

Sedona Fire District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



Sedona Fire District
2860 Southwest Drive
Sedona, AZ 86336



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336

SEDONA FIRE DISTRICT



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

Prepared by:
The James Vincent Group



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Introductory Section



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336

February 19, 2019

To the Honorable Board of Directors and Citizens of Sedona Fire District:

Arizona Revised Statutes §48-253 and 48-805(9) require that all special districts with annual budgets in excess of \$1,000,000 publish within 240 days of the close of their fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Walker and Armstrong, a certified public accounting firm, has issued an unmodified (“clean”) opinion on the Sedona Fire District (SFD) financial statements for the year ended June 30, 2018.

The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

District Profile

The Sedona-Oak Creek Volunteer Fire Department was officially created on April 7, 1957 as a volunteer fire company serving Coconino County residents with 14 volunteers, a secretary-treasurer, and one fire truck called the “Turtle”. In October of 1960 the Red Rock Fire District was formed for Yavapai County and a mutual aid agreement provided coverage for all of Sedona. The District received its first ambulance as a donation from the Business and Professional Women’s Club of Sedona (BPW) in March of 1963, creating the Volunteer Firemen’s Rescue Unit which would eventually become the Emergency Medical Services (EMS) Division. Through the years, the District became EMT certified, managed dispatch services for the region, and grew to be the professional organization delivering first class emergency response services it is today. Sedona Fire District provides all hazard emergency services from five fire stations staffed 24/7/365 by seventy-five fulltime firefighters. All suppression personnel are trained in structural and wildland firefighting and



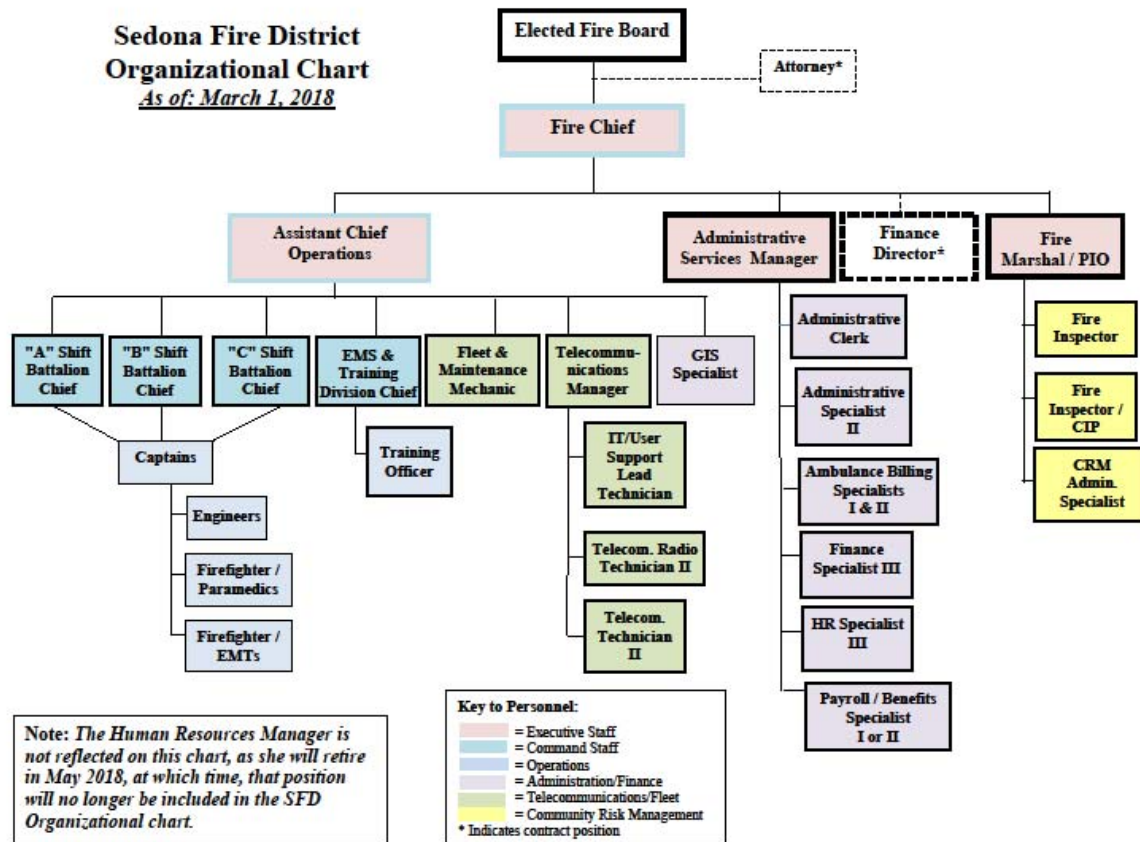
Sedona Fire District

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to the operations level in rope and Swiftwater rescue. In addition, all suppression personnel are either certified EMTs or Paramedics. The district is managed by five administrative leaders and a team of 14 support and 4 fire prevention staff.

Recognized by the State of Arizona as a special taxing district, Sedona Fire District operates under Arizona Revised Statutes (ARS) Title 48, Chapter 5. The District is a community service organization funded through limited assessed value property taxes. It is governed by a five-member non-partisan Board elected at large and who serve staggered four-year terms. The Board is comprised of a Board Chair and four Directors, including a Board Clerk. The Board establishes policy, sets tax rates, and approves the annual budget which serves as the foundation for financial planning and control. The budget is prepared by fund, function, department and object.

The Board hires, and has authority over, a Fire Chief who is charged with managing day-to-day operations of the District. A current organization chart follows:





Sedona Fire District
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SFD maintains cooperative agreements with area partners to provide a higher level of service for the community and has developed alternative revenue sources including ambulance transportation, ambulance billing, cell tower rental and wildland fire response that have reduced the burden on the primary revenue source (property taxes) and has helped provide this higher level of service.

The District will respond to any emergency situation that threatens life, safety or property. The fire district, through a regional communication center, will dispatch the closest available unit(s) with appropriate capabilities to control the emergency or provide the service. Timely response and effective management of medical, rescue and fire control situations represent the most immediate priorities of the fire district. SFD staffs 3 firefighters on engine companies at stations 1,3 and 4 and 2 firefighters on engine companies at stations 5 and 6.

SFD also responds to various non-emergency situations that are not routinely handled by other agencies or providers. SFD community risk reduction specialist conducts wellness checks, home safety surveys, medication reconciliation and assists community members with managing healthcare resources. SFD community risk reduction strategies are based on the premise that we can proactively attempt to safely and effectively address our customer's needs and meet the basic goals of our mission before someone must access the 911 system.

About the Area

The Sedona Fire District provides emergency services for an area spanning 274 square miles (168 fire and 274 medical), covering the City of Sedona (which is 19 square miles), the Village of Oak Creek, Oak Creek Canyon and multiple additional areas within the region.

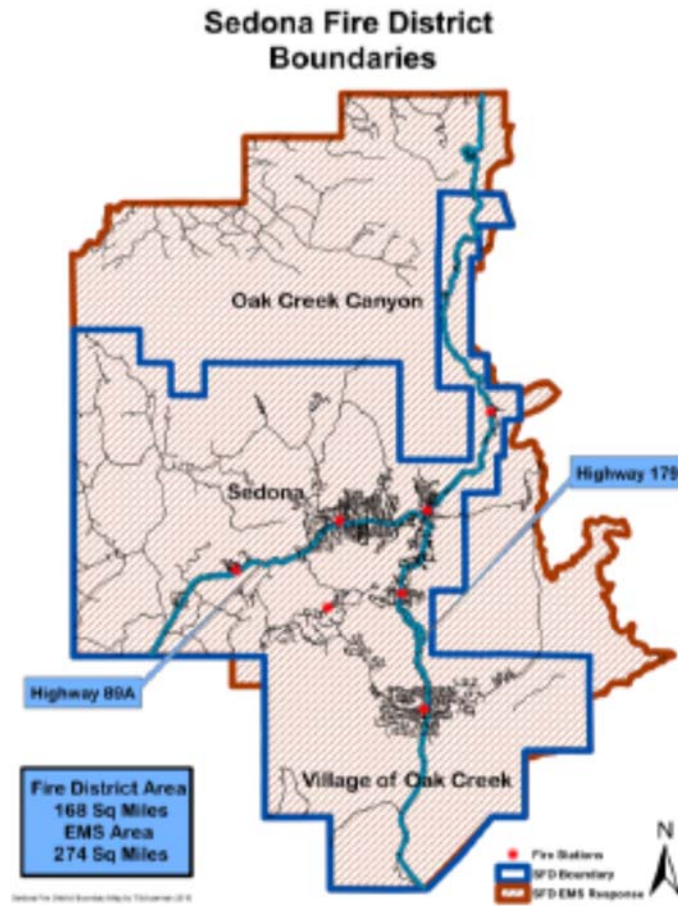
Located along the Yavapai and Coconino County borders, The City of Sedona is one of the state's most visited areas. The tourism industry is vital to the health of Sedona's economy. According to industry reports, tourism in Sedona generates \$600.0 million in economic activity each year.

Sedona's unique characteristics and mild climate also make it an attractive place to live. Covering 274 square miles the district has grown to serve an estimated 19,000 full time residents and approximately 3 million tourists per year. The median age of the area's population is 58.3 and the majority of residents live in Yavapai County.

SFD provides fire suppression/prevention, emergency medical services (EMS), wildland firefighting, special rescue operations, and public educational programs (courses in CPR, first aid, etc.). In order to provide these services and respond during emergencies, the District utilizes five strategically placed fire stations with 24/7 staffing. Each year, the District answers roughly 4,500 calls.



Sedona Fire District
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A snapshot of SFD demographics and service levels includes:

District Size	168 square miles
Ambulance Transport Service Area	274 square miles
Full-time Resident Population	19,000
Part-time, Seasonal Population	3,000,000 annually
Stations	5
Fire and Rescue Service Staffing	75
Administrative and Support	19
Fire Prevention	4

Budget Overview

The District budgets in accordance with the requirements of state law. The general fund is budgeted on the modified accrual basis of accounting.



Sedona Fire District

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The Board of Directors adopts the general fund budget prior to July 1st, the beginning of the fiscal year of the District. Throughout the budget process the Board reviews the budgeted expenses at the fund, function, department and object level. This is done to allow the Board, and participating community members, to gain a more detailed understanding of the budget and to be in compliance with Arizona Revised Statute 48-805.02(A) which requires a detailed estimate of expenditures. The legal level of budgetary control is at the department level. The Board only approves a general fund budget and is not required to adopt a formal budget for the Capital fund.

