

Northern Arizona Fire District

Basic Financial Statements

Year ended June 30, 2021

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-9
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements	
<i>Governmental Fund:</i>	
Balance Sheet.....	12
Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position	13
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund	14
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance to the Government-wide Statement of Activities.....	15
Notes to Financial Statements	16-34
Required Supplementary Information	
Budgetary Comparison Schedule–General Fund.....	35
Notes to Budgetary Comparison Schedule	36
Schedule of District’s Proportionate Share of the Net Pension/OPEB Liability- Cost-Sharing Plans.....	37
Schedule of Changes in District’s Net Pension/OPEB Liability and Related Ratios - Agent Pension/OPEB Plans.....	38-39
Schedule of District Pension/OPEB Contributions.....	40-41
Notes to Pension/OPEB Plan Schedules.....	42-43

Independent Auditor's Report

Board of Directors and Management
Northern Arizona Fire District
Kingman, Arizona

We have audited the accompanying financial statements of the governmental activities and the major fund of Northern Arizona Fire District (the District), 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 and the major fund of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on pages 35 and 36, the schedule of the District's proportionate share of net pension/OPEB liability – cost-sharing pension plans on page 37, the schedule of changes in the District's net pension/OPEB liability and related ratios – agent pension plans on pages 38 and 39, the schedule of District pension/OPEB contributions on pages 40 and 41 and the notes to pension/OPEB plan schedules on pages 42 and 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
December 2, 2021

**Northern Arizona Fire District
Management's Discussion and Analysis
Year Ended June 30, 2021**

As management of Northern Arizona Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 10. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the basic financial statements.

Nature of Operations

The District provides fire and emergency medical services to homes, property and persons residing within the District boundaries, as well as services to locations and persons outside the District through mutual aid agreements.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$944,180. Of this amount, \$3,711,289 is invested in capital assets, net of related debt.
- During the year, the District's total net position decreased by \$234,871 or 19.9% from the previous year.
- Total revenues decreased over the previous fiscal year by \$72,306 or 2.2% due to a decrease in a capital grant received from the prior year for capital purchases in the amount of \$176,602, charges for services of \$8,583, investment income of \$11,981, firefighter relief and pension revenues of \$2,145, and other revenues of \$15,163 offset by an increase in property tax revenues of \$43,301, wildland billings of \$85,495, and fire district assessment tax of \$13,372.
- At the end of the current fiscal year, unrestricted net position for the Governmental Activities was a deficit balance of \$2,767,109.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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.

Management's Discussion and Analysis - Continued

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the District.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Governmental Funds

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

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

The District maintains one (1) governmental fund: the general fund.

Management's Discussion and Analysis - Continued

Fund Financial Statements - Continued

Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance for the general fund (major governmental fund). The concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

The District adopts an annual appropriated budget to provide for its general fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on pages 35 through 36. The District revises the capital improvement plan annually to outline anticipated replacements and projects to be completed during the year using the general fund.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16-34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures, as described earlier and can be found on pages 35 through 36 of this report and certain pension/other post-employment benefits (OPEB) information is reported on pages 37 through 43.

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 the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$737,216 at the close of the 2021 fiscal year. A portion of the District's net position (\$3,711,289) reflects its investment in capital assets (e.g., land, construction in progress, buildings, vehicles, equipment and dispatch center assets); less any related outstanding debt used to acquire those assets.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining unrestricted net position is a deficit of \$2,767,109 which is caused primarily by the net pension obligation totaling \$4,201,990.

The District's \$3,711,289 in capital assets consists of five fully staffed fire stations and two fire stations staffed with volunteers which are strategically placed throughout the District's service area. The District maintains a fleet of approximately twenty-six fire apparatus and staff vehicles. The District has also acquired state-of-the art medical and firefighting equipment which is all well-maintained in order to provide the highest level of care. The remaining assets consist mainly of cash and cash equivalents and other program revenue receivables which are used to meet the District's ongoing obligations to its citizens.

The following contains an analysis of the current year government-wide statements.

