

VERDE VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2020



VERDE VALLEY FIRE DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of the  
Verde Valley Fire District,  
Cottonwood, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Verde Valley Fire District, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Verde Valley Fire District, Arizona's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Verde Valley Fire District, Arizona, as of June 30, 2020, 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the Verde Valley Fire District, Arizona'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 Verde Valley Fire District, Arizona's internal control over financial reporting and compliance.

*Henry + Horne, LLP*

Tempe, Arizona  
November 5, 2020

**Verde Valley Fire District  
Management's Discussion and Analysis  
Year Ended June 30, 2020**

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The management of Verde Valley Fire District (the "District"), offers readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance for the year ended June 30, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$6,065,716 (net position). Of this amount, \$1,830,226 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and further the purpose of the District.
- The District's net position on a full accrual basis decreased by \$652,613, primarily due to an increase in Pension and OPEB expenses.
- Combined fund balance on a modified accrual basis decreased by \$739,114, which resulted primarily from the purchase of capital assets.
- During the fiscal year, the District also obtained grants for the purchase of air bag lift systems, turnouts, AED equipment, COVID-19 related expenses, and to continue their car seat program.

**Overview of 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 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.

## **Government-Wide Financial Statements (Continued)**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 12-15 of this report.

## **Fund Financial Statements**

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

### ***Governmental Funds***

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

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

The District maintains two (2) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are all considered to be major funds.

The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and can be found on page 42 of this report.

The basic governmental fund financial statements can be found on pages 10-15 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 16-40 of this report.



## **Fund Financial Statements (Continued)**

### ***Other Information***

In addition, funding information related to the District's participation in two (2) separate agent retirement plans can be found in Note 10 on pages 27 -39 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Verde Valley Fire District, assets exceed liabilities by \$6,065,716 at the close of the most recent fiscal year.

The largest portion of the District's net position (70% percent) reflects is net investment in capital assets (i.e. land, buildings, construction in progress, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

### **Condensed Statement of Net Position**

	<u>2020</u>	<u>2019</u>
Current and other assets	5,478,656	\$ 5,964,037
Capital assets	<u>4,607,502</u>	<u>4,868,849</u>
Total assets	<u>10,086,158</u>	<u>10,832,886</u>
Deferred outflows of resources	3,690,530	2,759,457
Current and other liabilities	1,013,475	470,481
Long-term liabilities outstanding	<u>6,496,423</u>	<u>6,184,722</u>
Total liabilities	<u>7,509,898</u>	<u>6,655,203</u>
Deferred inflows of resources	201,074	218,811
Net Position		
Net investment in capital assets	4,235,490	3,781,095
Unrestricted	<u>1,830,226</u>	<u>2,937,234</u>
Total net position	<u>\$ 6,065,716</u>	<u>\$ 6,718,329</u>

During 2020, current assets decreased primarily because of a decrease in cash and investments of \$588,253. Cash and investments decreased primarily from a principle payment made towards the outstanding balance of a capital lease. Long term liabilities increased by \$854,695, which primarily resulted from an increase in pension obligations. Capital assets decreased by \$261,347, primarily due to accumulated depreciation of assets.

## **Government-Wide Financial Analysis (Continued)**

The unrestricted net position of \$1,830,226 may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the fiscal year, the District is able to report a positive balance in all categories of net position.

### **Governmental Activities**

Governmental activities net position decreased by \$652,613. Key elements of this decrease are reported below:

#### **Condensed Statement of Changes in Net Position**

Revenues	<u>2020</u>	<u>2019</u>
Program revenues		
Grants and intergovernmental	355,125	264,102
Charges for services	\$ 803,397	\$ 547,543
Total program revenues	<u>1,158,522</u>	<u>811,645</u>
General revenues		
Property taxes	5,305,395	5,086,527
Fire district assistance tax	465,450	465,106
Net gain on sale of capital assets	1,415	9,583
Investment earnings	90,590	97,734
Other revenue	22,415	11,737
Total general revenues	<u>5,885,265</u>	<u>5,670,687</u>
Total revenues	7,043,787	6,482,332
Expenses		
Fire protection and emergency services	\$ 7,696,400	\$ 7,189,420
Change in net position	\$ (652,613)	\$ (707,088)
Net position - beginning of year	<u>6,718,329</u>	<u>7,425,417</u>
Net position - end of year	<u>\$ 6,065,716</u>	<u>\$ 6,718,329</u>

- Overall revenues increased by \$561,455 while expenses increased by \$506,980.
- The majority of the increases in total revenues resulted from an increase in property tax and ambulance revenues.
- Expenses increased primarily due to debt service expenditures.

## **Financial Analysis of the Governmental Funds**

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

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,775,259, a decrease of \$739,114 in comparison with the prior year's balance.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,930,172. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 25% of the total fiscal year general fund expenditures of \$7,645,613.

## **Budgetary Highlights**

During the 2019-2020 fiscal year, there were no modifications to the originally adopted budget. Total revenues were \$204,035 less than budgeted revenues while total expenditures were \$2,393,203 less than budgeted expenditures. The negative revenue variance resulted primarily from a slight reduction in property tax revenues and unrealized grant revenues. The negative expenditure variance is primarily a result of reductions in professional services and capital expenses as well as unrealized grant expenses.

## **Capital Asset and Debt Administration**

**Capital Assets** – The District's investment in capital assets as of June 30, 2020 totals \$4,607,502 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, vehicles, and furniture and equipment.

Outlays for capital assets during the 2019-2020 fiscal year were \$204,079 which consisted primarily of the purchase of a new network servers, financial software, a new heart monitor and power load gurney, firefighting turnouts, and extrication equipment.

Additional information on the District's capital assets can be found in Note 4 to the financial statements on page 24.

**Long-term liabilities** – the District has compensated absences payable of \$282,191 and pension obligations totaling \$6,494,618 at year-end.