Budgeted expenditures lapse at year-end and may not be carried over to subsequent years.

Local Economy and Outlook

Sedona has continued to see positive revenue growth and strong economic recovery from the last recessionary period.

Tourism and recreation are major contributors to the local economy. In fact, much of the commercial activity in the area can be directly tied to the tourism industry and based on tourism activity reports for the region, about two-thirds of the City of Sedona's sales tax revenues are generated by visitors. This is consistent throughout the region. The demand for goods and services related to tourism results in the construction and demand for commercial buildings (retail, office, hotels, etc.). This same tourism activity even influences residential property demand and values. This economic activity is taxed and then covers the cost of local needs, including basic government and fire district activities.

District management and staff are working proactively and cooperatively with other agencies, surrounding fire districts, and regional planning groups to ensure continued ability to serve the ever-changing population it serves.

Long-term financial planning and major initiatives

Leadership is continually accessing the long-term financial sustainability of the District through analysis of current and projected revenues and expenses. The projections are tailored to examine the District's ability to meet continued operational needs and service level requirements in different scenarios such as changes in the economy, service demands, and capital improvements. When projecting revenue the district analyzes past performance, state trends and economic models. Expenditure projections include inflators based on local and industry wide historical trends as well as district specific trends. Long-term financial sustainability is a critical aspect to the District's



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planning and helps to ensure the district will continue to provide the highest level of service to the community it serves.

The District has developed a comprehensive ten-year capital improvement plan. The capital improvement plan will sustain and enhance emergency response infrastructure by maintaining and replacing aging facilities and capital assets. This capital improvement plan forecasts the life expectancy and replacement and or maintenance costs for each of the District's long-term assets, as well as define the funding levels needed over each of the ten years.

Relevant Financial Policies

SFD has adopted a comprehensive set of financial policies. The policies are constantly evaluated for their effectiveness and how they keep the Governing Board and staff focused on increased internal controls, reporting and long-term sustainability. The policies implemented have been effective in protecting the District and its focus on maintaining service levels while also providing long term sustainability and success.

Awards and Acknowledgements

This is the first time Sedona Fire District is submitting our Comprehensive Annual Financial Report (CAFR) to the Government Finance Officer's Association (GFOA) for consideration of the award for a Certificate of Achievement for Excellence in Financial Reporting. We believe that our current CAFR meets the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for this award.

We would like to express our sincere gratitude to the personnel of the finance department who assisted and contributed to the preparation of this report. Appreciation is also extended to Board of Directors, the managers, employees and citizens of the District whose continued support is vital to the financial health of Sedona Fire District.

Respectfully submitted,

Jayson Coil
Fire Chief

The James Vincent Group
Finance Director



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336

Sedona Fire District
List of Elected and Appointed
June 30, 2018

Elected Board Members

	Term Expires
Board Chair Dave Soto	November 30, 2020
Board Clerk Corrie Cooperman	November 30, 2020
Board Member Eugene McCarthy	November 30, 2018
Board Member Ty Montgomery	November 30, 2018
Board Member Abe Koniarsky	November 30, 2018

Regular meetings of the Fire District's Governing Board are held on the third Tuesday of every month at Sedona Fire Station #1 located at 2860 Southwest Drive, Sedona, Arizona at 4:30pm. Notices and Agendas of such meetings are posted at Sedona Fire Station #1 located at 2860 Southwest Drive, Sedona, Arizona and www.sedonafire.org.

Administrative Offices

2860 Southwest Drive, Sedona, AZ 86336

Fire Chief/Administrator

Chief Jayson Coil

Finance Director

The James Vincent Group

Legal Counsel

Bole, Pecharich, Cline, Whittington & Stallings, P.L.L.C



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336



Financial Section

Independent Auditor's Report

Board of Directors
Sedona Fire District
Sedona, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sedona Fire District (the 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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.

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 4 through 10, the budgetary comparison information on pages 37 through 38, the schedule of the District's proportionate share of net pension liability – cost-sharing pension plans on page 39, the schedule of changes in the District's net pension/OPEB liability and related ratios – agent plans on pages 40-41, the schedule of District pension/OPEB contributions on page 42 and the notes to pension/OPEB plan schedules on pages 43-44, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and the statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Compliance with Title 48, Chapter 5, Article 1

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of Title 48, Chapter 5, Article 1 limiting the amount of certain debt and warrants that can be issued by the District and requiring certain certifications, insofar as such compliance relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with Title 48, Chapter 5, Article 1, insofar as they relate to accounting matters.

The communication related to compliance with the provisions of Title 48, Chapter 5, Article 1 referred to in the preceding paragraph is intended solely for the information and use of members of the Arizona State Legislature, the Board of Directors, management, and other responsible parties within the District and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
February 19, 2019



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Sedona Fire District
Management's Discussion and Analysis
Year Ended June 30, 2018**

As management of Sedona Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 11.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,558,657. Of this amount, \$10,601,147 is invested in capital assets, net of related debt, resulting in a deficit net position of \$9,042,490. The deficit is largely attributable to reporting the cumulative net pension/OPEB liability.
- During the year, the District's total net position increased by \$168,534.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,889,496, an increase of \$1,158,400 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,000,000 or 11.8 percent of the 2018 fiscal year's total budgeted operating expenditures.

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 the 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, uncollected non-district fire revenues, earned but unused vacation leave).

Management's Discussion and Analysis – Continued

Government-wide Financial Statements - Continued

The government-wide financial statements can be found on pages 11-12 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 sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, special projects fund and grants fund, which are 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.

The basic governmental fund financial statements can be found on pages 13-16 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 17-36 of this report.

Management's Discussion and Analysis – Continued

Government-wide Financial Statements - Continued

Other Information

A budgetary comparison schedule for the general fund is presented immediately following the notes to the financial statements. This schedule and notes can be found on pages 37 and 38 of this report.

In addition, funding information related to the District's participation in retirement plans can be found on pages 39 through 44 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of Sedona Fire District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,558,657 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, furniture, 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.

After consideration of the net investment in capital assets, there is a remaining deficit in net position of \$9,042,490, which is a decrease from the prior year of \$95,061, as restated.

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

Management's Discussion and Analysis – Continued

Government-wide Financial Analysis – Continued

Condensed Statement of Net Position

	Governmental Activities	
	2018	2017 (As Restated)
Assets:		
Current and other assets	\$ 7,901,916	\$ 6,737,482
Capital assets	11,963,867	12,318,609
Total assets	19,865,783	19,056,091
Deferred outflows of resources related to pensions/OPEB:	9,080,650	7,404,783
Total assets and deferred outflows of resources related to pensions/OPEB	28,946,433	26,460,874
Current and other liabilities:		
Current and other liabilities	762,754	1,673,729
Long-term liabilities	26,180,441	22,745,713
Total liabilities	26,943,195	24,419,442
Deferred inflows of resources related to pensions/OPEB:	444,581	651,309
Total liabilities and deferred inflows of resources related to pensions/OPEB	27,387,776	25,070,751
Net position:		
Net investment in capital assets	10,601,147	10,527,674
Deficit	(9,042,490)	(9,137,551)
Total net position	\$ 1,558,657	\$ 1,390,123

During 2018, current assets increased by \$1,164,434 primarily due to an increase in cash and investments of \$961,706 and increase in ambulance billings of \$149,249. Capital assets decreased by \$354,742 primarily due to capital outlay of \$540,873 offset by depreciation expense of \$895,615. At June 30, 2018 and 2017, the District's unrestricted net deficit is \$9,042,490 and \$9,137,551 respectively.

Governmental Activities

Governmental activities net position increased by \$168,534. Key elements of this increase are reported on the following page.

Management’s Discussion and Analysis – Continued

Government-Wide Financial Analysis – Continued

Condensed Statement of Activities

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u> <u>(As Restated)</u>
Revenues:		
Program revenue:		
Charges for services	\$ 3,366,345	\$ 3,001,437
General revenues:		
Property taxes	13,693,634	12,506,631
Fire district assistance tax	335,932	328,039
Investment earnings	62,066	21,581
Other	117,912	178,156
Total revenues	<u>17,575,889</u>	<u>16,035,844</u>
Expenses:		
Public safety – fire protection/ emergency medical services (EMS)	<u>17,407,355</u>	<u>19,795,687</u>
Total expenses	<u>17,407,355</u>	<u>19,795,687</u>
Increase (decrease) in net position	168,534	(3,759,843)
Net position, beginning of year	<u>1,390,123</u>	<u>5,149,966</u>
Net position, ending of year	<u>\$ 1,558,657</u>	<u>\$ 1,390,123</u>

- Overall revenues increased by \$1,540,045 while expenses decreased by \$2,388,332. Property tax revenue increased by \$1,187,003 due to a levy increase from 2.447 in FY17 to 2.5418 in FY18.
- Expenses decreased by \$2,388,332 primarily due to decrease in salary and wages of \$521,443, a decrease in pension expense of \$971,235, and a decrease of contingent liability of \$848,881 for refunds of excess PSPRS employee contributions.

Financial Analysis of the Governmental Funds

As noted previously, 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, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Management's Discussion and Analysis – Continued

Financial Analysis of the Governmental Funds - Continued

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,889,496, an increase of \$1,158,400 in comparison with the prior year's increase of \$673,226.

Overall revenues increased by \$1,479,687. Property taxes increased by \$1,205,325 and most other revenues increased. Overall expenditures increased by \$942,480. In addition, during fiscal year 2017, there were proceeds from capital leases totaling \$52,033 while in 2018; no such proceeds were received.

Of the total combined governmental fund balance of \$6,889,496, the amount committed by the Board totaled \$4,698,598. The remaining amount is comprised of nonspendable fund balance totaling \$139,774, assigned non-district fires of \$51,124 and unassigned fund balance of \$2,000,000 which is available for future spending.

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 \$6,333,571. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund balance. Spendable fund balance represents 98% of total general fund balance of \$6,473,345.

Budgetary Highlights

During the 2018 fiscal year, there were no modifications to the originally adopted budget. Total revenues were \$436,047 greater than budgeted revenues while total expenditures were \$1,376,712 less than budgeted expenditures. The positive expenditure variance resulted primarily from unspent reserves and less telecommunication expenditures than budgeted.