Condensed Statements of Net Position

GOVERNMENTAL ACTIVITIES

	<u>2021</u>	<u>2020</u>
Assets		
Cash and investments	\$ 950,687	\$ 1,933,938
Other assets	225,593	394,431
Net OPEB asset	52,371	57,043
Capital assets, net	3,711,289	2,652,522
Total assets	4,939,940	5,037,934
Deferred outflows of resources related to pensions and OPEB	1,100,318	1,188,361
Liabilities		
Current liabilities	61,436	71,002
Noncurrent liabilities	4,297,426	4,343,574
Total liabilities	4,358,862	4,414,576
Deferred inflows of resources related to pensions and OPEB	737,216	632,668
Net position		
Net investment in capital assets	3,711,289	2,652,522
Unrestricted (deficit)	(2,767,109)	(1,473,471)
Total net position	\$ 944,180	\$ 1,179,051

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The following table presents a summary of the District's revenues and expenses for the current fiscal year:

Condensed Statements of Activities

GOVERNMENTAL ACTIVITIES

	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenue:		
Operating and capital grants	\$ 89,591	\$ 180,698
Charges for services	1,624	10,207
General revenues:		
Property taxes	2,734,889	2,691,588
Fire district assistance tax	305,537	292,165
Firefighter relief and pension	28,479	30,624
Investment income	15,249	27,230
Other revenue	43,214	58,377
Total revenues	<u>3,218,583</u>	<u>3,290,889</u>
Expenses:		
Public safety	<u>3,453,454</u>	<u>3,426,195</u>
Total expenses	<u>3,453,454</u>	<u>3,426,195</u>
Change in net position	(234,871)	(135,306)
Net position, beginning of year	<u>1,179,051</u>	<u>1,314,357</u>
Net position, ending of year	<u>\$ 944,180</u>	<u>\$ 1,179,051</u>

The cost of all governmental activities for the year ended June 30, 2021 was \$3,453,454, the majority of which is salaries and wages.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

Management's Discussion and Analysis - Continued

Financial Analysis of the Governmental Funds - Continued

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

At the end of the current fiscal year, the District's governmental fund reported ending fund balance of \$935,530. Revenues for the year included property tax revenues, intergovernmental agreements and wildland revenues.

Of the \$935,530 total governmental fund balance, the amount committed by the Board for future capital projects totaled \$887,250. The remaining amount of \$48,280 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$48,280. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 1.1% of total general fund expenditures of \$4,361,106.

General Fund Budgetary Highlights

Total revenues were \$263,335 more than budgeted revenues while total expenditures were \$1,267,633 more than budgeted expenditures. The increase in budgeted revenues occurred primarily due to property tax revenues being \$171,004 more than budgeted and intergovernmental revenues being \$64,591 more than budgeted. The expenditure variance resulted primarily from personnel costs being \$75,990 under budget by professional services being \$49,931 less than budgeted offset by apparatus and equipment being \$93,428 more than budgeted, repairs and maintenance being \$51,950 more than budgeted, and capital outlay being \$1,258,651 more than budgeted.

Capital Asset and Debt Administration

Capital Assets - The District's investment in capital assets as of June 30, 2021, totaled \$3,711,289 (net of accumulated depreciation). These assets include land, buildings and improvements, apparatus and general fire and administrative equipment.

Major capital asset transactions during the year included \$1,258,651 in capital asset acquisitions including the construction of a new facility.

Management's Discussion and Analysis - Continued

Capital Asset and Debt Administration - Continued

The District depreciates capital assets, except for land and construction-in-progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by the expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. The District's threshold for capitalization was maintained at \$2,500. Additional information on the District's capital assets can be found in Note 3 in the basic financial statements on page 22.

Long-Term Liabilities - At the end of the current year, the District had long-term liabilities outstanding of \$4,297,426, which included compensated absences of \$95,436 and unfunded pension and other post-employment benefit (OPEB) obligation liabilities in the amount of \$4,201,990. Currently, the unfunded pension and OPEB debt is expected to be satisfied through actuarially established annual contributions rates.

Additional information on the District's long-term liabilities can be found in Note 4 in the basic financial statements on page 23.

Economic Factors Affecting Future Results

The District had a 3.45% increase in assessed valuation for fiscal year ended June 30, 2022. This will result in an increase in revenue of \$93,285 and associated collection rates. It is projected the District will continue to experience an increase in assessed value for the year ending June 30, 2023, as well as a continuing incline in collection rates. Total reduction in assessed valuation experienced in previous fiscal years and the current fiscal year (June 30, 2011 to present) is approximately \$137,175,000 to the current approximate \$91,164,304.

