BEAVER DAM/LITTLEFIELD FIRE DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

BEAVER DAM/LITTLEFIELD FIRE DISTRICT

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Independent Auditor's Report

Executive Director and Members of the Board
Beaver Dam/Littlefield Fire District
Beaver Dam, Arizona

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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. 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 and the major fund of Beaver Dam/Littlefield Fire District as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2018, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2019, on our consideration of Beaver Dam/Littlefield Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaver Dam/Littlefield Fire District's internal control over financial reporting and compliance.

Hinton Burdick, PLLC

HintonBurdick, PLLC
Mesquite, Nevada
February 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows exceed total liabilities and deferred inflows (i.e. net position) by $1,761,537 at the end of the fiscal year.
- Total net position increased by $268,843, including a restatement adjustment of $36,550.
- Total revenue from all sources was $1,222,607 and the total cost of all district programs was $990,314.
- Total long-term debt (excludes compensated absences and net pension/OPEB liability) decreased by $290,520.
- The net pension/OPEB liabilities were $320,333 at the end of the fiscal year.
- Total revenue received in the general fund was $352,277 more than the final budget and expenditures were $150,195 less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $833,436 or 68% of total general fund expenditures.

USING THIS ANNUAL REPORT

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

Reporting the District as a Whole

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

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

These two statements report the District's net position and changes in them. Net position, the difference between assets (and deferred outflows) and liabilities (and deferred inflows), are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

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

- Government activities – All of the District's basic services are considered to be governmental activities, including public safety and interest on long-term debt. Property taxes, intergovernmental revenues and charges for services finance most of these activities.

- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by $1,761,537 as of June 30, 2018, as shown on the following condensed statement of net position.

Statement of Net Position

	6/30/2018	6/30/2017
Current and other assets	$ 950,176	$ 948,546
Capital assets	865,783	1,006,986
Total assets	1,815,959	1,955,532
Deferred outflows of resources	444,978	-
Long-term obligations	453,146	413,757
Other liabilities	45,825	49,081
Total liabilities	498,971	462,838
Deferred inflows of resources	429	-
Net position:		
Net investment in capital assets	772,455	623,138
Unrestricted	989,082	869,556
Total net position	$ 1,761,537	$ 1,492,694

Governmental Activities

The cost of all governmental activities this year was $990,314. Those who directly benefited from the programs paid for $705,432 of this cost. Over all governmental program revenues, including intergovernmental aid and fees for services, were $705,432. General taxes, investment earnings and other general revenues totaled $517,175.

The District's programs include public safety. The program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support each of the District's programs.

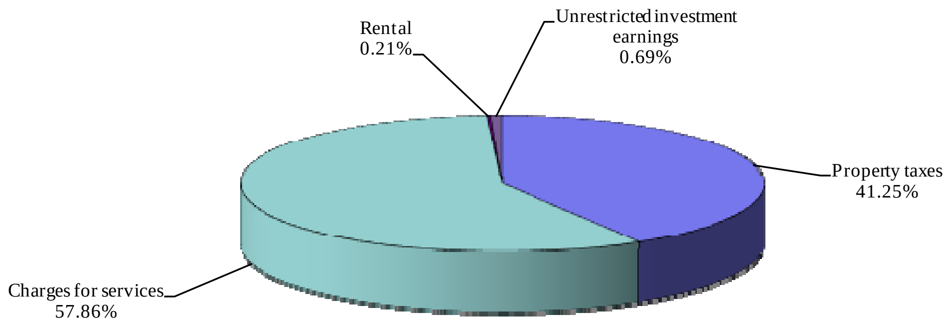
Change in Net position

	6/30/2018	6/30/2017
Revenues:		
Program revenues:		
Charges for services	$ 705,432	$ 514,154
General revenues:		
Property taxes	502,885	465,281
Rental	2,520	1,260
Unrestricted investment earnings	8,413	5,885
Gain on sale of capital assets	3,357	10,150
Total revenues	1,222,607	996,730
Expenses:		
Public safety	979,610	960,162
Interest on long-term debt	10,704	7,643
Total expenses	990,314	967,805
Change in net position	232,293	28,925
Net position, beginning	1,492,694	1,502,220
Restatement/prior period adjustment	36,550	(38,451)
Net position, ending	$ 1,761,537	$ 1,492,694