### **Capital Asset and Debt Administration (Continued)**

During the 2018-2019 fiscal year, the District acquired a capital lease in the amount of \$1,288,036 for the purchase of two (2) fire engines. The outstanding balance as of June 30, 2020 is \$372,012.

Additional information on the District's long-term liabilities can be found in Note 5 to the financial statements on page 24 - 25.

### **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 Verde Valley Fire District, 2700 E Godard Road, Cottonwood, AZ 86326.

## BASIC FINANCIAL STATEMENTS



VERDE VALLEY FIRE DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2020

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 4,936,023
Accounts receivables (net of \$400,000 allowance for doubtful accounts)	260,261
Taxes receivable	177,590
Prepaid expenses	39,459
Net OPEB asset	65,323
Capital assets	
Capital assets, not being depreciated	652,484
Capital assets, being depreciated, net	<u>3,955,018</u>
Total assets	<u>10,086,158</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions and OPEB	<u>3,690,530</u>
 <b>LIABILITIES</b>	
Accounts payable	247,406
Accrued expenses	104,366
Unearned revenue	7,500
Current portion of:	
Lease payable	372,012
Compensated absences	282,191
Long-term portion of:	
Net pension liability	6,494,618
Net OPEB liability	<u>1,805</u>
Total liabilities	<u>7,509,898</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions and OPEB	<u>201,074</u>
 <b>NET POSITION</b>	
Net investment in capital assets	4,235,490
Unrestricted	<u>1,830,226</u>
Total net position	<u>\$ 6,065,716</u>

See accompanying notes.

VERDE VALLEY FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

	Governmental Activities
<b>EXPENSES</b>	
Emergency services	\$ 6,598,605
Administrative and support services	633,242
Depreciation	438,277
Interest and fiscal charges	26,276
Total program expenses	<u>7,696,400</u>
<b>PROGRAM REVENUES</b>	
Operating grants and intergovernmental	355,125
Charges for services	803,397
Total program revenues	<u>1,158,522</u>
Net program expenses	<u>6,537,878</u>
<b>GENERAL REVENUES</b>	
Property taxes	5,305,395
Fire district assistance taxes	465,450
Net gain on sale of assets	1,415
Investment earnings	90,590
Other revenue	22,415
Total general revenues	<u>5,885,265</u>
Decrease in net position	(652,613)
Net position - beginning	<u>6,718,329</u>
Net position - ending	<u><u>\$ 6,065,716</u></u>



VERDE VALLEY FIRE DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2020

	General Fund	Capital Reserve Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 2,085,603	\$ 2,850,420	\$ 4,936,023
Accounts receivable, net	257,511	2,750	260,261
Taxes receivable	177,590	-	177,590
Prepaid expenses	39,459	-	39,459
	<u>2,560,163</u>	<u>2,853,170</u>	<u>5,413,333</u>
<b>LIABILITIES</b>			
Accounts payable	199,864	47,542	247,406
Accrued expenses	104,366	-	104,366
Unearned revenue	7,500	-	7,500
	<u>311,730</u>	<u>47,542</u>	<u>359,272</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - ambulance billings	98,144	-	98,144
Unavailable revenue - property taxes	122,336	-	122,336
Unavailable revenue - grants / wildland billings	58,322	-	58,322
	<u>278,802</u>	<u>-</u>	<u>278,802</u>
<b>FUND BALANCES</b>			
Nonspendable - prepaid expenses	39,459	-	39,459
Committed - capital projects	-	2,805,628	2,805,628
Unassigned	1,930,172	-	1,930,172
	<u>1,969,631</u>	<u>2,805,628</u>	<u>4,775,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,560,163</u>	<u>\$ 2,853,170</u>	<u>\$ 5,413,333</u>

VERDE VALLEY FIRE DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -  
 GOVERNMENTAL FUNDS  
 June 30, 2020

Fund balance - total governmental funds balance sheet \$ 4,775,259

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 9,034,994	
Less accumulated depreciation	<u>(4,427,492)</u>	4,607,502

Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position.

278,802

Some liabilities, including net pension/OPEB liabilities or assets, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Lease payable	(372,012)	
Net pension liability	(6,494,618)	
Net OPEB asset	65,323	
Net OPEB liability	(1,805)	
Compensated absences	<u>(282,191)</u>	(7,085,303)

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions/OPEB	3,690,530	
Deferred inflows of resources related to pensions/OPEB	<u>(201,074)</u>	<u>3,489,456</u>

Net position of governmental activities - statement of net position \$ 6,065,716

VERDE VALLEY FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2020

	General Fund	Capital Reserve Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 5,277,995	\$ -	\$ 5,277,995
Fire district assistance taxes	465,450	-	465,450
Intergovernmental/grants	304,979	-	304,979
Charges for services	739,821	-	739,821
Contributions	1,060	-	1,060
Interest revenues	37,426	53,164	90,590
Other income	21,355	-	21,355
Total revenues	<u>6,848,086</u>	<u>53,164</u>	<u>6,901,250</u>
<b>EXPENDITURES</b>			
Current			
Public safety, fire protection:			
Emergency services	6,059,142	-	6,059,142
Administrative and support services	640,374	-	640,374
Capital outlay	204,079	-	204,079
Debt service			
Principal	715,742	-	715,742
Interest and fiscal charges	26,276	-	26,276
Total expenditures	<u>7,645,613</u>	<u>          </u>	<u>7,645,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(797,527)</u>	<u>53,164</u>	<u>(744,363)</u>
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers in/(out)	817,346	(817,346)	-
Sales of assets	5,249	-	5,249
Total other financing sources and uses	<u>822,595</u>	<u>(817,346)</u>	<u>5,249</u>
Net change in fund balances	25,068	(764,182)	(739,114)
Fund balances - beginning of year	<u>1,944,563</u>	<u>3,569,810</u>	<u>5,514,373</u>
Fund balances - end of year	<u>\$ 1,969,631</u>	<u>\$ 2,805,628</u>	<u>\$ 4,775,259</u>

See accompanying notes.