The District currently does anticipate the ability to replace future vacancies as the District has identified the financial balance with the current staffing level. The District experienced a minimal increase in health insurance and PSPRS costs and a significant reduction in the liability and worker's compensation insurance.

The District is subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions.

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Northern Arizona Fire District at 2600 East Northern Avenue, Kingman, Arizona 86409.

Northern Arizona Fire District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 950,687
Receivables, net:	
Grants receivable	4,646
Taxes receivable	220,947
Net other post-employment benefits asset	52,371
Capital assets, not being depreciated	796,480
Capital assets, being depreciated, net	2,914,809
Total assets	4,939,940
Deferred outflows of resources	
Deferred outflows related to pensions and other post-employment benefits	1,100,318
Total deferred outflows of resources	1,100,318
Liabilities	
Accrued payroll and related	61,436
Noncurrent liabilities:	
Compensated absences	95,436
Net pension liability	4,201,990
Total liabilities	4,358,862
Deferred inflows of resources	
Deferred inflows related to pensions and other post-employment benefits	737,216
Total deferred inflows of resources	737,216
Net position	
Net investment in capital assets	3,711,289
Unrestricted (deficit)	(2,767,109)
Total net position	\$ 944,180

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

**Northern Arizona Fire District
Statement of Activities
Year Ended June 30, 2021**

	Governmental Activities
Program expenses	
<i>Public safety-fire protection and emergency medical services</i>	
Personnel costs	\$ 2,407,167
Professional services	386,807
Repairs and maintenance	157,950
Small tools and equipment	206,536
Utilities	40,839
Training	17,595
Mission support	7,733
Administration	28,943
Depreciation expense	199,884
Total program expenses	3,453,454
Program revenues	
Operating and capital grants	89,591
Charges for services	1,624
Total program revenues	91,215
Net program expense	3,362,239
General revenues	
Taxes:	
Real and personal property taxes	2,734,889
Fire district assistance tax	305,537
Firefighter relief and pension	28,479
Investment income	15,249
Other revenue	43,214
Total general revenues	3,127,368
Change in net position	(234,871)
Net position, July 1, 2020	1,179,051
Net position, June 30, 2021	\$ 944,180

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

**Northern Arizona Fire District
Balance Sheet
Governmental Fund
June 30, 2021**

	General Fund
Assets	
Cash and investments	\$ 950,687
Receivables, net:	
Grants receivable	4,646
Taxes receivable	220,947
Total assets	\$ 1,176,280
Liabilities	
Accrued payroll and related	\$ 61,436
Total liabilities	61,436
Deferred inflows of resources	
Unavailable revenues	179,314
Total deferred inflows of resources	179,314
Fund balance	
Committed	887,250
Unassigned	48,280
Total fund balance	935,530
Total liabilities, deferred inflows of resources and fund balance	\$ 1,176,280

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

**Northern Arizona Fire District
Reconciliation of the Governmental Fund Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2021**

Total fund balance \$ 935,530

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

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

Capital assets	\$ 9,740,153	
Less: accumulated depreciation	<u>(6,028,864)</u>	
		3,711,289

Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds. 179,314

Net other post-employment benefits assets held in trust for future benefits are not available for operations and therefore, are not reported in the funds. 52,371

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows:

Compensated absences		(95,436)
Net pension liability		(4,201,990)

Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future reporting periods and therefore, are not reported in the funds. 363,102

Net position of governmental activities \$ 944,180

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

Northern Arizona Fire District
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Fund
Year Ended June 30, 2021

	General Fund
Revenues	
<i>Taxes:</i>	
Property taxes	\$ 2,873,114
Fire district assistance tax	305,537
Firefighter relief and pension	28,479
Charges for services	1,624
Intergovernmental	89,591
Investment income	15,249
Other revenue	43,214
	3,356,808
Expenditures	
<i>Public safety-fire protection and emergency medical services</i>	
Personnel costs	2,256,052
Professional services	386,807
Repairs and maintenance	157,950
Small tools and equipment	206,536
Utilities	40,839
Training	17,595
Mission support	7,733
Administration	28,943
Capital outlay	1,258,651
	4,361,106
Net change in fund balance	(1,004,298)
Fund balance, July 1, 2020	1,939,828
Fund balance, June 30, 2021	\$ 935,530

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

Northern Arizona Fire District
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures and Change in Fund Balance to the
Government-wide Statement of Activities
Year Ended June 30, 2021

Net change in fund balance - total governmental fund	\$ (1,004,298)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:

Expenditures for capital outlays	1,258,651
Depreciation expense	(199,884)

Property tax revenues and certain charges for services reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. (138,225)

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

District pension contributions	383,418
Pension expense	(579,023)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences	44,490
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Change in net position of governmental activities	\$ (234,871)
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The accompanying notes are an
integral part of these basic financial statements.