Total resources available during the year to finance governmental operations were $2,751,851 consisting of net position at June 30, 2017 of $1,492,694, restatement adjustment of $36,550 (see Note 8), program revenues of $705,432, and general revenues of $517,175. The total cost of governmental activities during the year was $990,314; thus governmental net position increased by $268,843 to an ending net position of $1,761,537.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the general fund at fiscal year-end were $150,195 more than actual expenditures. Actual revenues were greater than the final budget by $352,277. In addition, other financing sources (sale of capital assets) were greater than the budget by $4,650. Budget amendments and supplemental appropriations were not made during the year after the adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital assets include land, buildings, equipment, and emergency vehicles. At the end of fiscal year 2018, net capital assets of the government activities totaled $865,783. Depreciation on capital assets is recognized in the government-wide financial statements. See Note 4 to the financial statements.

Debt

The long-term debt (excludes compensated absences and net pension/OPEB liabilities) of the District was $93,328 as of the end of fiscal year 2018, which is a decrease of $290,520 from the prior fiscal year. The District paid off a lease purchase agreement for a brush truck during the fiscal year.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District's budget for fiscal year 2018/2019, the District board and management estimated the budget for operating revenues and expenditures to increase compared to fiscal year 2017/2018. This is due to the planned purchase of a fire truck with an accompanying capital lease.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Arnett, Finance Director of the Beaver Dam/Littlefield Fire District at P.O. Box 579, Littlefield, AZ 86932 or call 520-347-5114.

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BASIC FINANCIAL STATEMENTS

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Statement of Net Position
June 30, 2018

		Governmental Activities
Assets		
Cash and cash equivalents	$	782,350
Receivables, net of allowance		148,444
Prepaids		19,382
Capital assets, net of accumulated depreciation		
Land		29,839
Buildings and improvements		264,668
Machinery and equipment		53,109
Vehicles		518,167
Total assets		1,815,959
Deferred Outflows of Resources		
Deferred outflows related to pensions/OPEB		444,978
Liabilities		
Accounts payable and other current liabilities		45,825
Noncurrent liabilities:		
Due within one year		30,242
Due in more than one year		102,571
Net pension/OPEB liabilities		320,333
Total liabilities		498,971
Deferred Inflows of Resources		
Deferred inflows related to pensions/OPEB		429
Net Position		
Net investment in capital assets		772,455
Unrestricted		989,082
Total net position	$	1,761,537

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

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants & Contributions**	**Governmental Activities**	**Total**
Governmental activities:					
Public safety	$ 979,610	$ 705,432	$ -	$ (274,178)	$ (274,178)
Interest on long-term debt	10,704	-	-	(10,704)	(10,704)
Total governmental activities	$ 990,314	$ 705,432	$ -	(284,882)	(284,882)
	General revenues:				
	Property and other taxes			502,885	502,885
	Rental			2,520	2,520
	Unrestricted investment earnings			8,413	8,413
	Gain on sale of capital assets			3,357	3,357
	Total general revenues			517,175	517,175
	Change in net position			232,293	232,293
	Net position - beginning			1,492,694	1,492,694
	Restatement adjustment			36,550	36,550
	Net position - ending			$ 1,761,537	$ 1,761,537

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

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	$ 782,350	$ 782,350
Accounts receivable, net of allowance of $77,726	35,467	35,467
Due from other governments	112,977	112,977
Prepaid items	19,382	19,382
Total assets	$ 950,176	$ 950,176
Liabilities, deferred inflows of resources, and fund balances		
Liabilities:		
Accounts payable	$ 37,318	$ 37,318
Accrued liabilities	8,507	8,507
Total liabilities	45,825	45,825
Deferred inflows of resources:		
Unavailable revenue	1,236	1,236
Total deferred inflows of resources	1,236	1,236
Fund balances:		
Nonspendable:		
Prepaid items	19,382	19,382
Assigned:		
Capital outlay	50,297	50,297
Unassigned	833,436	833,436
Total fund balances	903,115	903,115
Total liabilities, deferred inflows of resources, and fund balances	$ 950,176	$ 950,176

