	
Prepaid items	18,564
Unassigned	<u>462,011</u>
Total fund balances	<u>480,575</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 640,162</u></u>

CORONA DE TUCSON FIRE DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total fund balances - governmental funds	\$	480,575
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,014,880
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		16,216
Net OPEB assets held in trust for future benefits are not available for District operations and, therefore, are not reported in the funds.		33,378
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(141,682)
Capital leases payable		(1,595,219)
Net pension/OPEB liability		(1,379,878)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions/OPEB		655,124
Deferred inflows of resources related to pensions/OPEB		<u>(400,103)</u>
Net position of governmental activities	\$	<u>(316,709)</u>

CORONA DE TUCSON FIRE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	<u>General fund</u>
Revenues:	
Property taxes	\$ 1,619,967
Fire district assistance tax	319,814
Capital grants and contributions	103,018
Charges for services	263,261
Other	<u>8,904</u>
Total revenues	<u>2,314,964</u>
Expenditures:	
Public safety:	
Emergency operations	1,848,647
Administration	309,255
Capital outlay:	
Computer equipment	5,062
Fire equipment	122,636
Vehicles	47,634
Debt service:	
Principal	117,508
Interest	<u>44,057</u>
Total expenditures	<u>2,494,799</u>
Revenues under expenditures	<u>(179,835)</u>
Other financing sources:	
Proceeds from capital leases	<u>350,000</u>
Total other financing sources	<u>350,000</u>
Net change in fund balances	170,165
Fund balances, beginning of year	<u>310,410</u>
Fund balances, end of year	<u><u>\$ 480,575</u></u>

CORONA DE TUCSON FIRE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

Net change in fund balances - governmental funds	\$	170,165
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay		175,332
Depreciation expense		(89,494)
Certain revenues relating to property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		689
District pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
Pension/OPEB contributions		114,614
Pension/OPEB expense		(343,589)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Increase in compensated absences		(43,976)
Decrease in claims and judgment expense		149,650
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amount consists of:		
Proceeds from capital leases		(350,000)
Principal paid		<u>117,508</u>
Change in net position of governmental activities	\$	<u>(99,101)</u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies:

The accounting policies of Corona de Tucson Fire District (the District) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

Reporting entity:

The District, established in 1975 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries. The District derives the majority of its cash receipts from property tax levies.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial 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.

The government-wide financial 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.

Program revenues include:

- charges to customers for services provided
- grants and contributions

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Government-wide and fund financial statements (continued):

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

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.

Measurement focus, basis of accounting and financial statement presentation:

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 for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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 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.

Real and personal property taxes are levied 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 assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Pima County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Leases and investment earnings 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 measurable and available only when cash is received by the government.

CORONA DE TUCSON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources except those required to be accounted for in another fund.

Estimates:

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments. Investments are stated at fair value. Investment earnings are comprised primarily of interest earnings only.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Accounts and property taxes receivables, which have been remitted within 60 days subsequent to year-end, are considered measurable and available and recognized as revenues in the fund financial statements. All other receivables are offset by unavailable revenues and, accordingly, have not been recorded as revenue.

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to year-end are recorded as deferred inflows of resources in the fund financial statements.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Prepaid items:

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded as the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital assets:

Capital assets, which include buildings and improvements, computer equipment, fire equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	10 to 39 years
Computer equipment	5 years
Fire equipment	5 to 10 years
Vehicles	5 to 10 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements. The General Fund has typically been used to liquidate the liability for compensated absences in prior years.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Deferred outflows and inflows of resources:

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

Postemployment benefits:

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board.
- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Fund balance (continued):

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budgetary information:

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. All annual appropriations lapse at fiscal year-end.

2. Cash and investments:

Cash and investments consist of the following:

Deposits:

Operating accounts	\$ 86,019
Amounts held in escrow, restricted for capital outlay	<u>350,317</u>
	436,336

Investments:

Pima County Treasurer investment pool	<u>159,255</u>
	<u><u>\$ 595,591</u></u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2. Cash and investments (continued):

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At year end, deposits with financial institutions have a carrying value of \$436,336 and a bank balance of \$437,436. The difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2018.

