

AVRA VALLEY FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021

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AVRA VALLEY FIRE DISTRICT

FINANCIAL STATEMENTS JUNE 30, 2021

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SAUNDERS COMPANY, LTD

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Avra Valley Fire District
Marana, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avra Valley Fire District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT

6/30/2021

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Required Supplementary Information and budgetary comparison 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 Legal and Regulatory Requirements

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Saunders Company, Ltd.

Glendale, Arizona
February 22, 2022

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Avra Valley Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2021

The following discussion and analysis of the Avra Valley Fire District (the District's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2021. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Avra Valley Fire District (AVFD) was established in 1977 to provide dedicated and caring professionals who safely serve the community of Avra Valley, Arizona, by protecting life and property through education, prevention, fire suppression and emergency medical services.

Avra Valley Fire District encompasses an area of approximately 325 square miles and provides ambulance coverage for 365 square miles. The District straddles two counties, with two-thirds (65.46%) of the District within Pima County, and one-third (33.74%) in Pinal County. The District serves an estimated population of approximately 11,500 residents.

Our District maintains a high ISO rating of 3. The District provides a wide range of dedicated services to its residential and commercial property owners, as well as services to locations and persons outside the District through automatic and mutual aid agreements. In addition to fire protection, paramedic equipped units located in the District assist with advanced life support on medical calls and transportation services to hospitals. Fire prevention and injury prevention education services are provided to persons residing within the District boundaries.

Avra Valley cooperates with the Arizona Forestry Service to provide fire suppression services through a Cooperative Agreement. We continue to actively participate in wildland fire suppression throughout the Southwestern United States. We deployed crews to 10 wildland incidents during the fiscal year. The Office of State Forestry and Fire Management is preparing to deploy a new billing process beginning with FY 23.

As of June 30, 2021, the District had 41 full-time employees consisting of 25 EMT's, 12 State certified paramedics and 4 administrative staff. At the beginning of July 2021, the District hired 4 full-time firefighters and a part time mechanic.

The District operates under the supervision of a five-member Board of Directors. The members of the Board are elected at large from within the District's boundaries for four year terms and the officer positions are elected by the Board members every year for a 1-year term. The Board members at June 30, 2021 were:

Luis J.G. Castaneda, Jr.	Chairman
Sara Bauer	Vice-Chairwomen
Eric Neilson	Clerk
Thomas Armendarez	Member
James Haffner	Member

The District is administered on a day-to-day basis by a Fire Chief. The current Fire Chief is Brian Delfs.

Results of Operations

Calls

The District responded to 2,488 requests for service during the fiscal year: 1,670 rescue/EMS, 41 fire, 11 hazmat and 472 non-emergency calls. Service is currently provided from four fire stations. For FY21, the District's resources arrived on the scene of all incidents within 14 minutes 92% of the time meeting both the District's CON and self-imposed response time standards.

Call loads increased due to the COVID-19 Pandemic. Significant expenditures were required to ensure the safety of our personnel and residents. The majority of expenses were for personnel protective equipment and decontamination supplies. The majority of these unbudgeted expenditures were offset by COVID relief funds provided through the Pima County Fire Chief's Association in the amount of \$122,532, and a SAEMS Grant in the amount of \$3,000.

Personnel

- λ The District implemented a 2.5% step increase at the beginning of the fiscal year.
- λ 30% of suppression staff are Paramedics
- λ 70% of suppression staff are Firefighter/EMTs
- λ 48% of suppression staff are new to the District
- λ Majority of the suppression staff are in Tier 3 with the PSPRS
- λ 3 of our personnel are qualified wildland Engine Bosses
- λ 6 personnel resigned during FY21 and 2 personnel retired
- λ The District ended the Reserve program
- λ During FY21, we experienced 4 minor injuries with only 2 of those injuries resulting in workers compensation claims and no days away from work. The District is continuing to see fewer injuries. As a result, our worker's compensation EMod rate remains low at .73.

Public Safety Personnel Retirement System Changes

- λ Our employer contribution rate for FY21 was (T1) 18.93%, (T2) 22.93%, and (T3) 17.29%.
- λ Our employer contribution rate for FY22 will increase to (T1) 20.05%, (T2) 24.05%, (T3) 19.78%.
- § Our District continues to have one of the lowest pension debts reported for fire districts in the State.
- § As required by State legislation, our District has prepared and posted to the District website a statement discussing the District's pension funding policy.

Training

- λ Our District continues to certify, train and credential our personnel to higher levels than most other Districts.
- λ Our training program is built to the calendar year, and broken down into trimesters. Each trimester has a minimum required training which needs to be completed, and all members are current.
- λ Our training calendar is based on training necessary to meet NFPA standards in all

disciplines, as well as EMS training to meet standards of the Arizona Department of Health and St. Mary's Hospital.

- λ We had many members also attend many outside training opportunities , bringing this education and experience back to the District.
- λ Both ACLS and PEDS certification classes were brought in-house, saving the District both time and money.
- λ All crews finished the required annual training including all MCS's, fire training, OSHA mandated training, hazmat, TRT and EMS training, including stoke protocols, cardio protocols, trauma protocols, ACLS training, pediatric refresher training. An airway lab was conducted in-house.
- λ All crews completed wildland refresher training and pack tests.
- λ Crews completed refresher courses including multi company drills for fire, hazmat, EMS and TRT.
- λ Swift water training was conducted at the CAP canal .
- λ The training division completed three new hire orientation classes for new employees. These classes were two week and covered multiple topics and training drills.
- λ In total for the FY21, AVFD personnel completed a total of 14259.76 hours of training .

Community Relations

- λ Our personnel continue to stay involved in the community.
- λ Due to the COVID Pandemic, our community activities were significantly impacted.
- λ The District provided many families with holiday assistance through our annual Adopt-a-Family program.
- λ We participated in both Roadrunner and Red Rock Elementary School field days.
- λ We provided a *Winter Theme Park* drive through event for the elementary schools.

Administration

- λ Procedures manuals for both the administrative division and the finance division, including internal controls, are reviewed regularly to reflect current best practices.
- λ Several properties in both Pima and Pinal Counties were annexed into the District.
- λ The District implemented the State allowed ambulance billing rate increase of 3.25%.
- λ The District has continued to maintain compliance with State retention schedules. Records have been appropriately purged and reported to the State Library & Archives. Also, under the State Library's agreement with Iron Mountain Storage facility in Tucson, our District is now able to store records off site when necessary.
- λ The District has successfully deployed the Document Locator records database on a secure server.
12 years of Fire Board documents have been loaded into the repository . In addition, financial documents such as monthly statements, budgets and audits have been added to the repository. Other documents added include Local Pension Board documents, legal agreements, District Bylaws and Articles of Incorporation, as well as Chief Memos. During the fiscal year, the grant section of the database was completed, as well as adding a section for COVID-related documents.
- λ The District website is continually updated to provide meeting notices, budget postings, Fire Board documents library, as well as photos & announcements related to current happenings in our District. Residents are able to pay their transport invoices online and also purchase a burn permit online. Website analytics report that 75% of users directly access the site to pay medical bills, purchase a burn permit, or to seek general information.

Our website has a 4.5 star rating out of 5.

Fleet

- λ The fleet continues to be maintained according to ASE and NFPA standards.
- λ The District surplused Command 109.
- λ The District placed Ambulance 315 in service. This was purchased through FY20 AFG Grant in the prior Fiscal Year.

Logistics and Technical

- λ Upgraded microwave links
- λ Upgraded phone system
- λ Upgraded the internet
- λ Upgraded the computers
- λ Enhanced the website domain
- λ All hydrants in the District have been tested.
- λ Routine fire prevention and pre-planning inspections were conducted in the District.
- λ Routine equipment maintenance such as SCBA testing and ladder inspections were completed

Financial Highlights

- λ The District has a bond rating of A3 with the Moody's Investor Services.
- λ The District experienced an ambulance revenue collection rate of 75% for the fiscal year.
- λ District investment in net capital assets decreased by \$350,489 or 12.14%.
- λ The District's net position decreased \$57,973 or 5.77% from the previous fiscal year.
- λ Total revenues decreased \$41,518 or .99% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$ 193,516.

Overview of the Financial Statements

This Discussion *and Analysis* is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

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.

The *Statement of Activities* presents information showing how the District'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.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which 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.

Net Position June 30, 2021

	<u>Balance</u> <u>June 30, 2020</u>	<u>Balance</u> <u>June 30, 2021</u>
Net Investment in Capital Assets	\$ 54,390	\$ 290,824
Reserved – Debt Service	443,452	462,361
Unrestricted	<u>506,832</u>	<u>193,516</u>
Total Net Position	<u>\$ 1,004,674</u>	<u>\$ 946,701</u>

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 Avra Valley Fire District, Total Net Position was \$946,701 at the close of the most recent fiscal year.