Capital Asset and Debt Administration

Capital assets – The District's capital assets as of June 30, 2018, total \$11,963,867 (net of accumulated depreciation). These capital assets include land, improvements other than buildings, buildings and improvements, furniture and equipment and vehicles. Outlays for capital assets during 2018 were \$540,873 which consisted primarily of vehicles and furniture and equipment.

Additional information on the District's capital assets can be found in Note 5 to the financial statements on page 23.

Long-term liabilities – At the end of the current fiscal year, the District had total long-term liabilities of \$26,180,441 which was comprised of the net pension/OPEB liability of \$23,192,731, various capital lease obligations totaling \$1,362,720 and compensated absences payable of \$1,624,990.

Additional information on the District's long-term debt can be found in Notes 7 and 8 to the financial statements on page 24.

Management's Discussion and Analysis – Continued

Economic Factors and Next Year's Budgets and Rates

The District expects assessed values to increase by over 5.42 percent during 2019 while the mil rate levy will increase from 2.447 in 2017 to 2.5454 during 2018 to cover budget expenditures of \$16,994,094.

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 Sedona Fire District, Finance Division, 2860 Southwest Drive, Sedona, AZ 86336.

**Sedona Fire District
Statement of Net Position
June 30, 2018**

	Governmental Activities
Assets	
Cash and investments	\$ 6,751,337
Receivables:	
Property taxes	198,363
Ambulance billings	521,893
Accounts	211,763
Intergovernmental	78,786
Prepaid items	139,774
Capital assets, not being depreciated	2,054,579
Capital assets, being depreciated, net	9,909,288
Total assets	19,865,783
Deferred outflows of resources	
Deferred outflows related to pensions	9,080,650
Total deferred outflows of resources	9,080,650
Liabilities	
Accounts payable	298,536
Accrued payroll and related	464,218
Noncurrent liabilities:	
Due within one year	568,494
Due in more than one year	25,611,947
Total liabilities	26,943,195
Deferred inflows of resources	
Deferred inflows related to pensions	444,581
Total deferred inflows of resources	444,581
Net position	
Net investment in capital assets	10,601,147
Deficit	(9,042,490)
Total net position	\$ 1,558,657

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

**Sedona Fire District
Statement of Activities
Year Ended June 30, 2018**

	Governmental Activities
Program expenses:	
<i>Public safety-fire protection and emergency medical services:</i>	
Salaries and wages	\$ 7,623,370
Employee benefits	6,477,345
Depreciation	895,615
Materials and supplies	624,407
Dispatch fees	274,059
Professional services	500,001
Utilities and communications	256,403
Repairs and maintenance	266,191
Training and related	217,223
Insurance	101,303
Other	114,403
Interest	57,035
	17,407,355
Program revenues:	
Charges for services	3,366,345
	3,366,345
Total program revenues	3,366,345
Net program expense	14,041,010
General revenues:	
Taxes:	
Real and personal property taxes	13,693,634
Fire district assistance tax	335,932
Investment earnings	62,066
Other	117,912
	14,209,544
Total general revenues	14,209,544
Change in net position	168,534
Net position, July 1, 2017, as restated	1,390,123
Net position, June 30, 2018	\$ 1,558,657

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

**Sedona Fire District
Balance Sheets -
Governmental Funds
June 30, 2018**

	Major Funds			Grants Fund	Total Governmental Funds
	General	Capital Projects	Special Projects		
Assets:					
Cash and investments	\$ 6,386,310	\$ 365,027	\$ -	\$ -	\$ 6,751,337
Receivables (net of allowance for uncollectibles):					
Property taxes	198,363	-	-	-	198,363
Ambulance billings	521,893	-	-	-	521,893
Accounts Intergovernmental	-	-	211,763	-	211,763
Due from other funds	78,786	-	-	-	78,786
Prepaid items	140,189	-	-	-	140,189
	139,774	-	-	-	139,774
Total assets	<u>\$ 7,465,315</u>	<u>\$ 365,027</u>	<u>\$ 211,763</u>	<u>\$ -</u>	<u>\$ 8,042,105</u>
Liabilities:					
Accounts payable	\$ 296,714	\$ -	\$ 1,822	\$ -	\$ 298,536
Due to other funds	-	-	140,189	-	140,189
Accrued payroll and related	445,590	-	18,628	-	464,218
Total liabilities	742,304	-	160,639	-	902,943
Deferred inflows of resources:					
Unearned revenues	249,666	-	-	-	249,666
Total deferred inflows of resources	249,666	-	-	-	249,666
Fund balances:					
Nonspendable - prepaid items	139,774	-	-	-	139,774
Committed	4,333,571	365,027	-	-	4,698,598
Assigned	-	-	51,124	-	51,124
Unassigned	2,000,000	-	-	-	2,000,000
Total fund balances	6,473,345	365,027	51,124	-	6,889,496
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,465,315</u>	<u>\$ 365,027</u>	<u>\$ 211,763</u>	<u>\$ -</u>	<u>\$ 8,042,105</u>

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

Sedona Fire District
Reconciliation of the Governmental Funds Balance Sheets
to the Government-wide Statement of Net Position
June 30, 2018

Total fund balances	\$ 6,889,496
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	11,963,867
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unearned revenue in the funds	249,666
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds	(26,180,441)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds	<u>8,636,069</u>
Net position of governmental activities	<u><u>\$ 1,558,657</u></u>

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

Sedona Fire District
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General	Capital Projects	Special Projects	Grants Fund	
Revenues:					
<i>Taxes:</i>					
Property taxes	\$ 13,711,069	\$ -	\$ -	\$ -	\$ 13,711,069
Fire district assistance tax	335,932	-	-	-	335,932
Grant revenue	-	-	-	7,528	7,528
Ambulance fees	2,111,096	-	-	-	2,111,096
Other projects	-	-	-	3,848	3,848
Non-district fire revenues	207,086	-	766,320	-	973,406
Rent	192,431	-	-	-	192,431
Investment earnings	58,271	3,795	-	-	62,066
Other	109,911	-	-	473	110,384
Total revenues	16,725,796	3,795	766,320	11,849	17,507,760
Expenditures:					
<i>Public safety-fire protection and emergency medical services:</i>					
<i>Current:</i>					
Salaries and wages	7,956,172	-	473,810	-	8,429,982
Employee benefits	4,328,593	-	210,671	-	4,539,264
Materials and supplies	624,407	-	-	-	624,407
Professional services	774,060	-	-	-	774,060
Utilities and communications	256,403	-	-	-	256,403
Repairs and maintenance	266,191	-	-	-	266,191
Training and related	171,131	-	35,543	10,549	217,223
Insurance	101,303	-	-	-	101,303
Other	112,999	-	104	1,300	114,403
Capital outlay	540,873	-	-	-	540,873
<i>Debt service:</i>					
Principal	428,215	-	-	-	428,215
Interest	57,036	-	-	-	57,036
Total expenditures	15,617,383	-	720,128	11,849	16,349,360
Excess of revenues over expenditures	1,108,413	3,795	46,192	-	1,158,400
Net change in fund balances	1,108,413	3,795	46,192	-	1,158,400
Fund balances, July 1, 2017	5,364,932	361,232	4,932	-	5,731,096
Fund balances, June 30, 2018	<u>\$ 6,473,345</u>	<u>\$ 365,027</u>	<u>\$ 51,124</u>	<u>\$ -</u>	<u>\$ 6,889,496</u>

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

**Sedona Fire District
Reconciliation of the Statements of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2018**

Net change in fund balances - total governmental funds \$ 1,158,400

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 assets is allocated over their estimated useful lives and reported as depreciation expense.

In the current period, these amounts are:

Capital outlays	540,873
Depreciation expense	(895,615)

Property tax revenues and certain charges for services reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	68,128
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences	(42,267)
Decrease in claims and judgements	848,881

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/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.

District pension/OPEB contributions	2,533,070
Pension/OPEB expense	(4,471,151)

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 long-term liabilities in the statement of net position. In the current year, activity related to debt consisted of principal payments.

Principal repayments	428,215
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Change in net position of governmental activities	\$ 168,534
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The accompanying notes are an integral part of these basic financial statements.

Sedona Fire District
Notes to Financial Statements
Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sedona 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, 2018, the District implemented the provisions of 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 or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/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.

A. Reporting Entity

The District provides fire protection and emergency medical services to citizens living within the Sedona, Village of Oak Creek and Oak Creek Canyon, Arizona areas. The District is a special-purpose government governed by a separately elected governing body and is legally separate and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, nor is the District combined with another reporting entity.

B. 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 District.

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 ambulance services provided.

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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 *special projects* fund is used to account for activities related to Wildland firefighting.
- The *grants* fund accounts for the revenue and expenditures of restricted grant revenues.

C. 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.

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.

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 measurable 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).

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

The nonspendable fund balance classification includes 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 are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are 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 of Directors.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for special purposes.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is 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.

Cash and investments – Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Investment earnings are composed of interest and net changes in the fair value of applicable investments.

Prepaid Items – Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Under 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 are expensed over the period consumed.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Receivables – Receivables outstanding at year-end consist of property tax totaling \$198,363, \$211,763 for fire suppression and other similar services, and \$521,893 in emergency medical services. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2018, the allowance for uncollectible accounts was \$44,941.

Capital assets – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed as incurred.

Capital assets are depreciated using the straight-line method as follows:

<u>Capital asset class</u>	<u>Estimated useful life</u>
Land	Non-depreciable
Buildings and improvements	5 to 50 years
Vehicles, furniture and equipment	5 to 20 years

Compensated absences – The District allows employees to accumulate earned but unused paid time off. A liability is reported for paid time off that is payable upon termination or retirement. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

Deferred outflows/inflows of resources – The statement of net position and balance sheets include separate sections, as appropriate, 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 revenue in future periods.

Estimates – The preparation of the basic 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 basic financial statements and the reported amounts of revenues and expenses during the tax calendar reporting period. Actual results may differ from those estimates.

Notes to Financial Statements – Continued

Note 1 – Summary of Significant Accounting Policies - Continued

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.