VERDE VALLEY FIRE DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ (739,114)

Amounts reported for governmental activities in the statement  
 of activities are different because:

Governmental funds report capital outlays 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.

Expenditures for capital assets	\$ 180,764	
Sale of capital assets	(3,834)	
Less current year depreciation	<u>(438,277)</u>	(261,347)

Pension and OPEB contributions are reported as expenditures  
 in the governmental funds when made. However, they are  
 reported as deferred outflows of resources in the Statement of  
 Net Position because the reported net position liability is  
 measured a year before the District's report date. Pension  
 expense, which is the change in the net pension liability  
 adjusted for changes in deferred outflows and inflows of  
 resources related to pensions, is reported in the Statement of  
 Activities.

Pension and OPEB contributions	879,800	
Pension and OPEB expense	<u>(1,375,966)</u>	(496,166)

Revenues received in the current year that were accrued in the statement of activities in prior years.		141,122
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Repayment of long-term debt is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the Statement of Net Position.

Leases payable		715,742
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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.

		<u>(12,850)</u>
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Change in net position of governmental activities		<u>\$ (652,613)</u>
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VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Verde Valley Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government, and Arizona Special Taxing District that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District provides fire protection and emergency medical services within its service area in Yavapai County. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide 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. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met.

Fund Financial Statements – 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 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual, and thus, have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The District reports the following major governmental funds:

General Fund – This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in other funds.

Capital Reserve Fund – This fund is used to account for funds received and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the District.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgeting and Budgetary Control

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

All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. The law does not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

E. Cash and Cash Equivalents

Cash is considered to be cash on hand, and demand deposits. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Arizona Revised Statutes authorize special districts to invest public monies in the Yavapai County and Arizona State Treasurer's local government investment pools, interest bearing savings accounts, certificates of deposit which have a maturity date of not more than one year, and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

All program service receivables are shown net of an allowance for uncollectible amounts. The amount of the estimated uncollectible receivables at June 30, 2020 was \$409,107, which represents 81% of the gross ambulance service receivables balance.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables (Continued)

Property taxes are levied by the District and collected by the Yavapai County. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise. The District also levies various personal property taxes during the year which are due at the same time as real property taxes.

G. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life equal to or exceeding three years. Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed. Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	10 - 50
Machinery & equipment	
furniture & fixtures	3 - 15
Vehicles	7 - 10



VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balances Classifications– Governmental Funds

Fund Balances - Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board or any official or body to which the District Board delegates authority may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered. All full-time employees of the District accrue vacation and sick time each pay period. Upon separation from the District, accrued sick time is paid based on the employee's years of service and vacation time is paid out in full. Sick leave and vacation benefits accrue at the employee's current rate of pay. The long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. Resources from the General Fund are generally used to liquidate compensated absences for the governmental funds. Due to the extenuating circumstances related to the COVID-19 outbreak in fiscal year 2020, employees had the option to carry-over vacation leave hours in excess of the maximum allowed. Excess hours carried over from fiscal year 2020 must be used in fiscal year 2021.

J. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the statement of activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

K. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. 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.

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.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions and Other Postemployment Benefits (OPEB)

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

N. Long-term Obligations

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

O. Deferred Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period; the period of availability for the District is 60 days. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

P. Intergovernmental Grants and Aid

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

NOTE 2 CASH AND INVESTMENTS

Arizona Revised Statutes require all monies levied by the District to be collected and held by the Yavapai County Treasurer's Office and pooled with other local governments for investment. Monies received by the District as part of services, contributions or from the issuance of long-term debt are also deposited with the Yavapai County Treasurer or local financial institutions.

Credit Risk - State law generally limits local government deposits and investment to the Yavapai County Treasurer's Local Government Investment Pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment in the Yavapai County Treasurer's LGIP represents a proportionate interest in the pool's portfolio; however, the District's allocation is not identified with any specific investments and is not subject to custodial credit risk.

Cash and Cash Equivalents - At June 30, 2020, most of the District's cash and cash equivalents were deposited in the Yavapai County Treasurer's LGIP; the carrying amount of cash in their governmental funds with the County Treasurer was \$4,825,403. These deposits are covered by Federal Depository Insurance Corporation (FDIC) or collateralized by securities, as required by law. Additional cash and cash equivalents were deposited with local financial institutions; the carrying amount of the District's cash with a local financial institution was \$110,470. The first \$250,000 is insured by the FDIC at each individual institution. The District also had petty cash on hand of \$150.

NOTE 3 RECEIVABLES

Receivables as of June 30, 2020 for the District, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Reserve Fund
Property taxes	\$ 177,590	\$ -
Ambulance billing	505,724	-
Other receivables and charges for services	160,894	2,750
Gross receivables	844,208	2,750
Less: allowance for uncollectibles	(409,107)	-
Net receivables	<u>\$ 435,101</u>	<u>\$ 2,750</u>

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 545,540	\$ -	\$ -	\$ 545,540
Construction in progress	1,368,748	26,232	(1,288,036)	106,944
Total capital assets not being depreciated	1,914,288	26,232	(1,288,036)	652,484
Capital assets, being depreciated:				
Buildings and improvements	2,655,869	-	-	2,655,869
Vehicles and equipment	4,331,971	1,442,568	(47,898)	5,726,641
Total capital assets being depreciated	6,987,840	1,442,568	(47,898)	8,382,510
Less accumulated depreciation for:				
Buildings and improvements	(1,051,878)	(62,989)	-	(1,114,867)
Vehicles and equipment	(2,981,403)	(375,288)	44,066	(3,312,625)
Total accumulated depreciation	(4,033,281)	(438,277)	44,066	(4,427,492)
Total capital assets, being depreciated, net	2,954,559	1,004,291	(3,832)	3,955,018
Governmental activities capital assets, net	<u>\$ 4,868,847</u>	<u>\$ 1,030,523</u>	<u>\$ (1,291,868)</u>	<u>\$ 4,607,502</u>

Depreciation expense for the period was \$438,277; all depreciation was expensed in the public safety function.