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

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

Condensed Statement of Net Position

	Governmental Activities	
	<u>2020</u>	<u>2021</u>
Assets		
Current and other assets	\$ 1,478,032	\$ 2,084,204
Capital assets, net	2,886,313	2,535,824
Total assets	4,364,345	4,620,028
Deferred outflows of resources	1,459,298	1,411,214
Liabilities		
Current liabilities	282,402	354,351
Non-Current liabilities	3,811,667	4,102,934
Total liabilities	4,094,069	4,457,285
Deferred inflows of resources	724,900	627,256
Net position:		
Net investment in capital assets	54,390	290,824
Restricted - Debt Service	443,452	462,361
Unrestricted	506,832	193,516
Total Net Position (Deficit)	\$ 1,004,674	\$ 946,701

The unrestricted net position is \$ 946,701 and is available to meet the Districts' ongoing obligations.

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the Counties.

The District is grateful for grant funding provided by:

- λ SAFER Grant – personnel
- λ Pima County Fire Chief's Association – COVID relief
- λ Greater Tucson Fire Foundation – cancer testing for firefighters
- λ Tucson Fire Foundation – training equipment
- λ SAEMS – COVID supplies
- λ 100 Club of Arizona – turnouts
- λ Bayer Grant – Wildland Equipment

Governmental Activities total net position decreased by \$ 57,973. Key elements of this decrease are reported below:

Statement of Activities

	Governmental Activities	
	2020	2021
Expenditures:		
Public Safety :		
Personnel	\$ 2,825,576	\$ 3,468,077
Materials & Supplies	540,569	560,082
Debt Service Interest	112,906	107,806
Administration	22,921	22,286
Operating Grants	4,491	29,370
Capital Outlay	280,914	0
Depreciation	<u>291,721</u>	<u>350,489</u>
Total Expenditures	<u>4,079,098</u>	<u>4,538,110</u>
Program Revenues:		
Capital Grants	682,630	26,068
Operating Grants	27,858	288,283
Fees for Service	<u>1,393,904</u>	<u>1,593,534</u>
Total Program Revenues	<u>2,104,392</u>	<u>1,907,885</u>
 Net Program Expenditure s	 <u>1,974,706</u>	 <u>2,630,225</u>
General Revenues:		
Property Taxes	1,970,352	2,069,375
Fire District Assistance Tax	341,364	352,083
Investment Earnings	47,168	0
Interest Earnings	0	2,412
Miscellaneous	<u>32,929</u>	<u>148,382</u>
Total General Revenues	<u>2,391,813</u>	<u>2,572,252</u>
 Increase (Decrease) in net position	 417,107	 (57,973)
 Net position, Beginning of the Year	 <u>587,567</u>	 <u>1,004,674</u>
Net position, End of the Year	<u>\$ 1,004,674</u>	<u>\$ 946,701</u>

General Fund Budgetary Highlights

The fiscal year budget is a financial plan designed to advance our organizational mission of providing optimum services to those who live, work, recreate and do business in Avra Valley. Our goal is to have a dynamic organization which provides the highest quality services to our residents and visitors in a cost effective manner. The strategies used to construct and manage the budget focus on maintaining and enhancing frontline services, eliminating non-priority items, paying obligations, preserving employee compensation, and maintaining District assets. The framework was established under guiding principles which place resources in the organization at sustainable levels to assure that the fundamental functions of the District's business are adequately delivered. For the fiscal year ended June 30, 2021, the District received 92.66% of the anticipated revenue and with coordinated efforts of all personnel, spent 90.34% of the expenditure budget. Strong teamwork has resulted in preparation of a sustainable five year budget plan.

Avra Valley Fire District is heavily reliant on property tax levies to fund basic services. Property tax revenue has not kept pace with the cost increases in nearly every area. In recent years, assessed property values within the District have continued to decrease resulting in decreased property tax levies, with FY17 incurring the most drastic impact. Fortunately, Proposition 461 successfully passed in November 2017 allowing the statutory tax rate to increase by twenty-five cents to a rate of \$3.50 per one hundred dollars of assessed valuation for five consecutive tax years. FY21 was the third fiscal year which benefitted by this statutorily allowed property tax rate increase. Current legislation in the State may allow for a permanent tax rate of \$3.50. Of special note, FY22 will see a small rise in property tax revenue. However, the FY22 property tax revenue will still only equate to the revenues received in FY11.

Prop 407 was adopted in November 2020 which provides for a portion of the monies generated from the sale of medical marijuana to be disbursed to fire districts. The District received the first disbursement in the amount of \$13,859 during the last month of the fiscal year. Future disbursements will occur twice per fiscal year.

In addition to the grant revenues/expenditures previously discussed, general fund revenues were generated from the following sources:

31 %	Ambulance Revenue
58 %	Property Tax Revenue
11 %	Other

General Fund expenditures can be broken into two main categories:

80%	Employee Related Expenditures (ERE)
20%	Operating Expenditures.

When doing the budget comparison, the District over-spent two line items. They were Personnel in the amount of \$ 432,716 and Materials & Supplies in the amount of \$ 19,274. These variances can be attributed to increased personnel needs due to the ongoing Covid 19 pandemic and grant monies for materials and supplies accounted for in other categories.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend the budget at the fund level.

Capital Asset and Debt Administration

Capital Assets

To continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. For fiscal year ended June 30, 2021 the District purchased, had contributed, or constructed the following assets:

- λ New ambulance purchased in the prior FYR was placed in service per FY20 AFG Grant
- λ Training equipment donated from the Greater Tucson Fire Foundation
- λ Wildland protective gear per Bayer Grant
- λ Turnouts per 100 Club Grant
- λ COVID-related supplies per SAEMS and Pima Fire Chief's monies

Capital Assets, Net of Depreciation June 30, 2021

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2020</u>	<u>BALANCE</u> <u>06/30/2021</u>
<u>Depreciable Assets</u>		
Vehicles	\$3,108,947	\$ 3,075,706
Buildings	2,426,175	2,426,175
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>1,288,586</u>	<u>1,288,586</u>
Total Historical Costs	<u>6,898,344</u>	<u>6,865,103</u>
Less Accumulated Depreciation		
Vehicles	2,460,454	2,638,711
Buildings	634,108	699,783
Equipment, Admin	74,636	74,636
Equipment, Fire	<u>950,941</u>	<u>1,024,257</u>
Less: Total Accumulated Depreciation	<u>4,120,139</u>	<u>4,437,387</u>
Depreciable Capital Assets, Net	2,778,205	2,427,716
<u>Non-Depreciable Assets</u>		
Land	<u>108,108</u>	<u>108,108</u>
Capital Assets, Net	<u>\$ 2,886,313</u>	<u>\$ 2,535,824</u>

Non-Current Liabilities

At the end of the current fiscal year, the District had non-current liabilities of \$2,217,145. All of the debt is backed by the full faith and credit of the District.

Changes in Non-Current Liabilities:

	<u>BALANCE</u> <u>06/30/2020</u>	<u>BALANCE</u> <u>06/30/2021</u>
Bonds Payable Series 2013	<u>2,420,000</u>	<u>2,245,000</u>
Total Lease/Purchases and Bonds	2,420,000	2,245,000
Compensated Absences – Due in More than One Year	<u>\$ 149,381</u>	<u>\$ 162,145</u>
Total Lease/Purchases, Bonds and Compensated Absences	2,569,381	2,407,145
Less: Current Capital Liabilities	<u>175,000</u>	<u>190,000</u>
Totals	<u>\$2,394,381</u>	<u>\$2,217,145</u>

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues which vary with economic conditions. The District is currently involved in the following activities which we anticipate will better prepare the District to serve its' residents in the future:

- λ Voter-approved temporary raise in tax rate for FY19 through FY23 may remain permanent
- λ Prop 407 Marijuana Tax monies
- λ Possible annexations
- λ Grant applications
- λ annual State authorized increase in ambulance billing rates
- λ Management and Resource Sharing IGA with Three Points Fire District

Contacting the District

This financial report is designed to provide an overview of the District for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to:

Avra Valley Fire District
15790 W Silverbell Road
Marana, AZ 85653
(520) 682-3255