Note 2 – Beginning Balance Restated

Beginning net position has been restated for corrections of errors made in prior years and for the implementation of a new accounting standard as follows:

	<u>Governmental Activities- Net Position</u>
June 30, 2017 balance,	
As previously reported	\$ 1,547,397
Correction to the net pension obligation	120,811
Implementation of GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	<u>(278,085)</u>
July 1, 2017 balance, as corrected	<u>\$ 1,390,123</u>

Note 3 – Stabilization Arrangements

The District established a reserve by resolution that is maintained in the general fund. The reserved balance is a minimum of \$2,000,000. Any changes to the reserve must be approved by the Board of Directors. The reserved fund balance is intended to be used as fiscal stabilization to offset operating revenue shortfalls due to economic downturns, and to serve as operating capital (cash flow) to pay expenses between July 1 and mid-October when first half taxes (primary District revenue source) are received to avoid excessive borrowing and interest on borrowed money in order to pay ongoing expenses. Any fund balance over and above this operational requirement may be used to fund one-time supplemental funding, capital improvement projects or retirement of debt service and may be transferred to the capital projects fund. As of June 30, 2018, the general fund committed fund balance was \$4,333,571 which will be transferred to the capital projects fund in fiscal year 2019.

Notes to Financial Statements – Continued

Note 4 – Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer’s investment pools; 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 counties, cities, towns, school districts, and special districts as specified by statute.

The District utilizes Yavapai County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

Cash on Hand and Deposits – At June 30, 2018, the carrying amount of the total cash in bank was \$1,230,385 and the bank balance was \$1,230,439 of which all are insured or collateralized.

Investments – The District’s investments at June 30, 2018 are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The District’s investments at June 30, 2018, were as follows:

<u>Investment Type</u>	<u>Amount</u>
Yavapai County Treasurer’s investment pool	\$ 5,462,808
Coconino County Treasurer’s investment pool	58,144
	<u>\$ 5,520,952</u>

Yavapai and Coconino County Treasurers’ investment pools are not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. However, the majority of Yavapai County’s investment pool is invested in the State of Arizona’s local government investment pool which is regulated by the State Board of Investment. The pools’ structure does not provide for shares, and the counties have not provided or obtained any legally binding guarantees to support the value of the participants’ investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Credit risk - At June 30, 2018, all of the District’s investments were invested in the Yavapai and Coconino County investment pools which are not rated by rating agencies.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Notes to Financial Statements – Continued

Note 4 – Cash and Investments - Continued

Interest rate risk – At June 30, 2018, the District’s investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

Foreign currency risk – The District does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow for foreign investments.

Note 5 – Interfund Receivables, Payables and Transfers

The following summarizes interfund receivables and payables at year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Projects	\$ 140,189

This balance resulting from short-term interfund borrowing will be settled in the 2019 fiscal year.

Note 6 – Capital Assets

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

	<u>Balance, June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
Capital assets not being depreciated:				
Land and improvements	\$ 2,054,579	\$ -	\$ -	\$ 2,054,579
Total capital assets not being depreciated	2,054,579	-	-	2,054,579
Capital assets being depreciated:				
Buildings and improvements	8,647,212	12,149	-	8,659,361
Furniture and equipment	5,234,786	358,031	(40,334)	5,552,483
Vehicles	6,404,986	170,693	-	6,575,679
Total capital assets being depreciated	20,286,984	540,873	(40,334)	20,787,523
Less: accumulated depreciation for:				
Buildings and improvements	(3,101,896)	(226,548)	-	(3,328,444)
Furniture and equipment	(3,006,236)	(314,809)	40,334	(3,280,711)
Vehicles	(3,914,822)	(354,258)	-	(4,269,080)
Total accumulated depreciation	(10,022,954)	(895,615)	40,334	(10,878,235)
Total capital assets being depreciated, net	10,264,030	(354,742)	-	9,909,288
Total capital assets, net	\$ 12,318,609	\$ (354,742)	\$ -	\$ 11,963,867

Notes to Financial Statements – Continued

Note 7 – Changes in Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within 1 Year
Compensated absences	\$ 1,582,723	\$ 1,624,990	\$ 1,582,723	\$ 1,624,990	\$ 183,176
Obligations under capital leases	1,790,935	-	428,215	1,362,720	385,318
Net pension/OPEB liability	19,372,055	3,820,676	-	23,192,731	-
Total	<u>\$ 22,745,713</u>	<u>\$ 5,445,666</u>	<u>\$ 2,010,938</u>	<u>\$ 26,180,441</u>	<u>\$ 568,494</u>

Note 8 – Capital Leases

The District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases. Amortization of the leases is included in depreciation expense. At June 30, 2018, the assets acquired through capital leases are as follows:

Equipment	\$ 4,710,207
Less: accumulated depreciation	(1,203,101)
Carrying value	<u>\$ 3,507,106</u>

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

<u>Year ending June 30,</u>	
2019	\$ 423,608
2020	259,344
2021	259,344
2022	259,344
2023	259,444
Total minimum lease payments	<u>1,461,084</u>
Less: amount representing interest	(98,364)
Present value of minimum lease payments	<u>\$ 1,362,720</u>

Note 9 – 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.

Notes to Financial Statements – Continued

Note 10 – Operating Leases

The District leases office equipment under various operating lease agreements. The lease expiration dates range between September 2019 and February 2021. The total lease payments for the year ended June 30, 2018 were \$11,800. The future minimum operating lease payments are as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 12,721
2020	5,382
2021	2,097
Total	<u>\$ 20,200</u>

Note 11 – Line of Credit

The District has an available line of credit totaling \$1,500,000 with the Yavapai County Treasurer which is secured by the District's property taxes. At June 30, 2018, the outstanding balance on this line was \$0. During fiscal year 2018, the District did not utilize the line of credit.

Note 12 – Retirement Pension and Other Postemployment Benefits Plans

The District and employees contribute to four retirement plans. These plans are a 457(b) defined contribution pension plan, a 501(c)(9) Post-Employment Health Plan, the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

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

Net pension and OPEB liability	\$ 23,192,731
Deferred outflows of resources	9,080,650
Deferred inflows of resources	444,581
Pension and OPEB expense	4,471,151

Retirement Plan – 457(b)

The District has a 457(b) defined contribution pension plan covering all of its eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees may contribute up to 100% of their eligible salary up to the maximum amount allowed by the IRS. For the year ended June 30, 2018, the employees' contributions were \$836,148.

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans - Continued

Voluntary Employee Beneficiary Association – 501(c)(9)

The District has a Post-Employment Health Plan (PEHP) which is an employee benefit plan (Internal Revenue Code section 501(c)(9)) designed to allow the employer and employees to invest money for the payment of post-employment qualified medical expenses for employees.

All full-time employees begin participation in the PEHP plan after one year of service and contribute 1% of income into a mandatory group that is matched by the District. If an employee is eligible, they may enroll into one of the three optional groups (“Sunset”, “Retirement” or “Tenured”) in place of one of the mandatory groups. The District’s match is 1% for all groups.

For the year ended June 30, 2018, the District’s contributions to the plan were \$80,888 and the employees’ contributions were \$153,735 during the year.

A. Arizona State Retirement System (ASRS)

Plan description — District employees not covered by PSPRS participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

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

*With actuarially reduced benefits.

The plan participants are not eligible for cost-of-living adjustments because they began participation after September 13, 2013. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans - 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. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.50 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018 were \$119,543, \$4,826, and \$1,754, respectively.

During fiscal year 2018, the District paid for ASRS pension and OPEB contributions from the general fund.

At June 30, 2018, the District reported a liability of \$1,849,989 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The District's proportion of the net pension asset or liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017 was .01189 percent.

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

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans - Continued

Pension expense and deferred outflows of resources—For the year ended June 30, 2018, the District recognized pension expense for ASRS of \$658,132. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 55,540
Changes of assumptions or other inputs	80,447	55,385
Net difference between projected and actual earnings on pension plan investments	13,298	8,039
Changes in proportion and differences between District contributions and proportionate share of contributions	926,400	6
District contributions subsequent to the measurement date	126,123	-
Total	\$ 1,146,268	\$ 118,970

The \$126,123 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase or the net asset or a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2019	\$ 510,685
2020	370,032
2021	65,073
2022	(44,615)

Actuarial assumptions—The significant actuarial assumption used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

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

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

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

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
The District’s proportionate share of the net pension liability	<u>\$ 2,393,444</u>	<u>\$ 1,849,989</u>	<u>\$ 1,395,627</u>

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

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

B. Public Safety Personnel Retirement System (PSPRS)

Plan Description – The District has entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent and cost sharing multiple-employer defined benefit pension plan and an agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information of PSPRS. The reports are available on the PSPRS web site at www.psprs.com.

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:

Retirement and Disability	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 Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

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 increase 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.

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 plan’s benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	23	23
Inactive employees entitled to but not yet receiving benefits	8	1
Active employees	76	76
Total	107	100

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 costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute at an actuarially determined rate. Contribution rates for the year ended June 30, 2018 are indicated below. Rates are a percentage of active members’ annual covered payroll.

The rate for the year ended June 30, 2018, was 34.27% for the pension plan and 0.58% for the health insurance premium benefit for the District portion and 7.65%-9.94% for the employee portion. Total pension contributions made during the year were \$2,366,889, and the total health insurance premium benefit contributions were \$40,058. During fiscal year 2018, the District paid for PSPRS and OPEB contributions from the general fund.

Liability – At June 30, 2018, the District reported liabilities and of \$21,043,690 and \$299,052 for pension and health insurance premium benefit, respectively. The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions.