NOTE 5 LONG-TERM DEBT

Capital Lease – The District entered into a lease agreement on February 1, 2019 for the purchase of vehicles. Such agreements are, in substance, purchases (capital leases) and are reported as a capital lease obligation. The lease is payable in annual installments of \$196,000, including interest at 2.72%. The District paid \$715,742 and \$26,276 in principal and interest, respectively, in fiscal year 2020. The principal balance as of June 30, 2020 was \$372,012. Subsequent to fiscal year end, but prior to the audit report date, the District paid off the remaining principal balance of the capital lease.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT (Continued)

Vehicles and related accumulated depreciation under capital leases are as follows:

	Governmental Activities
Asset	
CIP/Vehicles	\$ 1,288,036
Less accumulated depreciation	(92,003)
Net	<u>\$ 1,196,033</u>

Changes in long-term debt as of June 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 1,087,754	\$ -	\$ (715,742)	\$ 372,012	\$ 372,012
Compensated absences	269,341	242,568	(229,718)	282,191	282,191
Net pension liability	4,996,040	1,498,578	-	6,494,618	-
Net OPEB liability	1,311	494	-	1,805	-
Governmental activities long-term liabilities	<u>\$ 6,354,446</u>	<u>\$ 1,741,640</u>	<u>\$ (945,460)</u>	<u>\$ 7,150,626</u>	<u>\$ 654,203</u>

NOTE 6 DESIGNATION OF FUND BALANCE

The District has adopted a policy whereby it will transfer general taxes received, as appropriated and unencumbered at year end, to the Capital Project Fund to provide for future planned acquisitions of apparatus, vehicles, buildings, and improvements. Such transfers are not restricted by statute and can be transferred back to the General Fund if needed.

NOTE 7 INTERFUND TRANSFERS

As of June 30, 2020, interfund transfers were as follows:

Fund	Transfers In	Transfers Out
Capital Reserve Fund	\$ -	\$ (817,346)
General Fund	817,346	-
Total	<u>\$ 817,346</u>	<u>\$ (817,346)</u>

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 8 NET REVENUE

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

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2020 are as follows:

	Governmental Activities
Gross program service revenues/charges	\$ 1,841,003
Contractual adjustments, uncompensated services and bad debt	<u>(1,101,182)</u>
Net program service revenues (all)	<u>\$ 739,821</u>

NOTE 9 COMMITMENTS AND CONTINGENCIES

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

Risk management – The District is contingently liable for claims and judgements resulting from lawsuits incidental to normal operations. In the opinion of the District's management, an adverse decision that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Claims have not exceeded the limits of insurance in any of the last three years. No provision has been made in the financial statements for possible losses of this nature.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The District contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2020, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net OPEB asset	65,323
Net pension and OPEB liabilities	6,496,423
Deferred outflows of resources related to pensions and OPEB	3,690,530
Deferred inflows of resources related to pensions and OPEB	201,074
Pension and OPEB expense	1,330,842

The District reported \$879,800 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – District employees not covered by the other pension plan described below 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](http://www.azasrs.gov).



VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
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.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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.

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 \$100 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.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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, 2020, were \$35,399, \$1,515, and \$526, respectively.

During fiscal year 2020, the District paid 100% of the ASRS pension and OPEB contributions from the General Fund.

Liability - At, June 30, 2020 the District reported the following assets and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (Asset) Liability
Pension	\$ 397,247
Health insurance premium benefit	(771)
Long-term disability	1,805

The net assets and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The District's proportion of the net asset or net 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, 2019. The District's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

ASRS	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.00273%	0.00022%
Health insurance premium benefit	0.00279%	0.00024%
Long-term disability	0.00277%	0.00025%

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Expense – For the year ended June 30, 2020, the District recognized the following pension and OPEB expense.

ASRS	<u>Pension/OPEB Expense</u>
Pension	\$ 34,256
Health insurance premium benefit	969
Long-term disability	601

Deferred outflows/inflows of resources – At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

ASRS	Pension		Health Insurance Premium Benefit		Long-term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,176	\$ 75	\$ -	\$ 922	\$ 213	\$ -
Changes of assumptions or other inputs	1,679	15,819	1,516	-	270	-
Net difference between projected and actual earnings on pension plan investments	-	8,929	-	1,003	-	38
Changes in proportion and differences between District contributions and proportionate share of contributions	23,918	2,539	1	-	113	-
District contributions subsequent to the measurement date	<u>35,399</u>	<u>-</u>	<u>1,515</u>	<u>-</u>	<u>525</u>	<u>-</u>
Total	<u>\$ 68,172</u>	<u>\$ 27,362</u>	<u>\$ 3,032</u>	<u>\$ 1,925</u>	<u>\$ 1,121</u>	<u>\$ 38</u>

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expense as follows:

Years ending June 30,	Pension	Health Insurance Premium Benefit	Long-term Disability
	\$ 5,218	\$ (333)	\$ 61
2022	(483)	(334)	61
2023	(1,715)	94	98
2024	2,391	187	105
2025	-	(22)	91
Thereafter	-	-	142

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

ASRS	
Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 20, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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 geometric real rates of return for each major asset class are summarized in the following table:

ASRS	Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
	Equity	50%	6.09%
	Credit	20%	5.36%
	Interest rate sensitive bonds	10%	1.62%
	Real estate	20%	5.85%
	Total	100%	

Discount Rate - The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 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.

Sensitivity of 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/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
District's proportionate share of the			
Net pension liability	\$ 565,374	\$ 397,247	\$ 256,736
Net insurance premium benefit liability (asset)	3,906	(771)	(4,756)
Net long-term disability liability	1,997	1,805	1,618

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Description – Fire service employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers 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 (agent 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, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the District's financial statements.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The reports are available on the PSPRS web site at [www.psprs.com](http://www.psprs.com).