BASIC FINANCIAL STATEMENTS

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 963,180
Receivables:	
Ambulance Service Fees, Net of Allowances for doubtful accounts	384,802
Wildland	110,049
Property Taxes	294,980
Prepaid Interest	52,591
Prepaid Principal	190,000
Net OPEB Asset - (ASRS)	2,074
Net OPEB Asset - (PSPRS)	86,528
Capital Assets, Net	2,535,824
 Total Assets	 4,620,028
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflows Related to OPEB (ASRS)	3,282
Deferred Outflows Related to OPEB (ASRS-LTD)	1,167
Deferred Outflows Related to OPEB (PSPRS)	16,605
Deferred Outflows Related to Pension (ASRS)	89,743
Deferred Outflows Related to Pension (PSPRS)	1,300,417
 Total Assets and Deferred Outflow of Resources	 6,031,242
LIABILITIES	
Current Liabilities	
Accounts Payable	31,326
Payroll Taxes Payable	41,345
Wages Payable	59,251
Due in less than one year	
Bonds Payable	190,000
Compensated Absences	32,429
Non Current Liabilities	
Due in more than one year	
Compensated Absences	129,716
Bonds Payable	2,055,000
Net OPEB Liability- (ASRS-LTD)	2,200
Net Pension Liability - Pension (ASRS)	495,538
Net Pension Liability - Pension (PSPRS)	1,420,480
 Total Liabilities	 4,457,285
DEFERRED INFLOW OF RESOURCES	
Deferred Inflows Related to OPEB (ASRS)	4,091
Deferred Inflows Related to OPEB (ASRS-LTD)	155
Deferred Inflows Related to OPEB (PSPRS)	59,390
Deferred Inflows Related to Pension (ASRS)	12,218
Deferred Inflows Related to Pension (PSPRS)	551,402
 Total Liabilities and Inflow of Resources	 5,084,541
NET POSITION	
Net Investment in Capital Assets	290,824
Restricted	462,361
Unrestricted	193,516
 Total Net Position	 \$ 946,701

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Exhibit B

**Governmental
Activities**

EXPENDITURES

Public Safety:		
Personnel	\$	3,468,077
Materials & Supplies		560,082
Debt Service Interest		107,806
Administration		22,286
Operating Grants		29,370
Depreciation		350,489
		<hr/>
Total Program Expenditures		4,538,110
		<hr/>

PROGRAM REVENUES

Capital Grants		26,068
Operating Grants		288,283
Fees for Service		1,593,534
		<hr/>
Total Program Revenues		1,907,885
		<hr/>
Net Program Expenditures		2,630,225
		<hr/>

GENERAL REVENUES

Property Taxes		2,069,375
Fire District Assistance		352,083
Interest Earnings		2,412
Miscellaneous		148,382
		<hr/>
Total General Revenues		2,572,252
		<hr/>

Increase (Decrease) in Net Position		(57,973)
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NET POSITION-BEGINNING OF THE YEAR		<hr/> 1,004,674
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NET POSITION-END OF THE YEAR		<hr/> <hr/> \$ 946,701
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

Exhibit C

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 743,410	\$ 219,770	\$ 963,180
Receivables:			
Ambulance Service Fees, Net of Allowances for Doubtful Accounts	384,802	-	384,802
Wildland	110,049	-	110,049
Property Taxes	294,980	-	294,980
Prepaid Interest	-	52,591	52,591
Prepaid Principal	-	190,000	190,000
Total Assets	\$ 1,533,241	\$ 462,361	\$ 1,995,602
LIABILITIES			
Accounts Payable	\$ 31,326	\$ -	\$ 31,326
Payroll Taxes Payable	41,345	-	41,345
Wages Payable	59,251	-	59,251
Total Liabilities	131,922	-	131,922
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenues			
Deferred Property Taxes	268,435	-	268,435
Total Liabilities and Inflow of Resources	400,357	-	400,357
FUND BALANCES			
Restricted	-	462,361	462,361
Assigned	10,021	-	10,021
Unassigned	1,122,863	-	1,122,863
Total Fund Balances	1,132,884	462,361	1,595,245
Total Liabilities, Deferred Inflow of Resources, & Fund Balance	\$ 1,533,241	\$ 462,361	\$ 1,995,602

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2021**

Exhibit D

	General	Debt Service	Total Governmental Funds
REVENUE			
Property Taxes	\$ 1,739,604	\$ 299,650	\$ 2,039,254
Fire District Assistance Tax	352,083	-	352,083
Fees for Service	1,593,534	-	1,593,534
Interest Earnings	47	2,365	2,412
Capital Grants	26,068	-	26,068
Operating Grants	288,283	-	288,283
Miscellaneous	148,382	-	148,382
	4,148,001	302,015	4,450,016
EXPENDITURES			
Public Safety:			
Personnel	3,032,716	-	3,032,716
Materials & Supplies	557,210	-	557,210
Administration	21,986	300	22,286
Debt Service			
Principal	-	175,000	175,000
Interest	-	107,806	107,806
Capital Outlay	32,242	-	32,242
	3,644,154	283,106	3,927,260
Excess (Deficiency) of Revenues over Expenditures	503,847	18,909	522,756
Net Change in Fund Balances	503,847	18,909	522,756
Fund Balances-Beginning of Year	629,037	443,452	1,072,489
Fund Balances-End of Year	\$ 1,132,884	\$ 462,361	\$ 1,595,245

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Exhibit E

**Reconciliation of Governmental Fund Balance to Net Position
(Exhibit A) of governmental activities:**

Fund Balances - Total Governmental Funds (Exhibit C)		\$ 1,595,245
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.		
Governmental Capital Assets	6,973,211	
Less: Accumulated Depreciation	<u>(4,437,387)</u>	2,535,824
Net Pension Asset:		
Related to OPEB (ASRS)		2,074
Related to OPEB (PSPRS)		86,528
Deferred Outflows of Resources:		
Related to OPEB (ASRS)		3,282
Related to OPEB (ASRS-LTD)		1,167
Related to OPEB (PSPRS)		16,605
Related to Pension (ASRS)		89,743
Related to Pension (PSPRS)		1,300,417
Non-Current liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		
		(2,407,145)
Net Pension Liability		
Related to OPEB (ASRS-LTD)		(2,200)
Related to Pension (ASRS)		(495,538)
Related to Pension (PSPRS)		(1,420,480)
Deferred Inflows of Resources:		
Related to OPEB (ASRS)		(4,091)
Related to OPEB (ASRS- LTD)		(155)
Related to OPEB (PSPRS)		(59,390)
Related to Pension (ASRS)		(12,218)
Related to Pension (PSPRS)		(551,402)
Related to Deferred Property Taxes		<u>268,435</u>
Net Position of Governmental Activities (Exhibit A)		<u>\$ 946,701</u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**AVRA VALLEY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2021**

Exhibit F

**Reconciliation of the change in fund balance-total governmental funds
to the change in net position of governmental activities:**

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$	522,756
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

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. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(350,489)
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Net Changes to Deferred Outflows or Inflows of Resources		(68,004)
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The issuance of non-current liabilities (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of non-current liability consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of non-current liabilities and related items.		(162,236)
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Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>(57,973)</u>
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AVRA VALLEY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by the fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

INTRODUCTION

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

BASIC FINANCIAL STATEMENTS

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

GOVERNMENT -WIDE STATEMENTS

The government -wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 segment 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 users of the services 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. Other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General 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 another fund.

The *Capital Projects Fund* is used to account for the construction of capital projects other than those which are voter approved by a bond issue, therefore, capital projects funded by District operating revenues or Lease/Purchase arrangements.

The *Debt Service Fund* is used to account for the proceeds of tax revenues received from a voter approved bond issue for capital improvements to the District. The fund is administered and held by the Pima County and Pinal County Treasurers. The proceeds of the fund may only be used to repay the bond issue.

The *Capital Bond Expenditure Fund* is used to account for those expenditures attributable to revenue derived from voter approved bonds.

Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 90 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the 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 lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Accumulated unpaid vacation and leave time is recorded in the Government -Wide Statement of Net Position.

Non-Current Liabilities

In the government -wide financial statements, Non-Current liabilities and other Non-Current obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Position

Net Position on Government Wide Financial Statements – Exhibit A

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net position and is classified in the following categories:

- § Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- § Unrestricted – this balance is the amount of equity which is not included in the restricted fund balance and the Investments in Capital Assets balances.
- § Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Fund Balances on Government Fund Financial Statements – Exhibit C

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- § Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- § Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- § Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- § Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- § Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.02(a)

Pursuant to ARS 48.805.02(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1st of each year. Budgets are adopted by the District on basis consistent with Arizona Revised Statutes. Encumbrance accounting is not employed by the District. All appropriati ons lapse at year-end.