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The Court decision will also affect the PSPRS net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the District’s PSPRS net pension liabilities as a result of the refunds is not known.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/NA for OPEB
Price inflation	2.5% for pensions/NA for OPEB
Permanent benefit increase	Included for pensions/NA for OPEB RP – 2014 tables using MP-2016 improvement scale
Mortality rates	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 actual experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4 percent 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. 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 Arithmetic Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

Discount Rates – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1% from the discount rate used as of June 30, 2016. The projection of cash flows used to determine 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 plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability

Pension	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$ 37,471,477	\$ 19,313,226	\$ 18,158,251
Changes for the current year:			
Service cost	1,577,674	-	1,577,674
Interest on the total pension liability	2,824,842	-	2,824,842
Changes of benefit terms	456,851	-	456,851
Differences between expected and actual experience in the measurement of the pension liability	894,577	-	894,577
Change of assumptions or other inputs	1,538,701	-	1,538,701
Net investment income	-	2,322,647	(2,322,647)
Contributions - employer	-	1,514,118	(1,514,118)
Contributions – employee	-	890,854	(890,854)
Benefit payments	(1,191,520)	(1,191,520)	-
Pension plan administrative expense	-	(20,952)	20,952
Other changes	-	(299,461)	299,461
Net changes	6,101,125	3,215,686	2,885,439
Balances at June 30, 2018	\$ 43,572,602	\$ 22,528,912	\$ 21,043,690

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

OPEB	Increase (Decrease)		Net OPEB Liability (a) – (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2017	\$ 776,975	\$ 460,756	\$ 316,219
Changes for the current year:			
Service cost	19,349	-	19,349
Interest on the total OPEB liability	58,005	-	58,005
Changes of benefit terms	5,829	-	5,829
Differences between expected and actual experience in the measurement of the OPEB liability	8,790	-	8,790
Change of assumptions or other inputs	(17,065)	-	(17,065)
Contributions – employer	-	37,790	(37,790)
Contributions – employee	-	-	-
Net investment income	-	54,768	(54,768)
Benefit payments	(26,505)	(26,505)	-
OPEB plan administrative expense	-	(483)	483
Net changes	48,403	65,570	(17,167)
Balances at June 30, 2018	\$ 825,378	\$ 526,326	\$ 299,052

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

	1% Decrease 6.4%	Current Discount Rate 7.4%	1% Increase 8.4%
Net pension (asset) liability	\$ 28,094,585	\$ 21,043,690	\$ 15,384,366
Net OPEB (asset) liability	411,301	299,052	206,481

Notes to Financial Statements – Continued

Note 12 – Retirement Pension and Other Postemployment Benefits Plans- Continued

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

Expense - For the year ended June 30, 2018, the District recognized pension expense of \$3,769,248 and OPEB expense of \$43,771.

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

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$1,704,914	\$ 294,705	\$ 7,758	\$ -
Changes of assumptions or other inputs	3,536,639	-	-	15,061
Net difference between projected and actual earnings on plan investments	278,124	-	-	15,845
District contributions subsequent to the measurement date	2,366,889	-	40,058	-
Total	\$7,886,566	\$ 294,705	\$ 47,816	\$ 30,906

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

Year Ending June 30,	Pension	Health
2019	\$ 841,492	\$ (4,933)
2020	1,005,604	(4,933)
2021	858,702	(4,933)
2022	585,046	(4,934)
2023	753,180	(972)
Thereafter	1,180,948	(2,443)

Notes to Financial Statements – Continued

Note 13 - Commitments

On July 1, 2017, the District entered into a two-year agreement for dispatching services with the option to renew for three additional one-year terms subject to annual rate negotiations. The District has the ability to terminate the agreement with 180 days written notice. Fees for fiscal year 2018 were \$274,059.

Sedona Fire District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
<i>Taxes:</i>			
Property taxes	\$ 13,691,244	\$ 13,711,069	\$ 19,825
Fire district assistance tax	342,020	335,932	(6,088)
Ambulance fees	1,915,000	2,111,096	196,096
Non-district fire revenues	55,000	207,086	152,086
Rent	191,324	192,431	1,107
Investment earnings	10,000	58,271	48,271
Other	85,161	109,911	24,750
Total revenues	<u>16,289,749</u>	<u>16,725,796</u>	<u>436,047</u>
Expenditures:			
<i>Department:</i>			
<i>Current:</i>			
Fire Chief	430,579	375,190	55,389
Fire Board	113,175	76,071	37,104
Pension	2,500	5,220	(2,720)
Community risk management	424,039	368,400	55,639
Fleet	290,343	249,517	40,826
Human resources	546,478	403,553	142,925
Administration	157,200	138,287	18,913
Finance	195,227	173,090	22,137
Ambulance billing	164,070	144,436	19,634
Ambulance	97,300	44,020	53,280
Telecommunications	1,095,000	946,245	148,755
Assistant Chief/operations	485,195	473,357	11,838
Operations, wages and benefits	9,771,283	9,713,992	57,291
Emergency Operations Center	3,551	681	2,870
Helicopter Operations	12,502	3,665	8,837
Training	307,422	326,183	(18,761)
Facilities	333,360	309,973	23,387
Wildland Fire Program	52,943	36,064	16,879
Logistics	99,367	84,278	15,089
CISM/Wellness	31,355	19,513	11,842
Hazardous materials	13,976	-	13,976
Swiftwater rescue	79,756	82,683	(2,927)
Rope/Tower rescue	77,725	82,977	(5,252)
Emergency medical service	431,322	417,977	13,345
GIS	122,879	113,302	9,577
Reserves	200,000	-	200,000
Non-operating budget	1,455,548	1,028,709	426,839
Total expenditures	<u>16,994,095</u>	<u>15,617,383</u>	<u>1,376,712</u>
Excess of revenues over (under) expenditures	(704,346)	1,108,413	1,812,759
Other financing sources (uses):			
Transfers in (out)	862,413	-	(862,413)
Total other financing sources (uses)	<u>862,413</u>	<u>-</u>	<u>(862,413)</u>
Changes in fund balance	158,067	1,108,413	950,346
Fund balance, July 1, 2017	-	5,364,932	5,364,932
Fund balance, June 30, 2018	<u>\$ 158,067</u>	<u>\$ 6,473,345</u>	<u>\$ 6,315,278</u>

The accompanying notes are an
integral part of this schedule.

Sedona Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
June 30, 2018

Note 1 – Budgetary Requirements and Basis of Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit to the county treasurer and the county board of supervisors no later than the first day of August of each year; under the 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. 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.

The budgetary comparison schedule on page 37 reports budgeted expenditures in excess of revenues of \$704,346 which was offset by a budgeted transfer in from the capital projects fund.

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2018, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary controls) were as follows:

<u>Department</u>	<u>Excess</u>
Training	\$ 18,761
Rope/Tower rescue	5,252
Swiftwater rescue	2,927
Pension	2,720

The excess expenditures for departments listed above were primarily the result of unexpected expenditures incurred. As unexpected expenditures become known, and if a department will exceed their overall budget, a request is made to transfer budget dollars from another department to cover the needed funds. This is done by prioritizing projects not yet completed to ensure that the overall budget is not exceeded.

Sedona Fire District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2018

ASRS Pension	Reporting Fiscal Year (measurement date)		
	2018 (2017)	2017 (2016)	2016 through 2009
District's proportion of the net pension liability	0.00119%	0.00752%	No information to report
District's proportionate share of the net pension liability	\$ 1,854,471	\$ 1,213,804	
District's covered payroll	\$ 1,191,122	\$ 2,257,917	
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.69%	101.90%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	67.06%	

See accompanying notes to pension plan schedules.

Sedona Fire District
Required Supplementary Information
Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios
Agent Pension Plans
June 30, 2018

PSPRS - Pension	Reporting fiscal year				2014 through 2009
	(measurement date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					
Service cost	\$ 1,577,674	\$ 1,143,169	\$ 1,093,148	\$ 1,059,059	Information not available
Interest on total pension liability	2,824,842	2,331,046	2,196,227	1,891,123	
Changes of benefit terms	456,851	2,952,696	-	257,095	
Difference between expected and actual experience in the measurement of the pension liability	894,577	1,192,872	(292,230)	(176,426)	
Changes of assumptions or other inputs	1,538,701	1,503,877	-	1,813,376	
Benefit payments, including refunds of employee contributions	(1,191,520)	(1,550,908)	(1,058,531)	(890,653)	
Net change in pension liability	\$ 6,101,125	\$ 7,572,752	\$ 1,938,614	\$ 3,953,574	
Total pension liability - beginning	37,471,477	29,898,725	27,960,111	24,006,537	
Total pension liability - ending (a)	<u>\$ 43,572,602</u>	<u>\$ 37,471,477</u>	<u>\$ 29,898,725</u>	<u>\$ 27,960,111</u>	
Plan fiduciary net position					
Contributions - employer	\$ 1,514,118	1,403,963	\$ 1,135,765	\$ 1,099,300	
Contributions - employee	890,854	847,430	642,980	592,699	
Net investment income	2,322,647	110,412	638,219	1,990,781	
Benefit payments, including refunds of employee contributions	(1,191,520)	(1,550,908)	(1,058,531)	(890,653)	
Administrative expenses	(20,952)	(16,288)	(15,962)	-	
Other changes	(299,461)	47,884	(13,308)	4,823	
Net change in plan fiduciary net position	3,215,686	842,493	1,329,163	2,796,950	
Plan fiduciary net position - beginning	19,313,226	18,470,733	17,141,570	14,344,620	
Plan fiduciary net position - ending (b)	<u>22,528,912</u>	<u>\$ 19,313,226</u>	<u>\$ 18,470,733</u>	<u>\$ 17,141,570</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 21,043,690</u>	<u>\$ 18,158,251</u>	<u>\$ 11,427,992</u>	<u>\$ 10,818,541</u>	
Plan fiduciary net position as a percentage of the total pension liability	52%	52%	62%	61%	
Covered payroll	\$ 6,308,825	\$ 5,961,626	\$ 5,827,104	\$ 5,694,542	
District's net pension liability as a percentage of covered payroll	334%	305%	196%	190%	

See accompanying notes to pension plan schedules.

Sedona Fire District
Required Supplementary Information
Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios
Agent Pension Plans - Continued
June 30, 2018

PSPRS - Health	Reporting fiscal year (measurement date)	
	2018 (2017)	2017 through 2009
Total pension liability		
Service cost	\$ 19,349	Information not available
Interest on total pension liability	58,005	
Changes of benefit terms	5,829	
Difference between expected and actual experience in the measurement of the pension liability	8,790	
Changes of assumptions or other inputs	(17,065)	
Benefit payments, including refunds of employee contributions	(26,505)	
Net change in pension liability	\$ 48,403	
Total pension liability - beginning	776,975	
Total pension liability - ending (a)	\$ 825,378	
Plan fiduciary net position		
Contributions - employer	\$ 37,790	
Net investment income	54,768	
Benefit payments, including refunds of employee contributions	(26,505)	
Administrative expenses	(483)	
Net change in plan fiduciary net position	65,570	
Plan fiduciary net position - beginning	460,756	
Plan fiduciary net position - ending (b)	526,326	
District's net pension liability - ending (a) - (b)	\$ 299,052	
Plan fiduciary net position as a percentage of the total pension liability	63.77%	
Covered payroll	\$ 6,308,825	
District's net pension liability as a percentage of covered payroll	4.74%	

See accompanying notes to pension plan schedules.