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

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total governmental fund balance		$ 903,115
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.		
Capital assets	$ 2,849,897	
Accumulated depreciation	(1,984,114)	865,783
Unavailable revenues associated with charges for services and taxes are recorded as revenue in the government-wide statements.		1,236
Some liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases	(93,328)	
Compensated absences	(39,485)	
Net pension/OPEB liability	(320,333)	(453,146)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	444,978	
Deferred inflows	(429)	444,549
Total net position of governmental activities		$ 1,761,537

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

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

		General Fund
		Year ended June 30, 2018
Revenues:		
Property and other taxes	$	502,885
Charges for services, including ambulance		239,397
Rental income		2,520
Other revenues, including wildland fires		468,271
Interest revenue		8,413
Total revenues		1,221,486
Expenditures:		
Fire protection and EMS:		
Insurance		21,090
Communications		51,852
Maintenance, supplies, fuel and other		114,127
Total fire protection		187,069
Department operations:		
Administrative costs		36,298
Salaries, wages and benefits		562,128
Maintenance, supplies and other		11,642
Payroll and other taxes		82,244
Training		18,090
Utilities		14,899
Total department operations		725,301
Debt service		301,224
Capital outlay - public safety		5,420
Total expenditures		1,219,014
Excess (deficiency) of revenues over expenditures		2,472
Other financing sources (uses)		
Sale of capital assets		4,650
Total other financing sources (uses)		4,650
Net change in fund balance		7,122
Fund balance - beginning of year		895,993
Fund balance - end of year	$	903,115

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

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds		$ 7,122
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 5,420	
Depreciation expense	(147,830)	(142,410)
The net effect of various miscellaneous transactions involving capital assets (i.e., retirements) is to increase net position.		1,207
Revenues for services that were not collected in the current period are not reported as revenue in the current period while they are recorded in the statement of activities. This is the change in the unavailable revenue balance for the fiscal year.		(2,236)
Repayment of long-term debt (e.g., leases) principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Capital lease repayment		290,520
Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the 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 liability/OPEB adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
Pension/OPEB contributions	36,550	
Pension/OPEB expense	51,116	87,666
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(9,576)
Change in net position of governmental activities		$ 232,293

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

NOTE 1. Significant Accounting Policies

Description of Government-Wide Financial Statements

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

Reporting Entity

The District was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection for the communities of Beaver Dam, Littlefield, Desert Springs, Scenic, and Jones Flat. The accompanying financial statements include all activities of the District. There are no other agencies, or component units, that should be associated with these financial statements.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The **General Fund** is used to account for all financial resources applicable to the general operations of the District. The District has no other funds.

During the course of operations, the District may have activity between funds for various purposes. Any residual balances outstanding at yearend are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

NOTE 1. Significant Accounting Policies, Continued

Further, certain activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement* focus and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The District uses 90 days instead of 60 days to better coincide with the collection period of ambulance billings. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, fire district assistance taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 90 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 1. Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by resolution by the Board on or before July 15th for the fiscal year in accordance with State law. Prior to adoption of the budget, a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. During the current fiscal year, there were no amendments to the budget. Procedures for amending the budgets are completed in accordance with State laws. Refer to the budget and actual schedule for any excess expenditures over appropriations, if any.

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

Receivables and Allowance for Uncollectible Receivables

Receivables consist primarily of ambulance billings, grants and property taxes. An allowance for uncollectible accounts receivable on receivables relating to ambulance charges for services is considered necessary and is presented.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statement of net position. The District defines capital assets as assets with an individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 7 – 40 years; machinery and equipment, 5 – 7 years; vehicles, 5 – 10 years.