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the Pima County and Pinal County Treasurers, accounts for monies from property taxes, grants, contributions and donations. The Pima County and Pinal County Treasurers is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the Pima County and Pinal County Treasurers for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining in the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the Pima County and Pinal County Treasurers Offices are part of an investment pool operated by the Pima County and Pinal County Treasurers Offices. The Pima County and Pinal County Treasurers invest the cash in a pool under policy guidelines established by the Pima County and Pinal County Treasurer's offices. Pima & Pinal Counties Treasurer's Offices account for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the Pima County and Pinal County Treasurer's Investment pools are included in the Comprehensive Annual Financial Report of the respective Counties. The fair value of each participant's position in the Pima County and Pinal County Treasurer's Investment Pool approximates the value of the participant's shares in the pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the Arizona State Treasurer's Office. The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2021:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Insured Deposits (FDIC)	\$ 250,000	\$ 0	\$ 250,000
Collateralized	480,926	0	480,926
Pima County and Pinal County Treasurer's Investment Pools	<u>22,235</u>	<u>219,770</u>	<u>242,005</u>
Total Deposits	753,161	219,770	972,931
In Transit Items	<u>(9,901)</u>	<u>0</u>	<u>(9,901)</u>
Total Depository Accounts	743,260	219,770	963,030

NON-DEPOSITORY ACCOUNTS

Cash on Hand	<u>150</u>	<u>0</u>	<u>150</u>
Total Non-Depository Accounts	<u>150</u>	<u>0</u>	<u>150</u>
Total Cash & Investments	<u>\$ 743,410</u>	<u>\$ 219,770</u>	<u>\$ 963,180</u>

GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments, establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value and enhances disclosures related to fair value hierarchy and valuation techniques.

These fair value measurement reporting levels are:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Significant other observable inputs.

Level 3 - Significant unobservable inputs.

Pima County and Pinal County Treasurers Investment Pools: Level Two

Breakdown of investments measured at fair value:

Pima County and Pinal County Treasurers Investment Pools \$ 242,005

Total \$ 242,005

Custodial Credit Risk- Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Foreign Currency Risk- Arizona Revised Statutes do not allow foreign investments.

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

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes (ARS). The Pima County Treasurer’s Investment Pool (Pima CTIP) and the Pinal County Treasurer’s Investment Pool (Pinal CTIP) are external investment pools with no regulatory oversight. Both Pima CTIP and Pinal CTIP are not required to register (and are not registered) with the Securities and Exchange Commission. As of June 30, 2021, Pima CTIP and Pinal CTIP have not received a credit quality rating from a national rating agency.

Arizona State Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state of which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

Arizona Revised Statutes do not include any requirement for concentration of risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Pima County and Pinal County Treasurer's Offices invest the cash in a pool under policy guidelines established by the Pima County and Pinal County Treasurer's offices. Pima and Pinal Counties account for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding Pima County's Treasurer's Investment Pool (Pima CTIP) and the Pinal County's Treasurer's Investment Pool (Pinal CTIP) are included in the Comprehensive Annual Report of each of the Counties. The fair value of each participant's position in the Pima CTIP and the Pinal CTIP approximates the value of the participant's shares in the pool.

NOTE 4 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities. The District also conducts regular drivers license checks on all employees authorized to operate District vehicles.

NOTE 5 - INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

NOTE 6 - RECEIVABLES

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Ambulance receivables were \$389,048 with an allowance for bad debt of \$ (4,246) at June 30, 2021. This gave a net of \$384,802, before write off allowances and contractual adjustments, which was expected to be collectable. The allowance for bad debt is the amount over 150 days in the accounts receivable aging report as of June 30, 2021.

Wildland receivables were \$110,049 with an allowance for bad debt of \$0.00 at June 30, 2021. This gave a net of \$110,049 which was expected to be collectable.

Prepaid Interest was \$52,591 at June 30, 2021.

Prepaid Principal was \$190,000 at June 30, 2021.

NOTE 7 - PROPERTY TAX REVENUE RECEIVABLES

Property Tax Revenue Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arise.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended.

	<u>BALANCE</u> <u>06/30/2020</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2021</u>
<u>Depreciable Assets</u>				
Vehicles	\$3,108,947	\$ 0	\$ 33,241	\$ 3,075,706
Buildings	2,426,175	0	0	2,426,175
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>1,288,586</u>	<u>0</u>	<u>0</u>	<u>1,288,586</u>
Total Historical Costs	<u>6,898,344</u>	<u>0</u>	<u>33,241</u>	<u>6,865,103</u>
Less Accumulated Depreciation				
Vehicles	2,460,454	211,498	33,241	2,638,711
Buildings	634,108	65,675	0	699,783
Equipment, Admin	74,636	0	0	74,636
Equipment, Fire	<u>950,941</u>	<u>73,316</u>	<u>0</u>	<u>1,024,257</u>
Less: Total Accumulated Depreciation	<u>4,120,139</u>	<u>350,489</u>	<u>33,241</u>	<u>4,437,387</u>
Depreciable Capital Assets, Net	2,778,205	(350,489)	0	2,427,716
<u>Non-Depreciable Assets</u>				
Land	<u>108,108</u>	<u>0</u>	<u>0</u>	<u>108,108</u>
Capital Assets, Net	<u>\$ 2,886,313</u>	<u>\$ (350,489)</u>	<u>\$ 0</u>	<u>\$ 2,535,824</u>

NOTE 9 - DEFERRED OUTLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District reports the deferred inflows and outflows as follows:

	Government -Wide <u>Activities</u>
Government -wide Deferred Outflows :	
Related to OPEB (ASRS)	\$ 3,282
Related to OPEB (ASRS-LTD)	1,167
Related to OPEB (PSPRS)	16,605
Related to Pension (ASRS)	89,743
Related to Pension (PSRS)	<u>1,300,417</u>
Total Government -wide Activities	<u>\$ 1,411,214</u>
Government -wide Deferred Inflows :	
Related to OPEB (ASRS)	\$ 4,091
Related to OPEB (ASRS-LTD)	155
Related to OPEB (PSPRS)	59,390
Related to Pension (ASRS)	12,218
Related to Pension (PSPRS)	<u>551,402</u>
Total Government -wide Activities	<u>\$ 627,256</u>

Governmental Activities

Unavailable Revenues	
Deferred Property Taxes	<u>\$ 268,435</u>
Total Governmental Activities	<u>\$ 268,435</u>

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid compensated absences are accrued in the Government Wide Statement of Net Position. The accrual at year end consisted of \$ 32,429 payable in less than one year and \$ 129,716 payable in future years.

NOTE 12 – CURRENT LIABILITIES

Accounts Payable are liabilities considered due and payable in 60 days or less.

Current Liabilities are those liabilities payable within one year or less.

Changes in Current Liabilities:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Accounts Payable	\$ 19,584	\$ 11,742	\$ 0	\$ 31,326
Payroll Taxes Payable	27,166	14,179	0	41,345
Wages Payable	23,307	35,944	0	59,251
Compensated Absences	37,345	0	4,916	32,429
Bonds Payable	<u>175,000</u>	<u>15,000</u>	<u>0</u>	<u>190,000</u>
Totals	<u>\$ 282,402</u>	<u>\$ 76,865</u>	<u>\$ 4,916</u>	<u>\$ 354,351</u>

NOTE 13 – LINE OF CREDIT

The District does not utilize a line of credit for day to day operations.

NOTE 14- COMMITMENTS

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions. At the close of the Fiscal Year, the District had no committed funds.

NOTE 15 – NON-CURRENT LIABILITIES

In the government-wide financial statements, non-current liabilities and other non-current obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position.

Operating Leases

The District does not currently have any operating leases.

Notes Payable

The District does not currently have any Notes Payable.

General Obligation Bonds

Bond Issue 2013: On August 1st 2013 the District issued voter approved bonds in the amount of \$2,935,000 for the financing of two ambulances, various related equipment and the construction and remodel of fire stations. The bonds were for 18 years at an interest rate of 4.25% with semi-annual interest payments due on July 1st and January 1st each year and annual principal payments due each July 1st. The amounts of the principal and interest payments vary over the life of the bonds. The final payment is scheduled on July 1, 2031.

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 06/30/21</u>
Bond Issue 2013	4.25%	7/1/2031	\$ 2,245,000

The following assets were acquired through notes payable or bond issues :

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Bond Issue 2013	<u>\$2,376,358</u>	<u>\$ 1,286,837</u>	<u>\$1,089,521</u>
Total	<u>\$2,376,358</u>	<u>\$ 1,286,837</u>	<u>\$1,089,521</u>

Changes in Non-Current Liabilities :

	<u>BALANCE 06/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE 06/30/2021</u>
Bonds Payable Series 2013	<u>2,420,000</u>	<u>0</u>	<u>175,000</u>	<u>2,245,000</u>
Total Lease/Purchases and Bonds	2,420,000	0	175,000	2,245,000
Compensated Absences – Due in More than One Year	<u>\$ 149,381</u>	<u>\$ 33,620</u>	<u>\$ 20,856</u>	<u>\$ 162,145</u>
Total Lease/Purchases, Bonds and Compensated Absences	2,569,381	33,620	195,856	2,407,145
Less: Current Capital Liabilities	<u>175,000</u>	<u>15,000</u>	<u>0</u>	<u>190,000</u>
Totals	<u>\$2,394,381</u>	<u>\$ 18,620</u>	<u>\$195,856</u>	<u>\$2,217,145</u>

NOTE 16 - FUTURE MINIMUM LEASE/PURCHASE AND BOND OBLIGATIONS

The future minimum bond obligations and the net present value of these minimum bond payments as of June 30, 2021, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 190,000	\$ 101,856	\$ 291,856
2023	200,000	94,531	294,531
2024	145,000	87,631	232,631
2025	155,000	81,438	236,438
2026	170,000	74,318	244,318
2027/2031	1,110,000	224,866	1,334,866
2032	<u>275,000</u>	<u>7,219</u>	<u>282,219</u>
Total Obligation	2,245,000	<u>\$ 671,859</u>	2,916,859
Less Amount Representing Interest			<u>671,859</u>
Less amount due within 1 year	<u>190,000</u>		
Future Minimum Lease Payments			<u>\$ 2,245,000</u>
Amount due after 1 year	<u>\$ 2,055,000</u>		

NOTE 17 – NET POSITION/FUND BALANCE

The District’s Net Position balances consist of restricted, unrestricted, nonspendable and net investment in capital assets amounts.