Investments:

Currently, monies levied by the District are invested with the Pima County Treasurer's Office and included in the Local Government Investment Pool (LGIP). The District's investment in the County's LGIP represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. The investments are unrated. Disbursements are made by warrants to the District's operating account.

The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk for investments. However, the Arizona Revised Statutes have the following requirements:

Credit risk -

- Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
- Specified bonds, debentures and notes must be rated A or better by at least two nationally recognized rating agencies at the time of purchase.
- Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - the District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2. Cash and investments (continued):

Investments (continued):

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

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days. The weighted average maturity of the County Treasurer's investment varies by type of investment, and averages between 1 and 2 years.

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

3. Fair value:

The District measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

At June 30, 2018, the fair value of investments measured on a recurring basis is as follows:

	<u>Fair value</u>	<u>Other investments at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Pima County Treasurer	<u>\$ 159,255</u>	<u>\$ 159,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

3. Fair value (continued):

The fair value of a participant's portion in the Pima County Treasurer's investment pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. The investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. There are no unfunded commitments or redemption restrictions related to these investments.

The Pima County Treasurer's investment pool invests primarily in the State Treasurer's Local Government Investment Pools, corporate bonds, US Treasury notes, and agency bonds.

4. Capital assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 351,477	\$ -	\$ -	\$ 351,477
Total capital assets, not depreciated	<u>351,477</u>	<u>-</u>	<u>-</u>	<u>351,477</u>
Capital assets, depreciated:				
Buildings and improvements	2,034,402	-	-	2,034,402
Computer equipment	5,946	5,062	-	11,008
Fire equipment	120,923	122,636	-	243,559
Vehicles	<u>675,869</u>	<u>47,634</u>	<u>-</u>	<u>723,503</u>
Total capital assets, depreciated	<u>2,837,140</u>	<u>175,332</u>	<u>-</u>	<u>3,012,472</u>
Less accumulated depreciation for:				
Buildings and improvements	(587,533)	(55,339)	-	(642,872)
Computer equipment	(1,140)	(1,780)	-	(2,920)
Fire equipment	(7,542)	(24,239)	-	(31,781)
Vehicles	<u>(663,360)</u>	<u>(8,136)</u>	<u>-</u>	<u>(671,496)</u>
Total accumulated depreciation	<u>(1,259,575)</u>	<u>(89,494)</u>	<u>-</u>	<u>(1,349,069)</u>
Total capital assets, depreciated, net	<u>1,577,565</u>	<u>85,838</u>	<u>-</u>	<u>1,663,403</u>
Total capital assets, net	<u>\$ 1,929,042</u>	<u>\$ 85,838</u>	<u>\$ -</u>	<u>\$ 2,014,880</u>

CORONA DE TUCSON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

5. Capital leases:

The District has acquired various vehicles under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases as of June 30, 2018 are as follows:

Buildings and improvements	\$ 2,200,000
Less accumulated depreciation	<u>620,513</u>
	<u>\$ 1,579,487</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

	Year ending		
	<u>June 30,</u>		
	2019		\$ 237,147
	2020		237,147
	2021		237,147
	2022		237,147
	2023		237,147
	2024 - 2028		<u>641,145</u>
	Total minimum lease payments		1,826,880
	Less amount representing interest		<u>231,661</u>
	Net present value of minimum lease payments		1,595,219
	Less current portion		<u>186,971</u>
			<u>\$ 1,408,248</u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

6. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2018 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 97,706	\$ 140,018	\$ (96,042)	\$ 141,682	\$ 97,532
Obligations under capital leases	1,361,791	350,000	(116,572)	1,595,219	186,971
Claims and judgment payable	149,650	-	(149,650)	-	-
Net pension liability	<u>1,597,298</u>	<u>-</u>	<u>(217,420)</u>	<u>1,379,878</u>	<u>-</u>
	<u>\$ 3,206,445</u>	<u>\$ 490,018</u>	<u>\$ (579,684)</u>	<u>\$ 3,116,779</u>	<u>\$ 284,503</u>

The General Fund has typically been used to liquidate the liability for pensions and OPEB in prior years.

7. Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Commitments and contingencies:

Intergovernmental agreements:

The District is party to a variety of intergovernmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

8. Commitments and contingencies (continued):

Legal proceedings:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

9. Public Safety Personnel Retirement System (PSPRS):

The District contributes to the Public Safety Personnel Retirement System (PSPRS). This plan is a component unit of the State of Arizona.

At June 30, 2018, the District reported on the Statement Net Position and Statement of Activities the following aggregate amounts related to PSPRS:

	<u>Governmental Activities</u>
Net OPEB asset	\$ 33,378
Net pension liability	1,379,878
Deferred outflows of resources related to pensions and OPEB	655,124
Deferred inflows of resources related to pensions and OPEB	400,103
Pension and OPEB expense	343,589

The District's accrued payroll and related benefits includes \$13,694 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018.

The District reported \$114,614 of pension and OPEB contributions as expenditures in the governmental funds related to all plans in which it contributes.

Plan descriptions - District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

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

	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent:		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active member	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

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

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

	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	<u>19</u>	<u>19</u>
	<u>22</u>	<u>21</u>

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

For the year ended June 30, 2018, active PSPRS members with an initial membership date on or before July 19, 2011 (Tier 1 employees) were required to contribute 7.65%, members with an initial membership date after July 19, 2011 and before July 1, 2017 (Tier 2 employees) were required to contribute 11.65%, and members with an initial membership date after July 1, 2017 (Tier 3 employees) were required to contribute 9.94%. The District was required to contribute 26.64% for pension and 0.17% for health for Tier 1 and 2 employees, and the District was required to contribute 20.05% for pension and 0.26% for the health for Tier 3 employees. Rates are a percentage of active members' annual covered payroll.

In addition, the District is required to contribute at the actuarially determined rate of 10.37% of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the PSPRS would typically fill.

The District's contributions to the pension plan for the year ended June 30, 2018 were \$113,887, and contributions to the OPEB plan were \$727. During fiscal year 2018, the District paid for the pension and OPEB contributions from the General Fund.

CORONA DE TUCSON FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

Liability - At June 30, 2018, the District reported net pension liability of \$1,379,878 and a net OPEB asset of \$33,378. The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the District's net pension liabilities as a result of the refunds is not known.

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

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

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

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

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. equity	16 %	7.60 %
Non-U.S. equity	14 %	8.70 %
Credit opportunities	16 %	5.83 %
Private credit	12 %	6.75 %
Real estate	10 %	3.75 %
GTAA	10 %	3.96 %
Real assets	9 %	4.52 %
Fixed income	5 %	1.25 %
Absolute return	2 %	3.75 %
Risk parity	4 %	5.00 %
Short-term investments	2 %	0.25 %
	<u>100 %</u>	

Discount rate - At June 30, 2017, the discount rate used to measure the total pension/OPEB liability was 7.40%, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability -

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2017	\$ 3,760,807	\$ 2,163,509	\$ 1,597,298
Changes for the year:			
Service cost	267,525	-	267,525
Interest on the total pension liability	288,216	-	288,216
Changes of benefit terms	47,003	-	47,003
Differences between expected and actual experience in the measurement of the pension liability	(319,749)	-	(319,749)
Changes of assumptions or other inputs	93,111	-	93,111
Contributions - employer	-	213,082	(213,082)
Contributions - employee	-	116,727	(116,727)
Net investment income	-	266,448	(266,448)
Benefit payments, including refunds of employee contributions	(103,387)	(103,387)	-
Administrative expense	-	(2,758)	2,758
Other changes	-	27	(27)
Net changes	<u>272,719</u>	<u>490,139</u>	<u>(217,420)</u>
Balances at June 30, 2018	<u>\$ 4,033,526</u>	<u>\$ 2,653,648</u>	<u>\$ 1,379,878</u>

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net OPEB liability (asset) -