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
<b>Retirement and Disability</b>			
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	15 years of credited service, age 52.5 15 or more years of service age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 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		
<b>Survivor Benefits</b>			
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. 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 \$100 per month to \$260 per month depending on the age of the member and dependents.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>34</u>
Total	<u><u>48</u></u>

Contributions - State Statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State Statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Employer contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Fire
Active members - Pension District	<u>7.65% - 11.65%</u>
Pension	27.51%
Health insurance premium benefit	0.39%



VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's contributions to the plans for the year ended June 30, 2020, were:

	PSPRS Fire
Pension	
Contributions made	\$ 830,586
Health Insurance Premium Benefit	
Annual OPEB cost contributions made	11,775

During fiscal year 2020, the District paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

Liability - At June 30, 2020, the District reported a PSPRS net pension/OPEB liability and net OPEB asset of \$6,097,371, and \$64,552, respectively.

The net asset and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustments	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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:

PSPRS		Target	Long-Term
Asset Class	Allocation	Expected Geometric	Rate of Return
Short term investments	2%		0.25%
Risk parity	4%		4.01%
Fixed income	5%		3.00%
Real assets	9%		6.75%
GTS	12%		4.01%
Private credit	16%		5.36%
Real estate	10%		4.50%
Private equity	12%		8.40%
Non-U.S. equity	14%		5.00%
U.S. equity	16%		4.75%
Total	<u>100.00%</u>		

Discount Rates – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net Pension/OPEB Liability

PSPRS	Pension			Health Insurance Premium Benefit		
	Increase (Decrease)			Increase (Decrease)		
	Total	Fiduciary	Net	Total	Fiduciary	Net
	Pension	Net	Pension	Pension	Net	Pension
	Liability	Position	Liability	Liability	Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 15,019,768	\$ 10,373,785	\$ 4,645,983	\$ 338,122	\$ 348,431	\$ (10,309)
Changes for the year:						
Service cost	534,127	-	534,127	9,419	-	9,419
Interest on the total liability	1,130,257	-	1,130,257	25,371	-	25,371
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the liability	820,801	-	820,801	(61,873)	-	(61,873)
Changes of assumptions or other inputs	373,377	-	373,377	3,019	-	3,019
Contributions - employer	-	659,020	(659,020)	-	10,075	(10,075)
Contributions - employee	-	192,372	(192,372)	-	-	-
Net investment income	-	568,174	(568,174)	-	18,911	(18,911)
Benefit payments, including refunds of employee contributions	(560,292)	(560,292)	-	(9,392)	(9,392)	-
Hall/Parker Settlement	-	-	-	-	-	-
Administrative expense	-	(10,872)	10,872	-	(326)	326
Other changes	-	(1,520)	1,520	-	1,519	(1,519)
Net changes	2,298,270	846,882	1,451,388	(33,456)	20,787	(54,243)
Balances at June 30, 2020	\$ 17,318,038	\$ 11,220,667	\$ 6,097,371	\$ 304,666	\$ 369,218	\$ (64,552)

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate - The following table presents the District's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

PSPRS	Current		
	1% Decrease 6.30%	Discount Rate 7.30%	1% increase 8.30%
Net pension liability	\$ 8,542,273	6,097,371	\$ 4,108,418
Net OPEB (asset) liability	(27,768)	(64,552)	(95,434)

Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

VERDE VALLEY FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2020

NOTE 10 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Expense - For the year ended June 30, 2020, the District recognized the following pension and OPEB expense.

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Fire	\$ 1,289,288	\$ 5,728

Deferred Outflows/Inflows of Resources - At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,576,526	\$ 111,752	\$ 30,415	\$ 55,000
Changes of assumptions or other inputs	998,399	-	2,680	4,997
Net difference between projected and actual earnings on pension plan investments	166,640	-	1,184	-
District contributions subsequent to the measurement date	830,586	-	11,775	-
Total	<u>\$ 3,572,151</u>	<u>\$ 111,752</u>	<u>\$ 46,054</u>	<u>\$ 59,997</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expense as follows:

Year ending June 30,	PSPRS	
	<u>Pension</u>	<u>Health</u>
2021	\$ 530,950	\$ (3,598)
2022	425,140	(3,596)
2023	493,937	(1,033)
2024	459,650	(1,301)
2025	337,700	(2,678)
Thereafter	382,436	(13,512)

VERDE VALLEY FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2020

NOTE 11 RELATED PARTY TRANSACTION

The District entered into a contract with Verde Valley Ambulance Company (VVAC) in April 2020. Under the agreement VVAC provides billing support services to the District. The District pays VVAC 7 percent of the amount collected on each transport service. The Chief Executive Officer of the Verde Valley Ambulance Company is an immediate family member of the Fire Chief for the District. During fiscal year 2020 the District paid \$51,037 to VVAC for the services provided under this agreement. As of June 30, 2020, the District owed \$4,331 to VVAC.