The District’s Governmental Funds fund balances consist of restricted, committed, assigned, nonspendable and unassigned amounts.

Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balances are amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Non-spendable fund balances are amounts that are not in a spendable form such as inventories or pre-paid expenses.

Assigned fund balances are amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balances are amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

Net Investment in Capital Assets	\$ 290,824
Restricted – Debt Service	462,361
Unrestricted	<u>193,516</u>
Total Net Position	<u>\$ 946,701</u>

Governmental Fund Balances:

Restricted Fund Balance - Debt Service	\$ 462,361
Assigned -Payroll	10,021
Unassigned Fund Balances	<u>1,122,863</u>
Total Fund Balance	<u>\$ 1,595,245</u>

NOTE 18 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

NOTE 19 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, permits employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally not subject to claims of creditors.

NOTE 20 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

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

The cost of postemployment healthcare benefits, from an accrual accounting perspective, should be associated with the periods in which future costs are earned rather than in the future years when they will be paid (similar to the cost of pension benefits), GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* requires the District to recognize the entire OPEB liability and a comprehensive measure of OPEB expense. The comprehensive measures of OPEB expense includes immediate recognition in OPEB expense of the effects of changes of benefit terms, as well as the incorporation of the amortization of deferred inflows of resources and deferred outflows of resources related to OPEB over a defined, closed period.

At June 30, 2021, the District reported the following aggregate amounts related to pensions and other post-employment benefits (OPEB) for which it contributes:

	ASRS PENSION	PSPRS PENSION	OPEB (COMBINED)
Net asset	\$ 0	\$ 0	\$ 0
Net liability	495,538	1,420,480	(86,402)
Deferred outflows of resources	89,743	1,300,417	21,0554
Deferred inflows of resources	12,218	551,402	63,636
Pension & OPEB expense	27,030	416,925	11,802

A. Arizona State Retirement System

Plan Description : The District contributes to 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, Chapters 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, by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

Benefits Provided – Benefits are established by State Statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree’s average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree’s health care insurance premiums, in amount based on whether the benefit is for the retiree or for the retiree and his or her dependents. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<u>Retirement initial membership date</u>	
	Before July 1, 2011	After July 1, 2011
Years of service and receive benefits	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 months of last 120 months	Highest 60 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 member 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 contribution 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.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members’ and the District’s contribution rates. 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, 2021 active ASRS members were required by statute to contribute at the actuarially determined rate of 12.22 percent (12.04 percent retirement, and .18 percent for long-term disability) of the active members’ annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance benefit, and 0.18 percent for long-term disability) of covered annual payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS. The District’s contributions to ASRS for the year ended June 30, 2021 was \$ 41,204.

The District’s combined contributions for pension and OPEB for the current and two preceding years, all of which were equal to the required contributions, were as follows:

<u>Years ended June 30</u>	<u>Total Contribution</u>
2021	\$ 41,204
2020	36,993
2019	32,683

During fiscal year 2021, the District paid for ASRS from the general fund.

Liability – At June 30, 2021, the District reported a liability of \$ 495,538 for its proportionate share of the ASRS net pension liability, a liability (asset) of (\$ 2,074) for the Health Insurance Premium and \$ 2,200 for the Long-Term Disability.

The net pension assets and liability were measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using updated procedures to

roll forward the total pension liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all employers' contribution for the year ended June 30, 2020. The District's proportion measure as of June 30, 2020, was 0.00286 percent, which was consistent to its proportion measured as of June 30, 2019.

The District proportion of the 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 proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

ASRS	Proportion June 30, 2020	Proportion June 30, 2019
Pension	0.00286%	0.00295%
Health insurance premium benefit	0.00293%	0.00302%
Long-term disability	0.00290%	0.00299%

The net assets and net liabilities measured as of June 30, 2020, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the District net assets and net liabilities as a result of these changes is not known.

Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021; the District recognized pension expense for ASRS of \$ 118,942. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to ASR from the following sources:

	Pension		OPEB		LTD	
	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	\$ 4,753	\$ 0	\$ 0	\$ 4,088	\$ 191	\$ 57
Changes in assumptions or other inputs	0	0	1,150	0	237	0
Net difference between projected and actual earnings	47,795	0	2,123	0	242	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	12,218	9	3	0	98
Contributions subsequent to the measurement date	<u>37,465</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>497</u>	<u>0</u>
Total	<u>\$ 89,743</u>	<u>\$ 12,218</u>	<u>\$ 3,282</u>	<u>\$ 4,091</u>	<u>\$ 1,167</u>	<u>\$ 155</u>

The amount reported as deferred outflows of resources relates to ASRS pensions and OPEB resulting from the District's contributions subsequent to the measurement recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2022	\$ (2,423)	\$ (442)	\$ 81
2023	10,412	10	121
2024	17,288	108	128
2025	14,783	(111)	114
2026	0	(374)	56
Future	0	0	15

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
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 & health insurance premium benefit
Recovery rates	2012 GLDT for long term disability
Healthcare cost trend rate	Not Applicable

* Not applicable for OPEB

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

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

allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	6.09%
Credit	20%	5.36%
Real Estate	20%	5.85%
Interest rate sensitive bonds	10%	1.62%
Total	<u>100%</u>	<u>18.92%</u>

Discount Rate – The discount rate used to measure the ASRS total pensions 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 pension plan’s fiduciary net position was projected to be available to make all projected future payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.5 percent) or 1 percent point higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Insurance Premium Benefit Liability	<u>\$ 2,772</u>	<u>\$ (2,074)</u>	<u>\$ (6,156)</u>
Net Long-Term Disability Benefit	<u>\$ 2,402</u>	<u>\$ 2,200</u>	<u>\$ 2,004</u>
The district’s proportionate share of the net pension liability	<u>\$ 677,642</u>	<u>\$ 495,538</u>	<u>\$ 343,309</u>

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

A. Public Safety Personnel Retirement System

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

District public safety employees who became PSPRS members before July 1, 2017 participate in the agent plans, and those who became members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool). A defined contribution plan is only available to those members who became a member on or after January 1, 2012.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information of PSPRS. The reports are available on the PSPRS Web site at www.psprs.com or may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona 85016 or calling (602) 255-5575

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement commences the first day of the month following termination of employment. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

TIER 1 – Members prior to December 31, 2011

1. 20 years of credited service: 50% of the average monthly benefit compensation for the first 20 years of service.
2. Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service. The pension is reduced by 4% per year for each year of credited service under 20 years.
3. 20 to 24.99 years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2% of the average monthly benefit compensation for each year of credited service between 20 and 24.99 years.
4. 25 or more years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service plus 2.5% of the average monthly benefit compensation for each year of credited service above 20 years – up to a maximum of 80% of the average monthly benefit.

TIER 2 – Members joining between January 1, 2012 and June 30, 2017

1. Age 52.5 with 15 years of credited service but less than 25 years: average monthly benefit compensation times a multiplier that varies by years of service, from 1.5% to 2.5% per year of service, times the number of years of service.
2. Age 52.5 with 25 years of credited service: 62.5% of the average monthly benefit compensation. Benefits will be reduced by 4% for each year of credited service under 25 years.
3. 25 or more years of credited service: 62.5% of the average monthly benefit compensation for the first 25 years of credited service plus 2.5% of the average monthly benefit compensation for each year of credited service above 25 years – up to a maximum of 80% of the average monthly benefit compensation. The pension is reduced by 4% for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

TIER 3 – Members joining July 1, 2017 or after

1. Age 55 with 15 or more years of credited service: average monthly benefit compensation times a multiplier that varies by years of service from 1.5% to 2.5% per year of service, times the number of years of service – up to a maximum of 80% of the average monthly benefit compensation.
2. An individual who became a member on or after July 1, 2017, and reaches age 52,5 with at least 15 years of credited service may take an early retirement; however, the amount of his or her retirement benefit is actuarially reduced.