NOTE 1. Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has one type of item that qualifies for reporting in this category. Accordingly, *pension/OPEB* type items are reported in the government-wide financial statements (see Note 7).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. Accordingly, *pension/OPEB* type items are reported on the government-wide financial statements (see Note 7). Another type of item, which arises only under a modified accrual basis of accounting, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: ambulance revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Postemployment Benefits

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

Net Position Flow Assumptions

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

NOTE 1. Significant Accounting Policies, Continued

Fund Balance Flow Assumptions

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

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Revenues and Expenditures/Expenses

Program Revenues

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

NOTE 1. Significant Accounting Policies, Continued

Property Taxes

Property taxes are collected by the Mohave County Treasurer and remitted to the District monthly. Taxes are levied each August on the taxable value listed as of the prior January 1 for all real property located within the District. Taxable values are established by the County Assessor at 100 percent of the fair market value on primary residential property and non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on October 1 and March 1 and become delinquent after November 1st and May 1st of each year. They become liens if not paid within two years from the date of levy.

Compensated Absences

For governmental funds, amounts of vested or accumulated paid time off (PTO) that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide financial statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the governmental fund financial statements. Accumulated unpaid PTO is accrued based on the District's expected legal obligation as of the statement date.

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 maintains insurance for general liability, auto liability, employee dishonesty, and worker's compensation.

Tax Abatements

The District has not entered into any tax abatement agreements and the District is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the District's tax revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1. Significant Accounting Policies, Continued

New Pronouncements

For the year ended June 30, 2018, the District fully implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. However, since the District joined the PSPRS after June 30, 2016 (the PSPRS measurement date for the reporting period June 30, 2017), the District did not report a net pension liability and related deferred outflows/inflows of resources relating to pensions as of June 30, 2017.

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 and 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.

Implementation of these new statements resulted in a restatement of beginning net position in the District's government-wide financial statements (see Note 8).

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 13.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 15.

NOTE 3. Deposits and Investments

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

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

Deposits:		
Financial institutions	$	782,350
Total deposits	$	782,350

Cash and investments as shown on the statement of net position follows:

Cash and cash equivalents	$	782,350

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2018, $471,971 of the District's bank balance of $793,414 was exposed to custodial credit risk because it was uninsured or uncollateralized.

Investments

The District had no investments during the fiscal year June 30, 2018.

NOTE 4. Capital Assets

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

Governmental Activities:	**Balance 6/30/2017**	**Additions**	**Deletions**	**Balance 6/30/2018**
Capital assets, not being depreciated:				
Land	$ 29,839	$ -	$ -	$ 29,839
Total capital assets, not being depreciated	29,839	-	-	29,839
Capital assets, being depreciated:				
Buildings and improvements	515,129	-	-	515,129
Machinery and equipment	523,246	2,500	(136,397)	389,349
Vehicles	1,978,661	5,420	(68,501)	1,915,580
Total capital assets, being depreciated	3,017,036	7,920	(204,898)	2,820,058
Less accumulated depreciation for:				
Buildings and improvements	(234,705)	(15,756)	-	(250,461)
Machinery and equipment	(455,604)	(17,033)	136,397	(336,240)
Vehicles	(1,349,580)	(115,041)	67,208	(1,397,413)
Total accumulated depreciation	(2,039,889)	(147,830)	203,605	(1,984,114)
Total capital assets, being depreciated, net	977,147	(139,910)	(1,293)	835,944
Governmental activities capital assets, net	$ 1,006,986	$ (139,910)	$ (1,293)	$ 865,783

The entire amount of depreciation was charged to the governmental activity, public safety.

NOTE 5. Long-term Liabilities

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

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018	Current Portion
Governmental activities					
Capital leases	$ 383,848	$ -	$ (290,520)	$ 93,328	$ 30,242
Accured compensated absences	29,909	22,331	(12,755)	39,485	-
Net pension/OPEB liabilities*	36,550	283,783	-	320,333	-
Total governmental activities	450,307	306,114	(303,275)	453,146	30,242
Total long-term liabilities	$ 450,307	$ 306,114	$ (303,275)	$ 453,146	$ 30,242

* The net pension/OPEB liabilities beginning balance relates to a restatement adjustment. See Note 8.