**Northern Arizona Fire District
Notes to Financial Statements
Year Ended June 30, 2021**

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Northern Arizona Fire District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a local governmental unit formed and is operated pursuant to the provisions of Title 48 of the Arizona Revised Statutes. The District operates under the oversight 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 the chief’s staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. In addition, 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.

B. Basis of Presentation

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide financial statements – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall District.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include charges to customers for fire services provided and capital grants for the purchase of new equipment.

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

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Fund financial statements – provide information about the District’s fund. The emphasis of fund financial statements is on the major governmental fund.

The District reports the following major governmental fund:

- The *general fund* is the District’s primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.

C. Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Balance Classifications – Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

The nonspendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form, such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources.

Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board of Directors.

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

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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

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

Prepaid Items – Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Under this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources."

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and are expensed over the period consumed.

Receivables – Receivables outstanding at year-end consist of amounts due for property taxes and intergovernmental grants. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2021, there is no allowance for uncollectible accounts.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Capital Assets – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets with an initial, individual cost of \$2,500 or more and an estimated useful life exceeding one year.

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

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

Capital asset class	Estimated useful life
Land	Non-depreciable
Buildings and improvements	40 years
Equipment	5 to 10 years
Apparatus and vehicles	5 to 10 years
Dispatch center assets	25 years

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

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

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

Property Tax Calendar - The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Budgetary Accounting - The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August of each year; under the statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

Note 2 – Cash and Investments

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

The District utilizes Mohave County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments. A.R.S. §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 County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer 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 County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety percent 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.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments - Continued

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 District's general fund 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.

Cash on Hand and Deposits – At June 30, 2021, the District had \$250 on hand, and carrying amount of the total cash in bank was \$135,525 and the bank balance was \$135,525 of which all are insured or collateralized.

Investments – The District's investments at June 30, 2021, are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

The District's investments at June 30, 2021, are comprised of the amount held by the Mohave County Treasurer totaling \$814,912.

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

Credit risk - At June 30, 2021, all of the District's investments were invested in the Mohave County investment pool which is not rated by rating agencies.

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

Interest rate risk – At June 30, 2021, the District's investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

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

Notes to Financial Statements - Continued

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance, July 1, 2020	Increases	Decreases	Balance, June 30, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 796,480	\$ -	\$ -	\$ 796,480
Construction in progress	29,861	-	(29,861)	-
Total capital assets not being depreciated	826,341	-	(29,861)	796,480
Capital assets being depreciated:				
Buildings	1,971,925	1,271,621	-	3,243,546
Apparatus and vehicles	3,811,481	-	(251,000)	3,560,481
Equipment	2,022,703	16,891	-	2,039,594
Dispatch center assets	100,052	-	-	100,052
Total capital assets being depreciated	7,906,161	1,288,512	(251,000)	8,943,673
Less accumulated depreciation for:				
Buildings	(1,144,420)	(43,297)	-	(1,187,717)
Apparatus and vehicles	(3,351,122)	(78,507)	251,000	(3,178,629)
Equipment	(1,551,421)	(74,078)	-	(1,625,499)
Dispatch center assets	(33,017)	(4,002)	-	(37,019)
Total accumulated depreciation	(6,079,980)	(199,884)	251,000	(6,028,864)
Total capital assets being depreciated, net	1,826,181	1,088,628	-	2,914,809
Total capital assets, net	<u>\$ 2,652,522</u>	<u>\$1,088,628</u>	<u>\$ (29,861)</u>	<u>\$ 3,711,289</u>

Governmental activities depreciation expense, excluding infrastructure, in the amount of \$199,884 was charged to the public safety function of the District.