This group of members will enroll in a hybrid plan, which has elements of both a defined benefit and defined contribution plan. Employees who are part of this group may also elect to participate in a defined contribution plan in lieu of the hybrid plan. If enrolling in the hybrid plan, benefits (defined benefit portion only) commence on the first day of the month following termination of employment.

“Average Monthly Benefit Compensation” is defined differently for each tier above. The definitions are as follows:

- Tier 1- is the 36 consecutive months of highest compensation within the last 20 years of service.
- Tier 2- is the 60 consecutive months of highest compensation within the last 20 years of service.
- Tier 3- is the 60 consecutive months of highest compensation within the last 15 years of service.

Disability benefits are calculated as follows:

- Accidental Disability Retirement: 50% of average monthly compensation, or normal pension, whichever is greater.
- Catastrophic Disability Retirement: 90% of average monthly compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of the average monthly compensation or the members accrued normal pension.

Ordinary Disability Retirement: A percentage of normal pension on employee’s credited service (maximum 20 years divided by 20).

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

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

Employees covered by benefit terms – At June 30, 2021, the following employees were covered by the agent pension plan’s benefit terms:

	<u>PSPRS</u>	
	<u>Pension</u>	<u>OPEB</u>
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	10	10
DROP	0	0
Active employees	<u>28</u>	<u>28</u>
Total	<u>44</u>	<u>44</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 members and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded liability. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active member Pension</u>	<u>District Pension</u>	<u>Health insurance Premium benefit</u>
Active members:			
Pension	7.65%		
District:			
Pension		20.05%	0.00%
Tier 3 Risk Pool	9.05%	9.05%	0.13%

District contributions to the plans for the year ended June 30, 2021, were:

	<u>Net pension</u>	<u>Net OPEB</u>
PSPRS	\$ 297,667	\$ 3,242

Pension Liability – The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members between January 1, 2012 and June 30, 2017, and a court decision that decreased the contribution rates for the employees who became members before July 20, 2011.

At June 30, 2021 the District reported the following assets and liabilities:

	<u>Net pension (asset) liability</u>	<u>Net OPEB (asset) liability</u>
PSPRS	\$ 1,420,480	\$ (86,528)

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

<i>Actuarial valuation date</i>	June 30, 2020
<i>Actuarial cost method</i>	Entry Age Normal
<i>Actuarial Assumptions:</i>	
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 adjustment	1.75% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	PUB-S-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.30 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
US public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash – Mellon	<u>1%</u>	-0.60%
 Total	 <u>100%</u>	

Discount Rates – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3%, which was unchanged from the discount rate used as of June 30, 2019. 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 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.

Pension/OPEB

Changes in the Net Pension/OPEB Liability

	Total Pension Liability	Pension Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Health insurance premium benefit Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balances At June 30, 2020	\$ 6,395,609	\$ 5,409,530	\$ 986,079	\$ 101,214	\$ 197,552	\$ (96,338)
Changes for the current year:						
Service Cost	416,925	0	416,925	10,471	0	10,471
Interest on the total pension liability	488,040	0	488,040	8,233	0	8,233
Changes of benefit terms	0	0	0	0	0	0
Differences between expected and actual experience in the measurement of the total liability	64,496	0	64,496	(3,345)	0	(3,345)
Change of assumptions or other inputs	0	0	0	0	0	0
Contributions – Employer	0	297,667	(297,667)	0	3,242	(3,242)
Contributions – Employee	0	172,761	(172,761)	0	0	0
Net investment income	0	70,370	(70,370)	0	2,511	(2,511)
Benefit payments, including refunds of employee contributions	(254,119)	(254,1129)	0	(858)	(858)	0
Hall/Parker Settlement	0	0	0	0	0	0
Other changes	0	(5,738)	5,738	0	(204)	204
Net Changes	<u>715,342</u>	<u>280,941</u>	<u>434,401</u>	<u>14,501</u>	<u>4,691</u>	<u>9,810</u>
Balances at June 30, 2021	<u>\$ 7,110,951</u>	<u>\$ 5,690,471</u>	<u>\$ 1,420,480</u>	<u>\$ 115,715</u>	<u>\$ 202,243</u>	<u>\$ (86,528)</u>

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

	1% Decrease 6.30%	Discount Rate 7.30%	1% Increase 8.30%
Net OPEB liability	\$ (68,328)	\$ (86,528)	\$ (101,570)
Net pension liability	\$ 2,728,657	\$ 1,420,480	\$ 390,146

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2021, the District recognized pension expense for PSPRS of \$ 416,925 and \$ 10,471 as OPEB expense.

At June 30, 2021, the District reported deferred outflow and inflows of resources related pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 281,178	\$ 551,402	\$ 0	\$ 54,272
Changes of assumption or other inputs	421,865	0	2,604	5,118
Net difference between project and actual earnings on pension plan investments	299,707	0	10,759	0
Contributions subsequent to the measurement date	297,667	0	3,242	0
Total	<u>\$ 1,300,417</u>	<u>\$ 551,402</u>	<u>\$ 16,605</u>	<u>\$ 59,390</u>

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

	Pension Net Deferred Outflows of Resources	OPEB Net Deferred Inflows of Resources
Year Ending June 30:		
2022	\$ 138,410	\$ (2,940)
2023	164,317	(1,634)
2024	106,029	(1,777)
2025	76,783	(2,506)
2026	815	(4,904)
Thereafter	(27,006)	(32,266)
	<u>\$ 491,408</u>	<u>\$ (48,836)</u>

NOTE 21- PREPAID EXPENSES

Prepaid expenses at June 30, 2021 were \$242,591 and consist of prepaid debt service obligations expected to be incurred in the following fiscal year.

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**AVRA VALLEY FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2021**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,759,393	\$ 1,759,393	\$ 1,739,604	\$ (19,789)
Fire District Assistance Tax	351,878	351,878	352,083	205
Fees for Service	1,451,660	1,451,660	1,593,534	141,874
Interest Earnings	-	-	47	47
Capital Grants	-	-	26,068	26,068
Operating Grants	850,000	850,000	288,283	(561,717)
Miscellaneous	-	-	148,382	148,382
Total Revenues	4,412,931	4,412,931	4,148,001	(264,930)
Expenditures:				
Public Safety:				
Personnel	2,600,000	2,600,000	3,032,716	(432,716)
Materials and Supplies	537,936	537,936	557,210	(19,274)
Administration	106,450	106,450	21,986	84,464
Capital Outlay	1,518,545	1,518,545	32,242	1,486,303
Total Expenditures	4,762,931	4,762,931	3,644,154	1,118,777
Excess (Deficiency) of Revenues over Expenditures	(350,000)	(350,000)	503,847	853,847
Net Change in Fund Balances	(350,000)	(350,000)	503,847	853,847
Fund Balances at Beginning of Year	350,000	350,000	629,037	279,037
Fund Balances at End of Year	\$ 0	\$ 0	\$ 1,132,884	\$ 1,132,884

See Accompanying Notes To The Budgetary Comparison Schedule

**AVRA VALLEY FIRE DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

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

NOTE 2 - OVER-EXPENDITURE OF BUDGET LINE ITEMS

The District over-spent two line items. They were Personnel in the amount of \$ 432,716 and Materials & Supplies in the amount of \$ 19,274. These variances can be attributed to increased personnel needs due to the ongoing Covid 19 pandemic and grant monies for materials and supplies accounted for in other categories.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend the budget at the fund level.

AVRA VALLEY FIRE DISTRICT
Schedule of Changes in the District's Net Pension Liability and Related Ratios
Agent Plans (PSPRS) Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-1