The following is a list of long-term liabilities outstanding as of June 30, 2018:

Lease payable:	
2.84% lease payable to Zions Bank in annual installments of $32,893 through March 2021, secured by ambulance.	$ 93,328
Total leases payable	93,328
Compensated absences	39,485
Net pension/OPEB liabilities	320,333
Total long-term liabilities	453,146
Less current portion:	(30,242)
Net long-term liabilities	$ 422,904

NOTE 6. Capital Lease Obligations

The District has entered into lease agreements, which are considered capital leases in accordance with accounting standards. The leases are shown in the governmental activities of the government-wide statement. As of June 30, 2018, the gross amount of the vehicle capitalized under the leases is $172,745 and related accumulated depreciation is $23,033.

NOTE 6. Capital Lease Obligations, Continued

The following is an annual schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments:

Year Ending June 30,		
2019	$	32,893
2020		32,893
2021		32,893
Total remaining minimum lease payments		98,679
Less amount representing interest		(5,351)
Present value of net remaining minimum lease payments	$	93,328

NOTE 7. Pensions and Other Postemployment Benefits

The District contributes to the plans described below. The plans are a component unit of the State of Arizona. At June 30, 2018, the District reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities		Governmental Activities
Net pension and OPEB liability	$	320,333
Deferred outflows of resources		444,978
Deferred inflows of resources		429
Pension/OPEB expense		(51,116)

NOTE 7. Pensions and Other Postemployment Benefits, Continued

Public Safety Personnel Retirement System (PSPRS)

Plan description – The District's fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. 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, Chapter5, Article 4. Employees who were hired into a PSPRS position before July 1, 2017, participate in the agent plans, and those who were hired into a PSPRS position on or after July 1, 2017 participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS plans. The report is 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 established benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and series credit as follows:

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NOTE 7. Pension and Other Postemployment Benefits, Continued

PSPRS	**Initial membership date:**	
	Before January 1, 2012	**On or After January 1, 2012 and before July 1, 2017**
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

NOTE 7. Pension and Other Postemployment Benefits, Continued

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

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

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	-	-
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	2	2
Total	3	3

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

	Active member - Pension	District - Pension	District - Health insurance premium
PSPRS	7.65%	0.00%	0.00%
Tier 3 risk pool	9.94%	9.68%	0.26%

Also, statute required the District to contribute at the actuarially determined rate of 0.00% (0.00% for pension and 0.00% for health insurance premium benefit) of the annual covered payroll of District's employees who were PSPRS Tier 3 Risk Pool members, in addition to the District's required contributions to the PSPRS Tier 3 Risk Pool for these employees.

The results of the June 30, 2016 annual actuarial valuation of members covered by PSPRS were used to determine the employer contributions for the 2017 – 2018 fiscal year. Due to the District becoming a member of PSPRS after the actuarial valuation, the statutory required contribution was 0.00%, as State statute requires the employer required contribution to be based off the annual actuarial valuation. However, the District made voluntary contributions to the agent plans, for pensions, in the amount of 23.74% of the covered payroll for all active PSPRS employees during the fiscal year ended June 30, 2018.

NOTE 7. Pension and Other Postemployment Benefits, Continued

For the agent plans, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2018, were:

	Pension	Health insurance premium benefit
PSPRS	$ 65,381	$ -
PSPRS Tier 3 risk pool	-	-

During fiscal year 2018, the District paid for PSPRS pension and OPEB contributions 100% from the general fund.

For the year ended June 30, 2018, active members were required to contribute 7.65% of their annual covered salary to the PSPRS and the District was required to contribute 0.00%, as determined by actuarial basis specified by state statute. The health insurance portion of the contribution rate was actuarially set at 0.00% For the agent plans, the District's contributions to the pension plan were $65,381 for the year ended June 30, 2018.

Liability – At June 30, 2018, the District reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS	$ 297,741	$ 22,592

The net assets and net liabilities were measured as of June 30, 2017 , and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities 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.