Notes to Financial Statements - Continued

Note 4 – Changes in Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2021 follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within 1 Year</u>
Compensated absences	\$ 139,926	\$ 95,436	\$(139,926)	\$ 95,436	\$ -
Net pension/OPEB liability	4,203,648	-	(1,658)	4,201,990	-
	<u>\$ 4,343,574</u>	<u>\$ 95,436</u>	<u>\$(141,584)</u>	<u>\$ 4,297,426</u>	<u>\$ -</u>

Note 5 – Line of Credit

The District maintains a credit line in the amount of \$250,000 through the Mohave County Treasurer. As of June 30, 2021, the District had not utilized the credit line. The interest rate, if used, is prime plus a percentage to be determined when the credit line is used.

Note 6 – Employee Retirement Systems and Post Employment Plans

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

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

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension and OPEB liability	\$ 65,860	\$ 4,136,130	\$ 4,201,990
Net pension and OPEB asset	-	52,371	52,371
Deferred outflows of resources	39,341	1,060,977	1,100,318
Deferred inflows of resources	9,372	727,844	737,216
Pension and OPEB expense	8,099	570,924	579,023

The District's accrued payroll and employee benefits includes \$14,084 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2021.

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 administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans - Continued

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained online at www.azasrs.gov.

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

	Retirement initial membership date	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
Years of service and age required to 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. 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 retirement option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s 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.

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

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

For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.22 percent (11.65 percent retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension, health insurance premium benefit and long-term disability plans for the year ended June 30, 2021, were \$6,695, \$224 and \$104 respectively. During fiscal year 2021, the District paid for ASRS pension and OPEB contributions from the general fund.

Pension Liability – At June 30, 2021, the District reported the following asset and liabilities for its proportionate share of the ASRS net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 65,841
Health insurance premium benefit	(269)
Long-term disability	288

The net asset and liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total 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 asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. District's proportions measured as of June 30, 2020, and the change from its proportions measure as of June 30, 2019 were:

ASRS	Proportion June 30, 2020	Increase (decrease) from June 30, 2019
Pension	.00038%	(0.00025%)
Health insurance premium benefit	.00038%	(0.00024%)
Long-term disability	.00038%	(0.00025%)

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

Expense – For the year ended June 30, 2021, the District recognized the following pension and OPEB expense.

ASRS	Pension/ OPEB Expense
Pension	\$ 7,924
Health insurance premium benefit	81
Long-term disability	94

Deferred outflows/inflows of resources - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 596	\$ -	\$ -	\$ 530	\$ 25	\$ 7
Changes of assumptions or other inputs	-	-	149	-	31	-
Net difference between projected and actual earnings on plan investments	6,350	-	275	-	32	-
Changes in proportion and differences between District contributions and proportionate share of contributions	24,753	8,744	-	23	107	68
District contributions subsequent to the measurement date	6,695	-	224	-	104	-
Total	\$ 38,394	\$ 8,744	\$ 648	\$ 553	\$ 299	\$ 75

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

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

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2022	\$ 5,022	\$ (64)	\$ 16
2023	13,672	(5)	21
2024	2,297	8	21
2025	1,964	(19)	21
2026	-	(49)	13
Thereafter	-	-	28

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension/OPEB 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/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/ not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - Interest rate sensitive bonds	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount Rate –The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$ 90,036	\$ 65,841	\$ 45,615
Net insurance premium benefit liability (asset)	353	(269)	(798)
Net long-term disability liability	315	288	263

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

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

B. Public Safety Personnel Retirement System

Plan Description – The District has entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent and cost sharing multiple-employer defined benefit pension plan and an agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which is not further disclosed because of their relative insignificance to the District’s financial statements.

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

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

	Initial membership date	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

Survivor Benefit

Retired Members	80% to 100% of retired member’s pension benefit
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

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

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	15	-
Active employees	13	13
Total	35	20

Contributions - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute at an actuarially determined rate. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

For the year ended June 30, 2021, the District was required to contribute 31.67% for the Tier 3 employees and 36.54% for Tier 1 and 2 employees for the pension plan and 0.21% for the Tier 3 employees and 0.53% for the Tier 1 and 2 employees for the health insurance premium benefit plans. Employees were required to contribute 9.80% for the Tier 3 employees and 7.65% for the Tier 1 and 2 employees for the pension plan. Total pension contributions made during the year were \$374,049, and the total health insurance premium benefit contributions were \$2,350. During fiscal year 2021, the District paid for PSPRS and OPEB contributions from the general fund.