REQUIRED SUPPLEMENTARY INFORMATION

VERDE VALLEY FIRE DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
Year Ended June 30, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 5,336,696	\$ 5,277,995	\$ (58,701)
Fire district assistance taxes	464,313	465,450	1,137
Intergovernmental/grants	501,107	304,979	(196,128)
Charges for services	736,405	739,821	3,416
Interest revenues	9,000	37,426	28,426
Other income	4,600	22,415	17,815
Total revenues	<u>7,052,121</u>	<u>6,848,086</u>	<u>(204,035)</u>
<b>EXPENDITURES</b>			
Personnel	3,415,973	3,484,016	(68,043)
Employee benefits and expenses	2,211,907	2,130,779	81,128
Fire board	4,700	1,455	3,245
Insurance	34,867	30,202	4,665
Professional services	1,293,594	51,393	1,242,201
Administration	127,396	106,631	20,765
Outside services	261,551	308,972	(47,421)
Operational supplies	185,193	193,802	(8,609)
EMS services	103,222	106,979	(3,757)
Communications	207,995	209,912	(1,917)
Training	77,812	40,257	37,555
Grant expenditures	479,585	35,118	444,467
Capital outlay	1,635,021	204,079	1,430,942
Debt service	-	742,018	(742,018)
Total expenditures	<u>10,038,816</u>	<u>7,645,613</u>	<u>2,393,203</u>
Excess (deficiency) of revenues over (under) expenditures	(2,986,695)	(797,527)	2,189,168
<b>OTHER FINANCING SOURCES</b>			
Carryover funds (use of fund balance)	1,514,101	-	(1,514,101)
Transfers in	1,677,094	1,021,884	(655,210)
Transfers out	(205,000)	(204,538)	462
Sales of assets	500	5,249	4,749
Total other financing sources	<u>3,396,695</u>	<u>822,595</u>	<u>(2,164,100)</u>
Net change in fund balances	410,000	25,068	(384,932)
Fund balance-beginning of year	1,944,563	1,944,563	-
Fund balance - end of year	<u>\$ 2,354,563</u>	<u>\$ 1,969,631</u>	<u>\$ (384,932)</u>

See accompanying notes to the budgetary comparison schedule.

VERDE VALLEY FIRE DISTRICT  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2020

NOTE 1 BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget no later than August 1<sup>st</sup> of each year. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget appropriations lapse at year-end.

A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

NOTE 2 EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2020, expenditures that exceeded final budget amounts were as follows:

Category	Excess
Personnel	\$ 68,043
Outside services	47,421
Operational supplies	8,609
EMS services	3,757
Communications	1,917
Debt service	742,018

The overage in Personnel was due to excess overtime as a result of employees on extended FMLA and workers compensation injuries. The overage in Outside Services is due to legal fees associated with personnel matters. The overage in Operational Supplies is primarily due to Wildland deployment expenses as a result of Firefighters being ordered to stay in hotels and obtain meals from restaurants due to COVID restrictions not allowing a base camp to be established with facilities and meals. The overage in EMS Services is due to additional medical supplies required throughout the year. The overage in Communications is due to the purchase of wireless boosters and antennas for the ambulances. The overage in Debt Service is due to the creation of the accounts after the adoption of the budget at the advice of the auditors. Debt service payments were previously recorded under capital expenditures; the budget appropriation was under capital expenditures for the debt service payments.



VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION / OPEB LIABILITY COST-SHARING PLANS  
 June 30, 2020

ASRS - Pension	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
District's proportion of the net pension liability	0.002730%	0.002510%	0.002460%	0.002710%	0.003400%	0.001295%	Information not available
District's proportionate share of the net pension liability	\$ 397,247	\$ 350,057	\$ 383,220	\$ 437,421	\$ 530,033	\$ 161,880	
District's covered payroll	280,629	242,961	250,043	232,223	103,120	103,120	
District's proportionate share of the net pension liability as a percentage of its covered payroll	141.56%	144.08%	153.26%	188.36%	514.00%	156.98%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS - Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
District's proportion of the net pension liability	0.002790%	0.002550%	0.002460%	Information not available
District's proportionate share of the net pension liability (asset)	\$ (771)	\$ (918)	\$ (1,361)	
District's covered payroll	269,796	238,261	250,043	
District's proportionate share of the net pension liability as a percentage of its covered payroll	-0.29%	-0.39%	-0.54%	
Plan fiduciary net position as a percentage of the total pension liability	101.62%	102.20%	103.57%	

VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB LIABILITY COST-SHARING PLANS (Continued)  
 June 30, 2020

ASRS - Long-term Disability	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2014 through 2011
District's proportion of the net pension liability	0.002510%	0.002510%	0.002471%	Information
District's proportionate share of the net pension liability	\$ 1,311	\$ 1,311	\$ 895	not available
District's covered payroll	270,588	249,375	250,043	
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.48%	0.53%	0.36%	
Plan fiduciary net position as a percentage of the total pension liability	72.85%	77.83%	84.44%	

VERDE VALLEY FIRE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION/OPEB LIABILITY AND RELATED RATIOS - AGENT PLANS  
June 30, 2020

Fire District Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							
Service cost	\$ 534,127	\$ 526,521	\$ 524,611	\$ 417,276	\$ 354,623	\$ 347,903	Information not available
Interest on the total pension liability	1,130,257	1,006,967	899,076	680,015	625,667	556,151	
Changes on benefit terms	-	-	95,671	969,436	-	37,970	
Differences between expected and actual experience in the measurement of the pension liability	820,801	299,196	(83,306)	1,157,258	33,659	(169,119)	
Changes of assumptions or other inputs	373,377	-	475,072	432,725	-	375,648	
Benefit payments, including refunds of employee contributions	(560,292)	(314,643)	(269,541)	(501,071)	(204,825)	(327,905)	
Net change in total pension liability	2,298,270	1,518,041	1,641,583	3,155,639	809,124	820,648	
Total pension liability - beginning	15,019,768	13,501,727	11,860,144	8,704,505	7,895,381	7,074,733	
Total pension liability - ending (a)	<u>\$ 17,318,038</u>	<u>\$ 15,019,768</u>	<u>\$ 13,501,727</u>	<u>\$ 11,860,144</u>	<u>\$ 8,704,505</u>	<u>\$ 7,895,381</u>	
Plan fiduciary net position							
Contributions - employer	\$ 659,020	\$ 685,042	\$ 445,141	\$ 357,049	\$ 263,023	\$ 290,321	
Contributions - employee	192,372	260,608	353,538	281,921	250,363	205,566	
Net investment income	568,174	657,177	959,103	45,858	232,682	732,781	
Benefit payments, including refunds of employee contributions	(560,292)	(314,643)	(269,541)	(501,071)	(204,825)	(327,905)	
Administrative expense	(10,872)	(11,402)	(9,286)	(7,399)	(6,062)	-	
Other changes	(1,520)	(323,602)	101	1,013,325	(4,983)	(164,522)	
Net change in plan fiduciary net position	846,882	953,180	1,479,056	1,189,683	530,198	736,241	
Plan fiduciary net position - beginning	10,373,785	9,420,605	7,941,549	6,751,866	6,221,668	5,485,427	
Plan fiduciary net position - ending (b)	<u>\$ 11,220,667</u>	<u>\$ 10,373,785</u>	<u>\$ 9,420,605</u>	<u>\$ 7,941,549</u>	<u>\$ 6,751,866</u>	<u>\$ 6,221,668</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 6,097,371</u>	<u>\$ 4,645,983</u>	<u>\$ 4,081,122</u>	<u>\$ 3,918,595</u>	<u>\$ 1,952,639</u>	<u>\$ 1,673,713</u>	
Plan fiduciary net position as a percentage of the total pension liability	64.79%	69.07%	69.77%	66.96%	77.57%	78.80%	
Covered payroll	\$ 2,450,623	\$ 2,415,236	\$ 2,335,756	\$ 2,131,136	\$ 1,638,967	\$ 1,920,313	
District's net pension liability as a percentage of covered payroll	248.81%	192.36%	174.72%	183.87%	119.14%	87.16%	