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2017	\$ 73,076	\$ 98,256	\$ (25,180)
Changes for the year:			
Service cost	4,362	-	4,362
Interest on the total OPEB liability	5,644	-	5,644
Changes of benefit terms	217	-	217
Differences between expected and actual experience in the measurement of the OPEB liability	2,800	-	2,800
Changes of assumptions or other inputs	(6,283)	-	(6,283)
Contributions - employer	-	3,304	(3,304)
Contributions - employee	-	11,738	(11,738)
Administrative expense	-	(104)	104
Net changes	<u>6,740</u>	<u>14,938</u>	<u>(8,198)</u>
Balances at June 30, 2018	<u>\$ 79,816</u>	<u>\$ 113,194</u>	<u>\$ (33,378)</u>

Sensitivity of the District's net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the District's net pension/OPEB (assets) liability calculated using the discount rate noted above, as well as what the District's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% decrease (6.40%)	Current discount rate (7.40%)	1% increase (8.40%)
	<u> </u>	<u> </u>	<u> </u>
District's net pension liability	\$ 2,103,032	\$ 1,379,878	\$ 806,737
District's net OPEB asset	\$ (17,752)	\$ (33,378)	\$ (45,770)

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

CORONA DE TUCSON FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Public Safety Personnel Retirement System (PSPRS) (continued):

Expense - For the year ended June 30, 2018, the District recognized pension expense for PSPRS of \$341,908, and OPEB expense of \$1,681.

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

	Pension		Health	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 179,262	\$ 394,373	\$ 2,554	\$ -
Changes in assumptions	325,572	-	-	5,730
Net difference between projected and actual earnings on plan investments	36,521	-	(3,399)	-
Contributions subsequent to the measurement date	113,887	-	727	-
	<u>\$ 655,242</u>	<u>\$ 394,373</u>	<u>\$ (118)</u>	<u>\$ 5,730</u>

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

Year ending <u>June 30,</u>	Pension	Health
2019	\$ 27,085	\$ (1,157)
2020	46,090	(1,157)
2021	28,340	(1,157)
2022	(3,882)	(1,156)
2023	15,278	(307)
Thereafter	34,071	(1,641)
	<u>\$ 146,982</u>	<u>\$ (6,575)</u>

Required Supplementary Information

CORONA DE TUCSON FIRE DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2018

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,622,927	\$ 1,622,927	\$ 1,619,967	\$ (2,960)
Fire district assistance tax	313,943	313,943	319,814	5,871
Grants and contributions	-	-	103,018	103,018
Charges for services	210,800	210,800	263,261	52,461
Other	<u>3,000</u>	<u>3,000</u>	<u>8,904</u>	<u>5,904</u>
Total revenues	<u>2,150,670</u>	<u>2,150,670</u>	<u>2,314,964</u>	<u>164,294</u>
Expenditures:				
Public safety:				
Emergency operations	1,722,630	1,722,630	1,848,647	126,017
Administration	309,031	309,031	309,255	224
Capital outlay	-	-	175,332	175,332
Debt service	<u>117,508</u>	<u>117,508</u>	<u>161,565</u>	<u>44,057</u>
Total expenditures	<u>2,149,169</u>	<u>2,149,169</u>	<u>2,494,799</u>	<u>345,630</u>
Revenues over (under) expenditures	1,501	1,501	(179,835)	(181,336)
Other financing uses:				
Proceeds from capital leases	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Net change in fund balance	1,501	1,501	170,165	168,664
Fund balance, beginning of year	<u>310,410</u>	<u>310,410</u>	<u>310,410</u>	<u>-</u>
Fund balance, end of year	<u>\$ 311,911</u>	<u>\$ 311,911</u>	<u>\$ 480,575</u>	<u>\$ 168,664</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2018

(schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
Total pension liability										
Service cost	\$ 267,525	\$ 199,760	\$ 193,979	\$ 199,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	288,216	246,421	217,247	190,830	-	-	-	-	-	-
Benefit changes	47,003	304,684	-	20,033	-	-	-	-	-	-
Difference between expected and actual experience	(319,749)	16,586	224,341	(156,260)	-	-	-	-	-	-
Assumption changes	93,111	169,240	-	154,045	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(103,387)	(430,241)	(103,387)	(34,572)	-	-	-	-	-	-
Net change in total pension liability	272,719	506,450	532,180	373,792	-	-	-	-	-	-
Total pension liability, beginning	3,760,807	3,254,357	2,722,177	2,348,385	-	-	-	-	-	-
Total pension liability, ending (a)	\$ 4,033,526	\$ 3,760,807	\$ 3,254,357	\$ 2,722,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 213,082	\$ 187,621	\$ 154,022	\$ 154,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	116,727	126,500	110,882	100,646	-	-	-	-	-	-
Pension plan net investment income	266,448	12,400	77,150	230,520	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(103,387)	(430,241)	(103,387)	(34,572)	-	-	-	-	-	-
Administrative expense	(2,758)	(2,184)	(2,267)	-	-	-	-	-	-	-
Other	27	13	(1,511)	(65,201)	-	-	-	-	-	-
Net change in fiduciary net position	490,139	(105,891)	234,889	386,185	-	-	-	-	-	-
Plan fiduciary net position, beginning	2,163,509	2,269,400	2,034,511	1,648,326	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 2,653,648	\$ 2,163,509	\$ 2,269,400	\$ 2,034,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset), ending (a) - (b)	\$ 1,379,878	\$ 1,597,298	\$ 984,957	\$ 687,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	65.79 %	57.53 %	69.73 %	74.74 %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 1,118,417	\$ 989,891	\$ 927,109	\$ 972,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	123.38 %	161.36 %	106.24 %	70.72 %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

CORONA DE TUCSON FIRE DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2018

(schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
Total OPEB liability										
Service cost	\$ 4,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	5,644	-	-	-	-	-	-	-	-	-
Benefit changes	217	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	2,800	-	-	-	-	-	-	-	-	-
Assumption changes	(6,283)	-	-	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	6,740	-	-	-	-	-	-	-	-	-
Total OPEB liability, beginning	73,076	-	-	-	-	-	-	-	-	-
Total OPEB liability, ending (a)	\$ 79,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 3,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	11,738	-	-	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-	-	-	-
Administrative expenses	(104)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	14,938	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, beginning	98,256	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 113,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ (33,378)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total OPEB liability	141.82 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 1,118,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered valuation payroll	(2.98)%	- %	- %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

CORONA DE TUCSON FIRE DISTRICT
SCHEDULE OF PENSION/OPEB CONTRIBUTIONS
YEAR ENDED JUNE 30, 2018

PSPRS - pension (schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 313,912	\$ 213,082	\$ 187,621	\$ 154,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>113,887</u>	<u>213,082</u>	<u>187,621</u>	<u>154,022</u>	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ 200,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	1,209,214	1,118,417	989,891	927,109	-	-	-	-	-	-
Contributions as a percentage of covered payroll	9.42 %	19.05 %	18.95 %	16.61 %	- %	- %	- %	- %	- %	- %

PSPRS - health (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>727</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	1,209,214	-	-	-	-	-	-	-	-	-
Contributions as a percentage of covered payroll	0.06 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

CORONA DE TUCSON FIRE DISTRICT

NOTES TO SCHEDULE OF PENSION/OPEB CONTRIBUTIONS

YEAR ENDED JUNE 30, 2018

1. Actuarially determined contribution rates:

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years for unfunded, 20 years for overfunded
Asset valuation method	7 year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Salary increase	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4.0% – 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% – 9.0% to 4.5% – 8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

CORONA DE TUCSON FIRE DISTRICT

NOTES TO SCHEDULE OF PENSION/OPEB CONTRIBUTIONS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2. Factors than affect trends:

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

Report of Internal Control and on Compliance

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

Governing Board and Management
Corona de Tucson Fire District
Vail, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Corona de Tucson Fire District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Compliance with State of Arizona Regulatory Requirement

In connection with our audit, nothing contrary came to our attention that caused us to believe that Corona de Tucson 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 Arizona Revised Statutes section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with Arizona Revised Statutes section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beach Fleischman PC

Tucson, Arizona
December 19, 2018