PSPRS

Reporting Year Measurement Date	FISCAL YEAR							2014 THROUGH 2011
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total Pension Liability								Information not available
Service Cost	\$ 416,925	\$ 454,054	\$ 407,974	\$ 418,910	\$ 361,166	\$ 243,114	\$ 236,448	
Interest on total pension liability	488,040	456,229	380,303	357,117	291,033	251,945	187,814	
Changes of benefit terms	-	-	-	40,845	303,456	-	21,731	
Difference between expected and actual experience in the measurement of the pension liability	64,496	(400,800)	163,885	(345,958)	4,069	66,867	333,382	
Changes of assumptions or other inputs	-	266,791	-	77,781	212,077	-	207,504	
Benefit payments including refund of employee contributions	(254,119)	(183,731)	(168,671)	(162,463)	(130,615)	(115,408)	(231,106)	
Net change in pension liability	715,342	592,543	783,491	386,232	1,041,186	446,518	755,773	
Total pension liability - beginning	6,395,609	5,803,066	5,019,575	4,633,343	3,592,157	3,145,639	2,389,866	
Total pension liability - ending (a)	<u>\$ 7,110,951</u>	<u>\$ 6,395,609</u>	<u>\$ 5,803,066</u>	<u>\$ 5,019,575</u>	<u>\$ 4,633,343</u>	<u>\$ 3,592,157</u>	<u>\$ 3,145,639</u>	
Plan Fiduciary net position								
Contributions - employer	\$ 297,667	\$ 313,926	\$ 355,853	\$ 237,565	\$ 239,062	\$ 174,206	\$ 173,189	
Contributions - employee	172,761	198,246	207,540	225,134	213,270	176,956	139,769	
Net investment income	70,370	269,919	304,272	452,781	20,638	116,873	355,692	
Benefit payments, including refunds of employee contributions	(254,119)	(183,731)	(168,671)	(162,463)	(130,615)	(115,408)	(231,106)	
Hall/Parker Settlement	-	-	(136,447)	-	-	-	-	
Pension plan administrative expense	-	(5,690)	(5,331)	(4,406)	(3,369)	(3,235)	-	
Other changes	(5,738)	(807)	(39,352)	(155,265)	(60,473)	(2,591)	42,118	
Net change in plan fiduciary net position	280,941	591,863	517,864	593,346	278,513	346,801	479,662	
Plan fiduciary net position - beginning	5,409,530	4,817,667	4,299,803	3,706,457	3,427,944	3,081,143	2,601,481	
Plan fiduciary net position - ending (b)	<u>\$ 5,690,471</u>	<u>\$ 5,409,530</u>	<u>\$ 4,817,667</u>	<u>\$ 4,299,803</u>	<u>\$ 3,706,457</u>	<u>\$ 3,427,944</u>	<u>\$ 3,081,143</u>	

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of Changes in the District's Net Pension Liability and Related Ratios
Agent Plans (PSPRS) Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-1

PSPRS

Reporting Year Measurement Date	FISCAL YEAR							2014 THROUGH 2011
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
District's net pension liability - ending (a) - (b)	\$ 1,420,480	\$ 986,079	\$ 985,399	\$ 719,772	\$ 926,886	\$ 164,213	\$ 64,496	
Plan fiduciary net position as a percentage of the total pension liability	80.02%	84.58%	83.02%	85.66%	80.00%	95.43%	97.95%	
Covered-employee payroll	\$ 1,603,219	\$ 1,889,199	\$ 1,940,884	\$ 1,933,133	\$ 1,924,165	\$ 1,622,093	\$ 1,240,324	
District's net pension liability as a percentage of covered-employee payroll	88.60%	52.20%	50.77%	37.23%	48.17%	10.12%	5.20%	

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Agent Plans (PSPRS) Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-2

OPEB

Reporting Year Measurement Date	FISCAL YEAR							2014 THROUGH 2010
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total OPEB Liability								
Service Cost	\$ 10,471	\$ 7,958	\$ 8,540	\$ 7,733	Information not available	Information not available	Information not available	Information not available
Interest on total OPEB liability	8,233	9,801	9,454	8,932				
Changes of benefit terms	-	-	-	3,575				
Difference between expected and actual experience in the measurement of the OPEB liability	(3,345)	(43,635)	(15,198)	(2,485)				
Changes of assumptions or other inputs	-	3,037	-	(7,142)				
Benefit payments including refund of employee contributions	(858)	(858)	(2,743)	(1,972)				
Net change in OPEB liability	14,501	(23,697)	53	8,641		-	-	
Total pension liability - beginning	101,214	124,911	124,858	116,217				
Total pension liability - ending (a)	<u>\$ 115,715</u>	<u>\$ 101,214</u>	<u>\$ 124,911</u>	<u>\$ 124,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Plan Fiduciary net position								
Contributions - employer	\$ 3,242	\$ 4,899	\$ 4,246	\$ 2,378				
Contributions - employee	-	-	-	-				
Net investment income	2,511	10,028	11,884	17,899				
Benefit payments, including refunds of employee contributions	(858)	(858)	(2,743)	(1,972)				
OPEB plan administrative expense	(204)	(173)	(181)	(159)				
Other changes	-	806	-	-				
Net change in plan fiduciary net position	4,691	14,702	13,206	18,146	-	-	-	
Plan fiduciary net position - beginning	197,552	182,850	169,644	151,498				
Plan fiduciary net position - ending (b)	<u>\$ 202,243</u>	<u>\$ 197,552</u>	<u>\$ 182,850</u>	<u>\$ 169,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Agent Plans (PSPRS) Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-2

OPEB

Reporting Year Measurement Date	FISCAL YEAR							2014 THROUGH 2010
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
District's net OPEB liability - ending (a) - (b)	<u>\$ (86,528)</u>	<u>\$ (96,338)</u>	<u>\$ (57,939)</u>	<u>\$ (44,786)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	174.78%	195.18%	146.38%	135.87%				
Covered-employee payroll	\$ 1,603,219	\$ 1,889,199	\$ 1,940,884	\$ 1,933,133				
District's net OPEB liability as a percentage of covered-employee payroll	-5.40%	-5.10%	-2.99%	-2.32%				

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of PSPRS Pension Contributions
Year Ended June 30, 2021

RSI-3

PSPRS - Pension

	<u>2021</u> <u>Measurement</u> <u>Date (2020)</u>	<u>2020</u> <u>Measurement</u> <u>Date (2019)</u>	<u>2019</u> <u>Measurement</u> <u>Date (2018)</u>	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2014</u> <u>through</u> <u>2010</u>
Actuarially determined contribution	\$ 297,667	\$ 313,926	\$ 355,853	\$ 237,565	\$ 239,062	\$ 174,206	\$ 173,189	Information not available
District's contributions in relation to the actuarially determined contribution	297,667	313,926	355,853	237,565	239,062	174,206	173,189	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 1,603,219</u>	<u>\$ 1,889,199</u>	<u>\$ 1,940,884</u>	<u>\$ 1,933,133</u>	<u>\$ 1,924,165</u>	<u>\$ 1,622,093</u>	<u>\$ 1,240,324</u>	
District's contributions as a percentage of covered-employee payroll	<u>18.57%</u>	<u>16.62%</u>	<u>18.33%</u>	<u>12.29%</u>	<u>12.42%</u>	<u>10.74%</u>	<u>13.96%</u>	

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of PSPRS OPEB Contributions
Year Ended June 30, 2021

RSI-4

PSPRS - OPEB

	<u>2021</u> <u>Measurement</u> <u>Date (2020)</u>	<u>2020</u> <u>Measurement</u> <u>Date (2019)</u>	<u>2019</u> <u>Measurement</u> <u>Date (2018)</u>	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2014</u> <u>through</u> <u>2010</u>
Actuarially determined contribution	\$ 3,242	\$ 4,899	\$ 4,246	\$ 2,378	Information	Information	Information	Information
District's contributions in relation to the actuarially determined contribution	3,242	4,899	4,246	2,378	not available	not available	not available	not available
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	<u>\$ 1,603,219</u>	<u>\$ 1,889,199</u>	<u>\$ 1,940,884</u>	<u>\$ 1,933,133</u>				
District's contributions as a percentage of covered-employee payroll	<u>0.20%</u>	<u>0.26%</u>	<u>0.22%</u>	<u>0.12%</u>				

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of ASRS Pension Contributions
Year Ended June 30, 2021

RSI-5

ASRS - Pension

	<u>2021</u> <u>Measurement</u> <u>Date (2020)</u>	<u>2020</u> <u>Measurement</u> <u>Date (2019)</u>	<u>2019</u> <u>Measurement</u> <u>Date (2018)</u>	<u>2018</u> <u>Measurement</u> <u>Date (2017)</u>	<u>2017</u> <u>Measurement</u> <u>Date (2016)</u>	<u>2016</u> <u>Measurement</u> <u>Date (2015)</u>	<u>2015</u> <u>Measurement</u> <u>Date (2014)</u>	<u>2014</u> <u>through</u> <u>2011</u>
Actuarially determined contribution	\$ 37,465	\$ 35,607	\$ 32,683	\$ 33,620	\$ 33,935	\$ 22,358	\$ 22,963	Information not available
District's contributions in relation to the actuarially determined contribution	37,465	35,607	32,683	33,620	33,935	22,358	22,963	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered-employee payroll	<u>\$ 298,220</u>	<u>\$ 300,654</u>	<u>\$ 303,088</u>	<u>\$ 280,176</u>	<u>\$ 294,538</u>	<u>\$ 192,080</u>	<u>\$ 198,115</u>	
District's contributions as a percentage of covered-employee payroll	<u>12.56%</u>	<u>11.84%</u>	<u>10.78%</u>	<u>12.00%</u>	<u>11.52%</u>	<u>11.64%</u>	<u>11.59%</u>	

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of ASRS OPEB Contributions
Year Ended June 30, 2021

RSI-6

ASRS - Health Insurance Premium Benefit

	<u>2020</u> Measurement Date (2019)	<u>2020</u> Measurement Date (2019)	<u>2019</u> Measurement Date (2018)	<u>2018</u> Measurement Date (2017)	<u>2017</u> Measurement Date (2016)	<u>2016</u> Measurement Date (2015)	<u>2015</u> Measurement Date (2014)	<u>2014</u> through 2011
Actuarially determined contribution	\$ 3,242	\$ 1,429	\$ 1,319	\$ 1,746				
District's contributions in relation to the actuarially determined contribution	<u>3,242</u>	<u>1,429</u>	<u>1,319</u>	<u>1,746</u>				
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
 District's covered-employee payroll	 <u>\$ 298,220</u>	 <u>\$ 300,654</u>	 <u>\$ 303,088</u>	 <u>\$ 280,176</u>				
District's contributions as a percentage of covered-employee payroll	 <u>1.09%</u>	 <u>0.48%</u>	 <u>0.44%</u>	 <u>0.62%</u>				

*-Fiscal year 2018 was the 1st year of implementation, therefore prior yers are not displayed.