Sedona Fire District
Required Supplementary Information
Schedule of District Pension/OPEB Contributions
Year Ended June 30, 2018

Arizona State Retirement System	Reporting Fiscal Year			
	2018	2017	2016	2015 through 2009
Statutorily required contribution	\$ 119,543	\$ 128,403	\$ 244,984	No information to report
District's contributions in relation to the statutorily required contribution	119,543	128,403	244,984	
District's contribution deficiency	\$ -	\$ -	\$ -	
District's covered payroll	\$ 1,096,725	\$ 1,191,122	\$ 2,257,917	
District's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	

PSPRS - Pension	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 2,366,889	\$ 1,514,118	\$ 1,403,963	\$ 1,135,765	\$ 1,099,300	Information not available
District's contributions in relation to the actuarially determined contribution	2,366,889	1,514,118	1,403,963	1,135,765	1,099,300	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 6,906,592	\$ 6,308,825	\$ 5,961,626	\$ 5,827,104	\$ 5,694,542	
District's contributions as a percentage of covered payroll	34.27%	24.00%	23.55%	19.49%	19.30%	

PSPRS - Health	Reporting Fiscal Year			2016 through 2009
	2018	2017	2016	
Actuarially determined contribution	\$ 40,058	\$ 37,790		Information not available
District's contributions in relation to the actuarially determined contribution	40,058	37,790		
District's contribution deficiency	\$ -	\$ -		
District's covered payroll	\$ 6,906,592	\$ 6,308,825		
District's contributions as a percentage of covered payroll	0.58%	0.60%		

See accompanying notes to pension plan schedules.

**Sedona Fire District
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2018**

Note 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	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 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%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4% – 8%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4%. In the 2013 actuarial valuation, wage growth was decreased from 5% 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)

Notes to Pension/OPEB Plan Schedules – Continued

Note 2 – Factors That 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, 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.



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336



Statistical Section



Sedona Fire District
2860 Southwest Drive, Sedona, AZ 86336

Statistical Section

This part of the comprehensive annual financial report of the District presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health of the District.

This section contains the following tables and information:

- **Financial Trends** – These schedules contain trend information to help the reader understand how the financial performance and well-being of the District have changed over time.
- **Revenue Capacity** - These schedules contain information to help the reader assess the most significant local revenue source of the District – the property tax.
- **Debt Capacity** - These schedules present information to help the reader assess the affordability of the current levels of outstanding debt of the District and its ability to issue additional debt in the future.
- **Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the financial activities of the District take place.
- **Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the financial report of the District relates to the services the District provides and the activities it performs.

Sedona Fire District
Condensed Summary of Net Position By Component
Last ten (10) fiscal years (as of June 30)
(accrual basis of accounting)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(as restated)*				(as restated)*					
ASSETS										
Current	\$ 7,901,916	\$ 6,737,482	\$ 5,952,806	\$ 5,195,998	\$ 5,144,553	\$ 7,982,450	\$ 7,028,604	\$ 7,729,543	\$ 7,886,593	\$ 5,385,093
Capital	11,963,867	12,318,609	12,260,788	11,526,003	12,180,896	9,948,727	10,325,815	11,236,757	11,293,159	11,986,078
Total	<u>19,865,783</u>	<u>19,056,091</u>	<u>18,213,594</u>	<u>16,722,001</u>	<u>17,325,449</u>	<u>17,931,177</u>	<u>17,354,419</u>	<u>18,966,300</u>	<u>19,179,752</u>	<u>17,371,171</u>
DEFERRED OUTFLOWS OF RESOURCES										
Pension related	9,080,650	7,404,783	3,656,812	2,697,524	1,099,300	-	-	-	-	-
LIABILITIES										
Other	762,754	1,673,729	721,169	558,401	491,797	763,821	415,977	853,734	943,419	853,318
Long-term debt	26,180,441	22,745,713	15,109,009	14,405,052	13,456,338	3,710,840	1,638,212	1,689,864	1,801,313	2,040,071
Total	<u>26,943,195</u>	<u>24,419,442</u>	<u>15,830,178</u>	<u>14,963,453</u>	<u>13,948,135</u>	<u>4,474,661</u>	<u>2,054,189</u>	<u>2,543,598</u>	<u>2,744,732</u>	<u>2,893,389</u>
DEFERRED INFLOWS OF RESOURCES										
Pension related	444,581	494,035	890,262	800,822	-	-	-	-	-	-
NET POSITION										
Net investments in capital assets	10,601,147	10,527,674	12,260,788	11,526,003	9,845,373	7,463,341	10,075,596	10,868,955	10,787,750	11,352,449
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(9,042,490)</u>	<u>(8,980,277)</u>	<u>(7,110,822)</u>	<u>(7,870,753)</u>	<u>(5,368,759)</u>	<u>5,993,175</u>	<u>5,224,634</u>	<u>5,553,747</u>	<u>5,647,270</u>	<u>3,125,333</u>
Total governmental activities net position	<u>\$ 1,558,657</u>	<u>\$ 1,547,397</u>	<u>\$ 5,149,966</u>	<u>\$ 3,655,250</u>	<u>\$ 4,476,614</u>	<u>\$ 13,456,516</u>	<u>\$ 15,300,230</u>	<u>\$ 16,422,702</u>	<u>\$ 16,435,020</u>	<u>\$ 14,477,782</u>

SOURCE: The schedules on pages 58 through 61 were prepared using current and prior year audited financial statements.

NOTE: The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pension; an amendment of GASB Statement No. 27" during the fiscal year ended June 30, 2015, and GASB Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments" during the fiscal year ended June 30, 2004.

* During FY 2018, The District adopted GASB 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pension." The District adopted GASB Statement no. 68, "Accounting and Financial Reporting for Pensions," as amended by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to Measurement Date." during fiscal year ended June 30, 2015.

Sedona Fire District
Summary Statement of Activities and Changes in Net Position
Last ten (10) fiscal years (as of June 30)
(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses									
Governmental activities									
Public safety	\$ 17,350,320	\$ 19,575,479	\$ 14,460,489	\$ 14,898,434	\$ 13,969,082	\$ 13,898,395	\$ 12,338,872	\$ 13,623,111	\$ 13,695,106
Interest on long-term debt	57,035	62,934	54,373	62,800	71,305	14,843	15,481	22,086	26,849
Total primary government expenses	17,407,355	19,638,413	14,514,862	14,961,234	14,040,387	13,913,238	12,354,353	13,645,197	13,721,955
Program revenues									
Governmental activities									
Charges for services	3,366,345	3,001,437	3,589,703	3,346,335	3,775,525	3,542,235	2,716,022	2,852,592	2,732,185
Capital grants and operations	-	-	-	-	-	-	-	116,789	89,512
Total primary government program revenues	3,366,345	3,001,437	3,589,703	3,346,335	3,775,525	3,542,235	2,716,022	2,969,381	2,821,697
Net(expense)/revenue:									
Total primary government net expense	<u>\$ (14,041,010)</u>	<u>\$ (16,636,976)</u>	<u>\$ (10,925,159)</u>	<u>\$ (11,614,899)</u>	<u>\$ (10,264,862)</u>	<u>\$ (10,371,003)</u>	<u>\$ (9,638,331)</u>	<u>\$ (10,675,816)</u>	<u>\$ (10,900,258)</u>
General Revenue and									
Other Changes in Net Position									
Governmental activities:									
Property taxes	\$ 13,693,634	\$ 12,506,631	\$ 11,795,526	\$ 10,195,346	\$ 9,299,936	\$ 8,052,016	\$ 8,123,048	\$ 10,162,953	\$ 12,244,504
Fire district assistance tax	335,932	328,039	325,319	343,729	325,393	355,533	395,975	389,361	394,571
Investment earnings	62,066	21,581	18,187	14,214	18,697	16,322	14,275	24,595	22,594
Other	117,912	178,156	280,843	240,246	203,551	103,418	90,357	182,436	217,426
Gain (loss) on sale of capital assets	-	-	-	-	-	-	(107,796)	(95,847)	(21,599)
Total primary government	14,209,544	13,034,407	12,419,875	10,793,535	9,847,577	8,527,289	8,515,859	10,663,498	12,857,496
Change in Net Position									
Total primary government	<u>\$ 168,534</u>	<u>\$ (3,602,569)</u>	<u>\$ 1,494,716</u>	<u>\$ (821,364)</u>	<u>\$ (417,285)</u>	<u>\$ (1,843,714)</u>	<u>\$ (1,122,472)</u>	<u>\$ (12,318)</u>	<u>\$ 1,957,238</u>

Sedona Fire District
Fund balances of Governmental Funds
Last ten (10) fiscal years (as of June 30)
(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Nonspendable	\$ 139,774	\$ 95,607	\$ 219,469	\$ 122,733	\$ 108,551	\$ 122,892	\$ 155,263	\$ 184,929	\$ 61,689	\$ -
Committed	4,333,571	3,269,325	1,567,717	1,963,147	357,317	1,151,389	-	1,100,751	1,448,287	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	2,000,000	2,000,000	2,000,000	2,000,000	2,455,975	1,947,467	1,637,843	1,875,026	2,998,498	2,274,201
Total general fund	6,473,345	5,364,932	3,787,186	4,085,880	2,921,843	3,221,748	1,793,106	3,160,706	4,508,474	2,274,201
All other governmental funds										
Restricted	-	175,860	182,599	43,917	-	-	-	-	-	-
Committed	365,027	361,232	1,221,291	192,157	1,304,969	3,955,848	4,489,286	3,314,090	-	-
Assigned	51,124	-	-	-	-	-	-	-	-	-
Unassigned	-	(170,928)	(133,206)	(74,720)	(27,175)	90,244	-	-	1,986,256	1,738,301
Total all other governmental funds	416,151	366,164	1,270,684	161,354	1,277,794	4,046,092	4,489,286	3,314,090	1,986,256	1,738,301
Total governmental funds										
General Fund	6,473,345	5,364,932	3,787,186	4,085,880	2,921,843	3,221,748	1,793,106	3,160,706	4,508,474	2,274,201
Other Governmental Funds	416,151	366,164	1,270,684	161,354	1,277,794	4,046,092	4,489,286	3,314,090	1,986,256	1,738,301
Total	\$ 6,889,496	\$ 5,731,096	\$ 5,057,870	\$ 4,247,234	\$ 4,199,637	\$ 7,267,840	\$ 6,282,392	\$ 6,474,796	\$ 6,494,730	\$ 4,012,502

NOTE: The District maintains three governmental funds, the General Fund, Capital Projects Fund and Special Projects Fund.