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

Liability – At June 30, 2021, the District reported liability/(assets) of \$4,136,130 and \$(52,371) for pension and health insurance premium benefit, respectively. The net liability/(asset) were measured as of June 30, 2020, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
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
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actual 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 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. 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	1%	-0.60%
Total	<u>100%</u>	

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

Discount Rates – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability

Pension	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 9,694,456	\$ 5,509,771	\$ 4,184,685
Changes for the current year:			
Service cost	195,854	-	195,854
Interest on the total pension liability	709,132	-	709,132
Differences between expected and actual experience in the measurement of the pension liability	(441,083)	-	(441,083)
Net investment income	-	70,680	(70,680)
Contributions - employer	-	427,825	(427,825)
Contributions - employee	-	19,716	(19,716)
Benefit payments	(352,341)	(352,341)	-
Pension plan administrative expense	-	(5,763)	5,763
Net changes	111,562	160,117	(48,555)
Balances at June 30, 2021	\$ 9,806,018	\$ 5,669,888	\$ 4,136,130

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

OPEB	Increase (Decrease)		Net OPEB (Asset) Liability (a) – (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2020	\$ 158,073	\$ 215,116	\$ (57,043)
Changes for the current year:			
Service cost	5,792	-	5,792
Interest on the total OPEB liability	11,903	-	11,903
Differences between expected and actual experience in the measurement of the OPEB liability	(6,269)	-	(6,269)
Contributions – employer	-	5,202	(5,202)
Net investment income	-	1,770	(1,770)
Benefit payments	(6,024)	(6,024)	-
OPEB plan administrative expense	-	(218)	218
Net changes	<u>5,402</u>	<u>730</u>	<u>4,672</u>
Balances at June 30, 2021	<u>\$ 163,475</u>	<u>\$ 215,846</u>	<u>\$ (52,371)</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 (asset) liability calculated using the discount rates of 7.3%, as well as what the District’s net pension/OPEB (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower, (6.3%) or 1 percentage point higher, (8.3%) than the current rate:

	1% Decrease 6.3%	Current Discount Rate 7.3%	1% Increase 8.3%
Net pension liability	\$ 5,652,917	\$ 4,136,130	\$ 2,922,793
Net OPEB (asset) liability	(32,916)	(52,371)	(68,706)

Notes to Financial Statements - Continued

Note 6 – Employee Retirement Systems and Post Employment Plans – Continued

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

Expense - For the year ended June 30, 2021, the District recognized pension expense of \$580,979 and OPEB expense of \$(10,055).

Deferred outflows/inflows of resources - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 123,525	\$ 644,011	\$ 4,885	\$ 80,795
Changes of assumptions or other inputs	238,988	-	1,050	3,038
Net difference between projected and actual earnings on plan investments	304,487	-	11,643	-
District contributions subsequent to the measurement date	374,049	-	2,350	-
Total	\$ 1,041,049	\$ 644,011	\$ 19,928	\$ 83,833

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Pension	Health
2022	\$ 16,118	\$ (13,243)
2023	(11,711)	(11,813)
2024	(48,378)	(11,978)
2025	66,960	(12,771)
2026	-	(15,465)
Thereafter	-	(985)

**Northern Arizona Fire District
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
<i>Taxes:</i>			
Property taxes	\$ 2,702,110	\$ 2,873,114	\$ 171,004
Fire district assistance tax	311,363	305,537	(5,826)
Firefighter relief and pension	-	28,479	28,479
Charges for service	5,000	1,624	(3,376)
Intergovernmental	25,000	89,591	64,591
Investment income	20,000	15,249	(4,751)
Other revenue	30,000	43,214	13,214
Total revenues	3,093,473	3,356,808	263,335
Expenditures:			
<i>Public safety-fire protection and emergency medical services:</i>			
Personnel costs	2,332,042	2,256,052	75,990
Professional services	436,738	386,807	49,931
Repairs and maintenance	106,000	157,950	(51,950)
Apparatus and equipment	113,108	206,536	(93,428)
Utilities	45,000	40,839	4,161
Training	12,648	17,595	(4,947)
Mission support	15,587	7,733	7,854
Administration	32,350	28,943	3,407
Capital outlay	-	1,258,651	(1,258,651)
Total expenditures	3,093,473	4,361,106	(1,267,633)
Net change in fund balances	-	(1,004,298)	(1,004,298)
Fund balance, July 1, 2020	1,946,925	1,939,828	(7,097)
Fund balance, June 30, 2021	\$ 1,946,925	\$ 935,530	\$ (1,011,395)

See accompanying notes to the
budgetary comparison schedule.