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of ASRS LTD OPEB Contributions
Year Ended June 30, 2021

RSI-7

ASRS - Long-Term Disability

	<u>2021</u> Measurement Date (2020)	<u>2020</u> Measurement Date (2019)	<u>2019</u> Measurement Date (2018)	<u>2018</u> Measurement Date (2017)	<u>2017</u> Measurement Date (2016)	<u>2016</u> Measurement Date (2015)	<u>2015</u> Measurement Date (2014)	<u>2014</u> through 2011
Actuarially determined contribution	\$ 497	\$ 498	\$ 480	\$ 437				Information not available
District's contributions in relation to the actuarially determined contribution	<u>497</u>	<u>498</u>	<u>480</u>	<u>437</u>				
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	<u>\$ 298,220</u>	<u>\$ 300,654</u>	<u>\$ 303,088</u>	<u>\$ 280,176</u>				
District's contributions as a percentage of covered-employee payroll	<u>0.17%</u>	<u>0.17%</u>	<u>0.16%</u>	<u>0.16%</u>				

*-Fiscal year 2018 was the 1st year of implementation, therefore prior years are not displayed.

AVRA VALLEY FIRE DISTRICT
Schedule of Proportionate Share of the Net Pension Liability (ASRS)
Last Ten Fiscal years
Year Ended June 30, 2021

RSI-8

ASRS - Pension

Reporting Year Measurement Year	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
District's proportion of net pension liability (asset)	0.00286%	0.00295%	0.00302%	0.00320%	0.00334%	0.00235%	0.00232%
District's proportionate share of the net pension liability (asset)	\$ 495,538	\$ 429,259	\$ 421,184	\$ 497,498	\$ 539,110	\$ 365,996	\$ 342,490
District's covered-employee payroll	\$ 298,220	\$ 300,654	\$ 303,088	\$ 280,176	\$ 294,538	\$ 192,080	\$ 198,115
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	166.17%	142.78%	138.96%	177.57%	183.04%	190.54%	172.87%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.00%	69.92%	67.06%	68.35%	69.49%

*-Fiscal year 2015 was the 1st year of implementation, therefore prior years are not displayed.

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of Proportionate Share of the Net OPEB Liability (ASRS)
Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-9

ASRS - OPEB	2021	2020	2019	2018	2017	2016	2015
	Measurement	Measurement	Measurement	Measurement	Measurement	Measurement	Measurement
	Date (2020)	Date (2019)	Date (2018)	Date (2017)	Date (2016)	Date (2015)	Date (2014)
District's proportion of net OPEB liability (asset)	0.00293%	0.00302%	0.00307%	0.00324%			
District's proportionate share of the net OPEB liability (asset)	(2,074)	(835)	(1,105)	(1,764)			
District's covered-employee payroll	298,220	300,654	303,088	280,176			
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.70%	-0.28%	-0.36%	-0.63%			
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	102.00%	69.92%			

*-Fiscal year 2018 was the 1st year of implementation, therefore prior years are not displayed.

See accompanying notes to the Pension/OPEB Plan Schedules

AVRA VALLEY FIRE DISTRICT
Schedule of Proportionate Share of the Net OPEB Liability (ASRS)
Last Ten Fiscal Years
Year Ended June 30, 2021

RSI-10

ASRS - LTD

	2021	2020	2019	2018	2017	2016	2015
	<u>Measurement</u>	<u>Measurement</u>	<u>Measurement</u>	<u>Measurement</u>	<u>Measurement</u>	<u>Measurement</u>	<u>Measurement</u>
	<u>Date (2020)</u>	<u>Date (2019)</u>	<u>Date (2018)</u>	<u>Date (2017)</u>	<u>Date (2016)</u>	<u>Date (2015)</u>	<u>Date (2014)</u>
District's proportion of net OPEB liability (asset)	0.00290%	0.00299%	0.00307%	0.00321%			
District's proportionate share of the net OPEB liability (asset)	\$ 2,200	\$ 1,948	\$ 1,583	\$ 1,164			
District's covered-employee payroll	\$ 298,220	\$ 300,654	\$ 303,088	\$ 280,176			
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.74%	0.65%	0.52%	0.42%			
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	78.00%	69.92%			

*-Fiscal year 2018 was the 1st year of implementation, therefore prior years are not displayed.

See accompanying notes to the Pension/OPEB Plan Schedules

**AVRA VALLEY FIRE DISTRICT
NOTES TO PENSION PLAN SCHEDULES
FISCAL YEAR ENDED JUNE 30, 2021**

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

Actuarial cost method:	Entry age Normal
Amortization method:	Level percent-of-pay, closed
Remaining amortization period:	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method:	7-year smoothed market value; 80%/120% market corridor
Wage growth:	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0 - 8.0%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Projected Salary Increases:	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.75%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Investment Rate of Return	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 8.0% to 7.85%.
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)
Assumed future permanent benefit increases:	Members retiring on or before July 1, 2011: 2% of overall average benefit compounded annually. All members receive the same dollar amount of increase. Members retired on or after August 1, 2011: 0.5% of overall average benefit compounded annually. All members receive the same dollar amount of increase.

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

See accompanying notes to the Pension Schedules

OTHER SUPPLEMENTARY INFORMATION

**AVRA VALLEY FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2021**

AZ Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ “Annual Report” of Special Districts. This information is included as other supplementary information.

REGULAR FIRE BOARD MEETINGS:

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 24, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
August 28, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
Sept. 25, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
October 22, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
November 19, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
December 17, 2020	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
January 28, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
February 25, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
March 25, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
April 22, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
May 27, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ
June 24, 2021	4:00 P.M.	Station 194, 21021 E Homestead Dr, Red Rock, AZ

BOARD MEMBERS:

<u>Name</u>	<u>Business Phone Number</u>	<u>Occupation</u>	<u>Position</u>
Luis Castaneda , Jr	520-682-3255	Retired	Chairman
Sara Bauer	520-682-3255	Education	Vice-Chairman
Eric Neilson	520-682-3255	Pharmacy Tech	Clerk
James Haffner	520-682-3255	Retired	Director
Thomas Armendarez	520-682-3255	Medical Equip. Sales	Director

LOCATION OF POSTING OF MEETING NOTICES (all meetings):

District Website

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

None

**AVRA VALLEY FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS
June 30, 2021**

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SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CGFM, PI.
TRICIA E. SAUNDERS, PI.

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CERTIFIED FRAUD EXAMINER
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Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators

International Association of Certified Fraud Examiners
Arizona Association of Certified Fraud Examiners

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

To the Governing Board
Avra Valley Fire District
Marana, 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, each major fund, and the aggregate remaining fund information of Avra Valley Fire District, Marana, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the district's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

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

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

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Independent Auditor's Report on Internal Control...

June 30, 2021

Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Saunders Company, Ltd.

Glendale, Arizona
February 22, 2022

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SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CGFM, PI.
TRICIA E. SAUNDERS, PI.

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CERTIFIED FRAUD EXAMINER
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Arizona Association of Licensed Private Investigators

International Association of Certified Fraud Examiners
Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA FIRE DISTRICT REGULATORY REQUIREMENTS

To the Governing Board
Avra Valley Fire District
Marana, Arizona

Report on Compliance

We have audited the Avra Valley Fire District's (the District) compliance with the requirements of Arizona Revised Statutes Title 48-805 for the year ended June 30, 2021, and have issued our report thereon dated February 22, 2022. Our audit included test work on the District's compliance with the selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1 and ARS 48-805.

Management's Responsibility

The management of the District is responsible for compliance with all requirements identified above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit; specifically, the following statements:

1. That the District has not 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 general fund except for those liabilities as prescribed in section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807.
2. That the District complies with subsection F of section 48-805.
3. Whether the audit or report disclosed any information contrary to the certification made as prescribed by subsection D, paragraph 1 of section 48-805.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied with the requirements identified above for the year ended June 30, 2021.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona
February 22, 2022

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