NOTE 7. Pension and Other Postemployment Benefits, Continued

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	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 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 Geometric Real Rate of Return
Short term investments	2.00%	0.25%
Absolute return	2.00%	3.75%
Risk parity	4.00%	5.00%
Fixed income	5.00%	1.25%
Real assets	9.00%	4.52%
GTAA	10.00%	3.96%
Private credit	12.00%	6.75%
Real estate	10.00%	3.75%
Credit opportunities	16.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
Total	100.00%	

NOTE 7. Pension and Other Postemployment Benefits, Continued

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

Changes in the net pension/OPEB liability

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	$ -	$ -	$ -	$ -	$ -	$ -
Changes for the year:						
Service cost	-	-	-	-	-	-
Interest on total pension/OPEB liability	-	-	-	-	-	-
Changes of benefit terms	(113,625)	-	(113,625)	8,121	-	8,121
Difference between expected and actual experience in the measurement of the pension/OPEB liability	445,068	-	445,068	14,576	-	14,576
Changes of assumptions	22,809	-	22,809	(105)	-	(105)
Contributions - employer	-	36,550	(36,550)	-	-	-
Contributions - employee	-	17,933	(17,933)	-	-	-
Net investment income	-	2,450	(2,450)	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-
Plan administrative expenses	-	(422)	422		-	-
Other changes	-	-	-	-	-	-
Net changes	354,252	56,511	297,741	22,592	-	22,592
Balances at June 30, 2018	$ 354,252	$ 56,511	$ 297,741	$ 22,592	$ -	$ 22,592

Sensitivity of the District's net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's net pension/OPEB (assets) liabilities calculated using the discount rate 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 or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
Net pension (asset) / liability	$ 359,690	$ 297,741	$ 247,430
Net OPEB (asset)/ liability	25,811	22,592	19,902

NOTE 7. Pension and Other Postemployment Benefits, Continued

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

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

	Pension expense	OPEB expense
PSPRS	$ (61,225)	$ 10,110

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

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 347,350	$ -	$ 12,573	$ -
Changes in assumptions	19,674	-	-	91
Net difference between projected and actual earnings on pension/OPEB plan investments	-	338	-	-
Contributions subsequent to the measurement date	65,381	-	-	-
Total	$ 432,405	$ 338	$ 12,573	$ 91

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

	PSPRS	
Year Ended June 30	Pension	Health Insurance Premium Benefit
2019	$ 64,218	$ 1,989
2020	64,218	1,989
2021	64,218	1,989
2022	64,220	1,989
2023	64,303	1,989
Thereafter	45,509	2,537

NOTE 8. Restatement Adjustment

As mentioned in Note 1 to the financial statements, during the fiscal year ending June 30, 2018, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (and related statements) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017.* This resulted in a restatement of beginning net positions as follows:

Beginning net position, as of July 1, 2017		$ 1,492,694
Restatement adjustment: -		
Implementation of GASB 68:		
Deferred outflows - contributions made during		
fiscal year 2017	$ 36,550	
Total restatement adjustment		36,550
Adjusted beginning net position, as of July 1, 2017		$ 1,529,244

REQUIRED SUPPLEMENTARY INFORMATION

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Required Supplementary Information
GENERAL FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Property and other taxes	$ 490,689	$ 490,689	$ 502,885	$ 12,196
Charges for services, including ambulance	220,000	220,000	239,397	19,397
Rental income	2,520	2,520	2,520	0
Other revenues, including wildland fires	155,000	155,000	468,271	313,271
Interest earnings	1,000	1,000	8,413	7,413
Total revenues	869,209	869,209	1,221,486	352,277
Expenditures:				
Fire protection and EMS:				
Insurance	24,460	24,460	21,090	3,370
Communications	59,821	59,821	51,852	7,969
Maintenance, supplies, fuel and other	142,221	142,221	114,127	28,094
Total fire protection	226,502	226,502	187,069	39,433
Department operations:				
Administrative costs	68,808	68,808	36,298	32,510
Salaries, wages and benefits	563,668	563,668	562,128	1,540
Maintenance, supplies and other	14,805	14,805	11,642	3,163
Payroll and other taxes	90,452	90,452	82,244	8,208
Training	8,700	8,700	18,090	(9,390)
Utilities	16,025	16,025	14,899	1,126
Total department operations	762,458	762,458	725,301	37,157
Debt service	80,249	80,249	301,224	(220,975)
Capital outlay - public safety	250,000	250,000	5,420	244,580
Contingencies	50,000	50,000	-	50,000
Total expenditures	1,369,209	1,369,209	1,219,014	150,195
Excess (deficiency) of revenues over expenditures	(500,000)	(500,000)	2,472	502,472
Other financing sources (uses):				
Sale of capital assets	-	-	4,650	4,650
Total financing sources (uses)	-	-	4,650	-
Net change in fund balance	(500,000)	(500,000)	7,122	502,472
Fund balance - beginning of year	895,993	895,993	895,993	-
Fund balance - end of year	$ 395,993	$ 395,993	$ 903,115	$ 502,472