Beginning the Fiscal Year Ended June 30, 2018, the District also began reporting on the Grant Fund.

Sedona Fire District
Statement of Changes in Fund Balances
Last ten (10) fiscal years (as of June 30)
(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 13,711,069	\$ 12,505,744	\$ 11,917,014	\$ 10,216,256	\$ 9,351,954	\$ 8,076,428	\$ 8,193,826	\$ 10,259,728	\$ 12,376,654	\$ 13,002,069
Fire district assistance tax	335,932	328,039	325,319	343,729	325,393	355,533	395,975	389,361	394,571	386,656
Capital grants	7,528	-	98,332	116,524	-	-	-	-	-	-
Charges for services	2,111,096	2,000,544	2,183,027	3,002,785	2,907,567	3,013,145	2,293,911	2,393,825	1,804,456	1,737,524
Investment earnings	62,066	21,581	18,187	14,214	18,696	16,323	14,275	24,603	22,594	41,646
Other	1,280,069	1,172,165	1,681,349	509,126	872,606	640,567	512,470	708,639	1,173,346	1,599,107
Total Revenues	17,507,760	16,028,073	16,223,228	14,202,634	13,476,216	12,101,996	11,410,457	13,776,156	15,771,621	16,767,002
Expenditures										
Public safety	15,323,236	13,970,284	14,063,235	13,457,496	13,125,569	12,722,529	11,363,278	12,625,003	12,892,360	13,398,789
Capital outlay	540,873	957,547	1,541,480	207,736	3,197,682	614,343	106,519	1,036,002	251,632	1,797,005
Debt Service										
Principal	428,215	416,115	323,698	427,002	349,863	139,315	117,583	137,607	128,220	207,388
Interest	57,036	62,934	54,376	62,803	71,305	14,843	15,481	22,086	26,849	35,171
Total Expenditures	16,349,360	15,406,880	15,982,789	14,155,037	16,744,419	13,491,030	11,602,861	13,820,698	13,299,061	15,438,353
Excess of revenues over (under) expenditures	1,158,400	621,193	240,439	47,597	(3,268,203)	(1,389,034)	(192,404)	(44,542)	2,472,560	1,328,649
Other financing sources (uses)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	24,608	9,668	10,930
Proceeds from capital lease obligation	-	52,033	570,197	-	200,000	2,374,482	-	-	-	-
Total other financing sources (uses)	-	52,033	570,197	-	200,000	2,374,482	-	24,608	9,668	10,930
Net change in fund balances	\$ 1,158,400	\$ 673,226	\$ 810,636	\$ 47,597	\$ (3,068,203)	\$ 985,448	\$ (192,404)	\$ (19,934)	\$ 2,482,228	\$ 1,339,579
Debt Service as a percentage of noncapital expenditures	47.29%	33.35%	19.70%	70.22%	11.64%	20.06%	55.54%	13.36%	38.13%	11.89%

Sedona Fire District
Assessed and Estimated Actual Value of Taxable Property
Last ten (10) fiscal years (as of June 30)

Fiscal year ended June 30,	Secondary Net Assessed Value	Secondary Net Assessed Value	Secondary Net Assessed Value	Less: Tax Exempt Real property	Total		Estimated Real Market Value	Assessed value as a % of actual Value
	Real Property	Personal Property	Public Utility Property		Taxable Assessed Value	Direct Tax Rate		
	Residential & Commercial Property	Assessed Value	Assessed Value					
2009	\$ 803,961,484	\$ 2,999,736	\$ 23,175,278	\$ 27,279,473	\$ 802,857,025	\$ 1.6500	\$ 6,836,037,464	12%
2010	726,446,937	2,710,514	20,940,816	24,011,486	726,086,781	1.5500	6,214,453,935	12%
2011	578,844,600	2,159,781	16,685,979	18,052,970	579,637,390	1.4000	4,913,129,812	12%
2012	494,721,062	1,845,900	14,261,004	14,224,052	496,603,914	1.4000	4,265,570,141	12%
2013	461,235,078	1,720,957	13,295,725	14,329,320	461,922,441	1.6300	4,021,395,498	11%
2014	478,140,366	1,168,890	17,207,770	14,522,301	481,994,725	2.0200	4,237,420,048	11%
2015	489,878,256	2,185,142	13,766,297	14,268,399	491,561,296	2.1330	4,365,673,829	11%
2016	510,102,217	2,249,654	14,080,210	15,483,042	510,949,039	2.4250	4,607,865,088	11%
2017	540,651,886	2,317,823	14,915,740	19,250,105	538,635,344	2.4470	4,871,656,794	11%
2018	579,811,591	1,957,312	20,065,755	20,035,268	581,799,390	2.4741	5,251,732,319	11%

Source: Yavapai and Coconino County Assessor's Office

NOTE: Secondary Net Assessed (or Full Cash) Values (SNAV) are based on Estimated Actual Value with an applicable rate of 10% (ARS § 42-15004) for residential property, 15%¹ (ARS § 42-15002) for Vacant Land and 18.0%² (ARS § 42-15001) for non-public utility and commercial property. Public utility infrastructure is centrally assessed by the Arizona Department of Revenue. Secondary Assessed Values (Estimated Actual Values) are determined each calendar year. The tax rate of the District is determined by the approved budget applicable divided by the Secondary Assessed Value as of July 1st of the respective fiscal year.

REF (1): Vacant Land Assessment Ratios are the following percentage of its full cash value, as applicable (ARS § 42-15002):

16.0%	Through December 31, 2015
15.0%	Beginning from and after December 31, 2015

REF (2): Non-Public and Commercial Property Assessment Ratios are the following percentage of its full cash value or limited valuation, as applicable (ARS

25.0%	Through December 31, 2005
24.5%	Through December 31, 2006
24.0%	Through December 31, 2007
23.0%	Through December 31, 2008
22.0%	Through December 31, 2009
21.0%	Through December 31, 2010
20.0%	Through December 31, 2012
19.5%	Through December 31, 2013
19.0%	Through December 31, 2014
18.5%	Through December 31, 2015
18.0%	Beginning from and after December 31, 2015

Sedona Fire District
Property Tax Rates - All Direct and Overlapping Governments
Last ten (10) fiscal years (as of June 30)

Direct		Overlapping Rates							Total Direct and overlapping rates
Fiscal year ended June 30,	Sedona Fire District	Yavapai County	Coconino County	School Equalization	Cottonwood Oak School District	Sedona Oak School District	Beaver Creek School District	Community College	
2009	\$ 1.6500	\$ 2.5672	0.4338	\$ -	\$ 3.1211	\$ 1.6384	\$ 3.0220	\$ 0.3652	\$ 12.7977
2010	1.5500	2.7398	0.3973	0.3306	2.9118	1.2714	2.7423	0.3369	12.2801
2011	1.4000	2.9134	0.3953	0.3564	2.9477	0.9671	2.8685	0.3352	12.1836
2012	1.4000	3.2838	0.4303	0.4259	3.7810	1.7689	3.5434	0.3649	14.9982
2013	1.6300	3.7868	0.448	0.4717	4.0483	1.4144	3.7985	0.3875	15.9852
2014	2.0200	4.2672	0.5466	0.5123	4.1354	2.0619	4.8725	0.4636	18.8795
2015	2.1330	4.3275	0.5466	0.5123	4.3664	2.2260	4.6128	0.4788	19.2034
2016	2.4250	4.3092	0.5646	0.5089	4.6103	2.1256	4.7125	0.4864	19.7425
2017	2.4470	4.2476	0.5788	0.5010	4.1014	2.1914	4.6894	0.4909	19.2475
2018	2.4741	4.0113	0.5678	0.4875	4.0552	2.0085	4.3284	0.4816	18.4144

Source: Yavapai and Coconino County Tax Assessor

NOTE: Arizona Revised Statute Title 48 limits the District's direct rate to a maximum of \$3.25¹ per \$100 of Secondary Net Assessed Value (SNAV). Additionally, changes in statute during the 2009 Legislative Session established further limits which impacted the maximum yearly increase in the tax levy (in dollars) for special districts in Arizona. This amount is based on a calculation which established a "base year" for special districts. The annual levy may not exceed the base year tax levy (2008 tax year), with consideration for new additions to the valuation base, plus 8% per year from the base year, in the aggregate.

REF (1): During the 2012 50th legislature, Second Regular Session house Bill #2184 was passed providing for a temporary override under the heading of "County fire district assistance tax; levy limit 2012 through 2014". This temporary override allows fire districts that have experienced a combined net assessed valuation decline of twenty-five percent or more beginning with the 2008 valuation year, notwithstanding the tax rate limit established pursuant to section 48-807, subsection F, Arizona Revised Statutes, may adopt a tax rate not to exceed \$3.75, provided the proceeds do not exceed the total levy received in the prior fiscal year. Furthermore, the increased tax rate shall not be used to fund salary increases or increase the number of full-time positions within the fire district. Fire Districts utilizing this override shall not call for an override election pursuant to section 48-807, subsection G, Arizona Revised Statutes.