VERDE VALLEY FIRE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION/OPEB LIABILITY AND RELATED  
RATIOS AGENT RETIREMENT PLANS (PSPRS) (OPEB)  
June 30, 2020

Fire District Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			2017 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	
Total pension liability				
Service cost	\$ 9,419	\$ 9,661	\$ 8,409	Information not available
Interest on the total pension liability	25,371	22,353	18,912	
Changes on benefit terms	-	-	6,246	
Differences between expected and actual experience in the measurement of the pension liability	(61,873)	13,157	29,588	
Changes of assumptions or other inputs	3,019	-	(7,274)	
Benefit payments, including refunds of employee contributions	(9,392)	(8,560)	(4,660)	
Net change in total pension liability	(33,456)	36,611	51,221	
Total pension liability - beginning	338,122	301,511	250,290	
Total pension liability - ending (a)	<u>\$ 304,666</u>	<u>\$ 338,122</u>	<u>\$ 301,511</u>	
Plan fiduciary net position				
Contributions - employer	\$ 10,075	\$ 1,917	\$ 2,707	
Contributions - employee	-	-	-	
Net investment income	18,911	22,997	35,205	
Benefit payments, including refunds of employee contributions	(9,392)	(8,560)	(4,660)	
Administrative expense	(326)	(350)	(311)	
Other changes	1,519	-	-	
Net change in plan fiduciary net position	20,787	16,004	32,941	
Plan fiduciary net position - beginning	348,431	332,427	299,486	
Plan fiduciary net position - ending (b)	<u>\$ 369,218</u>	<u>\$ 348,431</u>	<u>\$ 332,427</u>	
District's net pension liability - ending (a) - (b)	<u>\$ (64,552)</u>	<u>\$ (10,309)</u>	<u>\$ (30,916)</u>	
Plan fiduciary net position as a percentage of the total pension liability	121.19%	103.05%	110.25%	
Covered payroll	\$ 2,450,623	\$ 2,415,236	\$ 2,335,756	
District's net pension liability as a percentage of covered payroll	-2.63%	-0.43%	-1.32%	

VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION/OPEB CONTRIBUTIONS  
 June 30, 2020

ASRS - Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 32,132	\$ 27,163	\$ 28,755	\$ 27,701	\$ 143,755	\$ 36,515	\$ 11,774	Information not available
District's contributions in relation to the statutorily required contribution	32,132	27,163	28,755	27,701	{A} 143,755	36,515	11,774	
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 280,629	\$ 242,961	\$ 242,860	\$ 242,860	\$ 255,544	\$ 313,415	\$ 110,037	
District's contributions as a percentage of covered payroll	11.45%	11.18%	10.90%	10.78%	10.85%	10.88%	10.70%	

{A} HB2050 buy back provision totaling \$114,601 included in the YTD expense

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,322	\$ 1,096	\$ 1,346	\$ 1,360	Information not available
District's contributions in relation to the statutorily required contribution	1,322	1,096	1,346	1,360	
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 269,796	\$ 238,261	\$ 305,909	\$ 242,860	
District's contributions as a percentage of covered payroll	0.49%	0.46%	0.44%	0.56%	

VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION/OPEB CONTRIBUTIONS (CONTINUED)  
 June 30, 2020

ASRS - Long-term Disability

	Reporting Fiscal Year				2016 through 2010
	2020	2019	2018	2017	
Statutorily required contribution	\$ 460	\$ 399	\$ 336	\$ 340	Information not available
District's contributions in relation to the statutorily required contribution	460	399	336	340	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 270,588	\$ 249,375	\$ 210,000	\$ 242,860	
District's contributions as a percentage of covered payroll	0.17%	0.16%	0.16%	0.14%	

PSPRS - Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 659,020	\$ 685,042	\$ 597,466	\$ 349,754	\$ 359,115	\$ 295,684	\$ 205,566	Information not available
District's contributions in relation to the actuarially determined contribution	703,674	685,042	635,847	349,754	359,115	295,684	205,566	
District's contribution deficiency (excess)	<u>\$ (44,654)</u>	<u>\$ -</u>	<u>\$ (38,381)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 2,415,236	\$ 2,415,236	\$ 2,415,236	\$ 2,335,756	\$ 2,131,136	\$ 1,638,964	\$ 1,920,313	
District's contributions as a percentage of covered payroll	27.29%	28.36%	26.33%	14.97%	16.85%	18.04%	16.49%	

VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION/OPEB CONTRIBUTIONS (CONTINUED)  
 June 30, 2020

PSPRS - OPEB	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ 10,075	\$ 1,917	\$ 8,560	\$ 9,109	Information not available
District's contributions in relation to the actuarially determined contribution	<u>10,075</u>	<u>1,917</u>	<u>8,560</u>	<u>9,109</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 2,450,623	\$ 2,415,236	\$ 2,415,236	\$ 2,335,756	
District's contributions as a percentage of covered payroll	0.41%	0.08%	0.35%	0.39%	

VERDE VALLEY FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION / OPEB PLAN SCHEDULES  
 June 30, 2020

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:

	<b>Actuarially determined contribution rates</b>
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017:  In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increase were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)



VERDE VALLEY FIRE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION/OPEB PLAN SCHEDULES  
June 30, 2020

NOTE 2 FACTORS THAT AFFECT THE IDENTIFICATION OF 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 increased the PSPRS required contributions beginning in fiscal year 2019 for members who were retired or will retire after the law's effective date. Also, the District refunded excess employee contributions to PSPRS members. PSPRS allowed the District to reduce its actual employer contributions for the refund amounts. As a result, the District's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

## REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

To the Governing Board of the  
Verde Valley Fire District  
Cottonwood, 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 of Verde Valley Fire District, Arizona, (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Verde Valley Fire District's basic financial statements and have issued our report thereon dated November 5, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Verde Valley Fire District's internal control over financial reporting (internal control) as a basis for designing 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 Verde Valley Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Verde Valley Fire District's internal control.

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

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 were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Verde Valley Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## **Verde Valley Fire District's Response to Findings**

Verde Valley Fire District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Verde Valley Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Report on Compliance with State of Arizona Regulatory Requirements**

In connection with our audit, nothing came to our attention that caused us to believe that Verde Valley Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

## **Purpose of this Report**

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

*Henry + Horne, LLP*

Tempe, Arizona  
November 5, 2020

VERDE VALLEY FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2020

FINDING: 2020-001 – CIRCUMVENTION OF DISTRICT PROCUREMENT POLICY

CRITERIA

The District did not apply the following purchasing policies when procuring ambulance billing services.

Verde Valley Fire District Purchasing Policy Section (D)(3)(g): *Based on the evaluation factors set forth in the RFP, the award will be made in a manner most advantageous to the District. No other factors or criteria may be used in the evaluation.*

Verde Valley Fire District Purchasing Policy Section (D)(3)(h): *The Fire Chief, at the Board's discretion, shall have the authority to reject all or part of a proposal or all proposals and to re-solicit proposals if doing so would be in the best interest of the District.*

CONDITION/CONTEXT

The District issued a Request for Proposal (RFP) for ambulance billing services in February 2020. The District received 4 proposals from qualified firms and evaluated each proposal based on the criteria established in the RFP. According to the proposal rankings the District did not make the award in a manner that was most advantageous to the District based on the evaluation factors set forth in the RFP.

EFFECT

The awarding of the contract did not comply with the District's purchasing policy. Additionally, the vendor selected, Verde Valley Ambulance Company (VVAC), is considered a related party as disclosed in Note 11 of the District's financial statements. Although this meets the definition of abuse in accordance with generally accepted governmental auditing standards, the audit noted the Board of Directors had approved this contract with the full knowledge of the related party relationship, and the Fire Chief had disclosed the conflict of interest and recused himself from all decisions related to the contract being awarded.

CAUSE

According to the District's February 25, 2020 Board Minutes, the Fire District Board of Directors originally made a motion, and seconded that motion, to approve the most advantageous vendor as defined by the evaluation criteria of the RFP and the District's procurement policies. However, after the motion had been made, discussion between the District's Board of Directors and a representative of VVAC ultimately resulted in the Board withdrawing their motion to select the most advantageous vendor as defined by the RFP criteria. The Board tabled the item and later circumvented their procurement policies at the April 28, 2020 Board meeting to approve the less advantageous related party vendor VVAC, without formally re-soliciting the RFP and documenting whether the final selection was in the best interest of the District as required by their procurement policies.

VERDE VALLEY FIRE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
Year Ended June 30, 2020

RECOMMENDATION

We recommend the District follow their adopted procurement policies and make awards in a manner most advantageous to the District based on the criteria set forth in the RFP. We further recommend the District follow purchasing policy section (D)(3)(h) when rejecting all or part of a proposal and re-solicit proposals with amended criteria in an effort to allow all vendors an equal opportunity to respond to the amended RFP. Finally, the District should formally document whether the award for a less advantageous vendor is in the best interest of the District when awarded.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION PLAN

We concur with the finding. See Corrective Action Plan.



# **Verde Valley Fire District**

**2700 E GODARD ROAD, COTTONWOOD, AZ 86326**  
**PHONE: (928) 634-2578 FAX: (928) 646-5737**

Verde Valley Fire District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Henry & Horne, LLP  
2055 E. Warner Rd., Suite 101  
Tempe, AZ 85284  
Audit period: June 30, 2020

The finding from the June 30, 2020 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## **FINDINGS - COMPLIANCE**

### **MATERIAL WEAKNESS**

#### **FINDING 2020-001 PURCHASING POLICY COMPLIANCE**

Recommendation: We recommend the District follow their adopted procurement policies and make awards in a manner most advantageous to the District based on the criteria set forth in the RFP. We further recommend the District follow purchasing policy section (D)(3)(h) when rejecting all or part of a proposal and re-solicit proposals with amended criteria in an effort to allow all vendors an equal opportunity to respond to the amended RFP. Finally, the District should formally document whether the award for a less advantageous vendor is in the best interest of the District when awarded.

#### **Action Taken:**

Verde Valley Fire District will ensure that future procurements follow the established guidelines of the Purchasing Policy.

Sincerely,

Joe Moore, Fire Chief  
Verde Valley Fire District