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Agent Plans
June 30, 2018

PSPRS - Pension	**Reporting Fiscal Year (Measurement Date)**
	2018 (2017)
Total pension liability	
Service cost	$ -
Interest on total pension liability	-
Changes of benefit terms	(113,625)
Difference between expected and actual experience of the total net pension liability	445,068
Changes of assumptions	22,809
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	354,252
Total pension liability - beginning	-
Total pension liability - ending (a)	$ 354,252
Plan fiduciary net position	
Contributions - employer	$ 36,550
Contributions - employee	17,933
Net investment income	2,450
Benefit payments, including refunds of employee contributions	-
Pension plan administrative expenses	(422)
Other (net transfer)	-
Net change in plan fiduciary net position	56,511
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	$ 56,511
Net pension liability - ending (a) - (b)	$ 297,741
Plan fiduciary net position as a percentage of the total pension liability	15.95%
Covered payroll	210,642
Net pension liability as a percentage of covered payroll	141.35%

Note: In accordance with GASB 68, the District will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Agent Plans
June 30, 2018

PSPRS Fire Health Insurance Premium Benefit		**Reporting Fiscal Year (Measurement Date) 2018 (2017)**
Total OPEB liability		
Service cost	$	-
Interest on total OPEB liability		-
Changes of benefit terms		8,121
Difference between expected and actual experience of the total net OPEB liability		14,576
Changes of assumptions or other inputs		(105)
Benefit payments		-
Net change in total OPEB liability		22,592
Total OPEB liability - beginning		-
Total OPEB liability - ending (a)	$	22,592
Plan fiduciary net position		
Contributions - employer	$	-
Net investment income		-
Benefit payments		-
Administrative expense		-
Other changes		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	$	-
Net OPEB (asset) liability - ending (a) - (b)	$	22,592
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%
Covered payroll	$	210,642
Net OPEB liability as a percentage of covered payroll		10.73%

Note: In accordance with GASB 75, the District will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

BEAVER DAM/LITTLEFIELD FIRE DISTRICT
Required Supplementary Information
Schedule of Pension/OPEB Contributions
Agent Plans
June 30, 2018

PSPRS Pensions	**Reporting Fiscal Year**			
	2018		**2017**	
Actuarially required contribution	$	65,381	$	36,550
Contributions in relation to the actuarially required contribution	$	(65,381)	$	(36,550)
Contribution deficiency (excess)	$	-	$	-
Covered payroll	$	224,189	$	210,642
Contributions as a percentage of covered payroll		29.16%		17.35%

Note: In accordance with GASB 68, the District will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

PSPRS Fire Health Insurance Premium Benefit	**Reporting Fiscal Year**			
	2018		**2017**	
Actuarially required contribution	$	-	$	-
Contributions in relation to the actuarially required contribution	$	-	$	-
Contribution deficiency (excess)	$	-	$	-
Covered payroll	$	224,189	$	210,642
Contributions as a percentage of covered payroll		0.00%		0.00%

Note: In accordance with GASB 75, the District will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

NOTE 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period As of the 2016 actuarial valuation	19 years for underfunded; 20 years for overfunded
Asset valuation method	7-Year smoothed market; 80%/120% market 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 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

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, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

Executive Director and Members of the Board
Beaver Dam/Littlefield Fire District
Beaver Dam, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Beaver Dam/Littlefield 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 and have issued our report thereon dated February 19, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in a separate schedule of findings and recommendations that we consider to be significant deficiencies (2015.001 and 2015.003).

Compliance and Other Matters

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

Purpose of this Report

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

HintonBurdick, PLLC

HintonBurdick, PLLC
Mesquite, Nevada
February 19, 2019