**Sedona Fire District
Principal Property Taxpayers
Current and Nine Years Ago**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>June 30, 2018</u>	
		<u>Assessed Value</u>	<u>% of Total Assessed Value</u>
ARIZONA PUBLIC SERVICE COMPANY	Utility	\$ 7,665,513	1.32%
NEW ENCHANTMENT LLC	Recreation	6,108,793	1.05%
HTS-CHC (SEDONA) LLC	Church	5,465,256	0.94%
90 RIDGE TRAIL DRIVE SEDONA	Recreation	4,363,723	0.75%
ILX ACQUISITION INC	Recreation	3,435,813	0.59%
DIAMONDBACK AZ LA OWNER	Recreation	2,764,214	0.48%
POCO DIABLO RESORT LLC	Recreation	2,411,840	0.41%
SEDONA HOSPITALITY GROUP	Hospitality	2,279,805	0.39%
SEDONA ROUGE LLC	Recreation	2,238,976	0.38%
SIGNATURE RESORTS	Recreation	1,898,076	0.33%
		<u>\$ 38,632,009</u>	<u>6.64%</u>
Total Assessed Value		<u>\$ 581,799,390</u>	

<u>Taxpayer</u>	<u>Type of Business</u>	<u>June 30, 2009</u>	
		<u>Assessed Value</u>	<u>% of Total Assessed Value</u>
ARIZONA PUBLIC SERVICE COMPANY	Utility	\$ 9,172,740	1.14%
NEW ENCHANTMENT LLC	Recreation	8,382,146	1.04%
HTS-CHC (SEDONA) LLC	Church	6,497,795	0.81%
MASSACHUSETTS MUTUAL LIFE	Insurance	5,174,038	0.64%
POCO DIABLO RESORT LLC	Recreation	3,939,453	0.49%
ILX ACQUISITION INC	Recreation	3,923,790	0.49%
L'AUBERGE ORCHARDS LLC	Recreation	3,757,776	0.47%
AMARA RESORT SPE LLC	Recreation	3,430,247	0.43%
TLAQ PARTNERS LLC	Recreation	2,876,389	0.36%
RAMS SHOPPING CENTER LLC	Retail	2,694,872	0.34%
		<u>\$ 49,849,246</u>	<u>6.21%</u>
Total Assessed Value		<u>\$ 802,857,025</u>	

Source: Yavapai and Coconino County Assessor

**Sedona Fire District
Property Tax Levies and Collections
Last ten (10) fiscal years (as of June 30)**

Fiscal year ended June 30,	Original Property Tax Levy	Tax Roll Corrections	Property Tax Levy (Adjusted)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Amount	% of Levy
				Amount	% of Levy			
2009	\$ 13,170,838	\$ (9,627)	\$ 13,161,211	\$ 12,745,697	96.84%	\$ 395,751 ^[1]	\$ 13,141,448	99.85%
2010	12,450,679	(9,793)	12,440,886	11,968,142	96.20%	453,054 ^[1]	12,421,196	99.84%
2011	10,164,437	(18,571)	10,145,866	9,873,294	97.31%	266,167 ^[1]	10,139,461	99.94%
2012	8,094,341	(15,203)	8,079,138	7,819,660	96.79%	244,666	8,064,326	99.82%
2013	8,061,882	(4,628)	8,057,254	7,872,135	97.70%	174,465	8,046,600	99.87%
2014	9,334,409	(15,510)	9,318,899	9,158,865	98.28%	153,410	9,312,275	99.93%
2015	10,219,722	(2,452)	10,217,270	10,042,492	98.29%	170,276	10,212,768	99.96%
2016	11,923,256	(5,090)	11,918,166	11,722,392	98.36%	193,746	11,916,138	99.98%
2017	12,519,018	(11,918)	12,507,100	12,221,265	97.71%	284,881	12,506,146	99.99%
2018	13,695,785	(1,472)	13,694,313	13,504,763	98.62%	93,425 ^[2]	13,598,188	99.30%

Source: Yavapai and Coconino County Treasurer

[1] Subsequent period collections for Coconino County are not available for this time period.

[2] This amount represents collections through August 30, 2018.

Sedona Fire District
Ratios of General Bonded Debt Outstanding
Last ten (10) fiscal years (as of June 30)

Fiscal year ended June 30,	Capital Lease Debt	General Obligation Bond		Total Outstanding Debt		
		Outstanding	Legal Limit	Amount	% of Personal Income	Debt Per Capita
2009	\$ 633,629	\$ -	\$ 49,174,561	\$ 633,629	0.01%	1.83
2010	505,409	-	44,500,487	505,409	0.00%	1.46
2011	367,802	-	35,493,620	367,802	0.00%	1.07
2012	250,219	-	30,399,459	250,219	0.00%	0.72
2013	2,485,386	-	26,089,720	2,485,386	0.02%	7.17
2014	2,335,523	-	27,455,499	2,335,523	0.02%	6.58
2015	1,908,521	-	28,441,261	1,908,521	0.01%	5.31
2016	2,155,020	-	29,430,905	2,155,020	0.02%	5.94
2017	1,790,935	-	31,682,192	1,790,935	0.01%	4.85
2018	1,362,720	-	34,747,359	1,362,720	0.01%	3.64

Source: Personal income and population information can be found in the Demographic and Economic Statistics.

NOTE: The District's purchase lease agreements are backed by the full faith and credit of the District. Such amounts are not subject legal limits based on property valuation; rather, the debt service is required to be paid from the primary tax levy subject to levy limitations. General Obligation Bonds are limited to the lesser of 6% of secondary assessed value in the year they are issued or the maximum amount of the voter approved offering.

Sedona Fire District
Direct and Overlapping Governmental Activities Debt

<u>Governmental Unit</u>	<u>Debt Outstanding at June 30, 2018</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Yavapai County	\$ 17,065,890	100.00%	\$ 17,065,890
Coconino County	8,084	100.00%	8,084
Cottonwood Oak School District	13,975,000	100.00%	13,975,000
Sedona Oak School District	58,190,000	100.00%	58,190,000
Coconino Community College	2,120,000	100.00%	2,120,000
Subtotal, overlapping debt			<u>91,358,974</u>
Sedona Fire District			<u>1,362,720</u>
Total Direct and overlapping debt			<u><u>\$ 92,721,694</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the District. This Schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the District. The process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Arizona Department of Administration

Sedona Fire District
Legal Debt Margin Information
Last ten (10) fiscal years (as of June 30)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assessed Value	\$ 601,834,658	\$ 557,885,449	\$ 526,432,081	\$ 505,829,695	\$ 496,517,026	\$ 476,251,761	\$ 510,827,966	\$ 597,690,360	\$ 750,098,267	\$ 830,136,498
Debt limit rate	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Debt Limit	36,110,079	33,473,127	31,585,925	30,349,782	29,791,022	28,575,106	30,649,678	35,861,422	45,005,896	49,808,190
Less lease obligations	(1,362,720)	(1,790,935)	(2,155,020)	(1,908,521)	(2,335,523)	(2,485,386)	(250,219)	(367,802)	(505,409)	(633,629)
Legal debt margin	<u>\$ 34,747,359</u>	<u>\$ 31,682,192</u>	<u>\$ 29,430,905</u>	<u>\$ 28,441,261</u>	<u>\$ 27,455,499</u>	<u>\$ 26,089,720</u>	<u>\$ 30,399,459</u>	<u>\$ 35,493,620</u>	<u>\$ 44,500,487</u>	<u>\$ 49,174,561</u>
Total net debt applicable to the limit as a percentage of debt limit	3.77%	5.35%	6.82%	6.29%	7.84%	8.70%	0.82%	1.03%	1.12%	1.27%

**Sedona Fire District
Demographic and Economic Statistics
Last ten (10) fiscal years (as of June 30)**

Fiscal year ended June 30,	Population (Coconino & Yavapai)	Personal Income (thousands of dollars)	Per Capita Income (Coconino & Yavapai)	Unemployment Rate (Coconino County)	Unemployment Rate (Yavapai County)
2009	345,543	11,148,721	66,224	8.3%	10.2%
2010	345,578	10,635,673	62,817	10.2%	10.5%
2011	345,061	10,699,981	63,148	10.4%	10.8%
2012	345,212	11,284,464	66,987	8.8%	9.1%
2013	346,594	11,550,356	67,704	8.2%	8.3%
2014	354,729	12,081,643	70,333	7.2%	6.6%
2015	359,380	13,037,891	75,024	6.6%	5.9%
2016	362,749	13,759,933	78,265	6.3%	5.1%
2017	369,421	14,341,448	80,558	5.8%	4.5%
2018	374,534	15,046,051	83,664	5.3%	4.4%

Sources of information:

- 1) *Office of Economic Opportunity - Arizona Labor Statistics*

**Sedona Fire District
Principal Employers
Current and Nine Years Ago**

Employer	June 30, 2018			June 30, 2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Enchantment Resorts	565	1	9.97%	383	2	6.04%
Diamond Resorts	300	2	5.29%	275	3	4.34%
L'Auberge De Sedona Resort	240	3	4.24%	180	5	2.84%
Hilton Resort & Spa	197	4	3.48%	193	4	3.05%
Pink Jeep Tours	168	5	2.97%	125	7	1.97%
Sedona/Oak Creek School District	154	6	2.72%	180	5	2.84%
City of Sedona	105	7	1.85%	120	8	1.89%
Amara Resort	100	8	1.76%	-		-
Sedona Center Properties	97	9	1.71%	-		-
Kachina Point Rehabilitation Hospital	85	10	1.50%	-		-
Sunterra Resorts				400	1	6.31%
Radisson Resorts				99	9	1.56%
Sedona Rouge				98	10	1.55%
Total	2,011		35.49%	2,053		32.39%

Source: City of Sedona

Sedona Fire District
Operating Indicators by Function
Last ten fiscal years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Emergency medical service calls	3,146	2,981	3,234	3,115	2,835	2,655	2,731	2,713	2,776	2,553
Fire responses	95	65	59	51	72	77	88	85	85	78
Other responses - including hazardous materials, mutual aid, public service	847	854	819	781	744	770	807	798	595	578
Miscellaneous - including false alarms, good intent	424	389	353	406	392	320	277	355	348	356
Total Incidents	4,512	4,289	4,465	4,353	4,043	3,822	3,903	3,951	3,804	3,565

Source: Various District departments

Sedona Fire District
Full-Time Equivalent Employees by Function
Last ten fiscal years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Fire and rescue service	80	76	73	75	79	78	69	70	73	76
Fire Prevention	3	2	1	2	2	2	1	2	3	3
Administrative and support	15	15	17	25	25	27	30	31	38	40
Total	98	93	91	102	106	106	100	103	113	118

Source: District HR department

Sedona Fire District
Capital Asset Statistics by Function
Last ten fiscal years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Stations	8	8	8	8	8	8	8	8	8	8
Equipment:										
Engines	7	7	7	7	7	7	7	7	7	7
Ladder Trucks	1	1	1	1	1	1	1	1	1	1
Brush rigs	3	3	3	3	3	3	3	3	3	3
Rescue units	1	1	1	1	1	1	1	1	1	1
Tenders	3	3	3	3	3	3	3	3	4	5
Squad/support units	1	1	1	1	1	1	1	1	1	1

Source: District logistics department