**Northern Arizona Fire District
Notes to Budgetary Comparison Schedule
Year ended June 30, 2021**

Note 1 – Budgeting and Budgetary Control

A.R.S. requires the District to prepare and adopt a balanced budget annually for its fund. The Board of Directors must approve such operating budget on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amount budgeted.

A.R.S. requires the District to prepare an annual budget that clearly shows salaries payable to the employees of the District, therefore expenditures cannot legally exceed appropriations at certain expenditure classification levels.

Note 2 – Budgetary Requirements and Basis of Accounting

The District’s budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget. The Board is responsible for approving the budget on an annual basis.

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2020, expenditures exceeded final budget amounts in the general fund for the following line items:

Capital outlay	\$ 1,258,651
Apparatus and equipment	93,428
Repairs and maintenance	51,950
Training	4,947

The excesses for the capital outlay were primarily due to the use of committed fund balance in which the expenditures were not budgeted. The excesses for the remaining items above expenditures were primarily the result of unexpected expenditures incurred. In addition, the District monitors expenses on an ongoing basis to ensure that expenditures are within the budget.

Northern Arizona Fire District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2021

ASRS - Pension	Reporting Fiscal Year						
	(Measurement Date)						
	2021	2020	2019	2018	2017	2016	2015*
	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
District's proportion of the net pension liability	0.00038%	0.00013%	0.00032%	0.00035%	0.00035%	0.00035%	0.00017%
District's proportionate share of the net pension liability	\$ 65,841	\$ 18,917	\$ 44,629	\$ 54,523	\$ 56,494	\$ 27,114	\$ 48,950
District's covered payroll	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	\$ 31,922	\$ 32,315	\$ 24,028
District's proportionate share of the net pension liability as a percentage of its covered payroll	157.98%	135.66%	142.45%	195.50%	176.98%	83.91%	203.72%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

ASRS - Health insurance premium benefit	Reporting Fiscal Year				
	(Measurement Date)				
	2021	2020	2019	2018	2017
	(2020)	(2019)	(2018)	(2017)	through
					2015*
District's proportion of the net OPEB liability (asset)	0.00038%	0.00014%	0.00032%	0.00035%	Information not available
District's proportionate share of the net OPEB liability (asset)	\$ (269)	\$ (39)	\$ (115)	\$ (191)	Information not available
District's covered payroll	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.65%	-0.28%	-0.37%	-0.68%	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.33%	101.62%	102.20%	103.57%	

ASRS - Long-term disability	Reporting Fiscal Year				
	(Measurement Date)				
	2021	2020	2019	2018	2017
	(2020)	(2019)	(2018)	(2017)	through
					2015*
District's proportion of the net OPEB liability (asset)	0.00038%	0.00013%	0.00032%	0.00035%	Information not available
District's proportionate share of the net OPEB liability (asset)	\$ 288	\$ 85	\$ 167	\$ 127	Information not available
District's covered payroll	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.69%	0.61%	0.53%	0.46%	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	68.01%	77.85%	77.83%	84.44%	

* Fiscal year 2014 was the first year of implementation of the Plan; therefore, reporting begins in 2014.

Northern Arizona Fire District
Required Supplementary Information
Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios
Agent Pension/OPEB Plans
June 30, 2021

PSPRS - Pension	Reporting fiscal year							2014 through 2011
	(measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								
Service cost	\$ 195,854	\$ 249,890	\$ 235,229	\$ 314,666	\$ 238,984	\$ 263,987	\$ 259,300	Information not available
Interest on total pension liability	709,132	662,935	659,417	589,929	550,371	542,515	479,057	
Changes of benefit terms	-	-	-	33,183	478,288	-	56,871	
Difference between expected and actual experience in the measurement of the pension liability	(441,083)	64,213	(590,860)	327,839	(203,320)	(146,858)	(257,010)	
Changes of assumptions or other inputs	-	194,284	-	220,555	318,661	-	541,058	
Benefit payments, including refunds of employee contributions	(352,341)	(371,123)	(405,914)	(396,346)	(736,064)	(358,051)	(188,438)	
Net change in pension liability	111,562	800,199	(102,128)	1,089,826	646,920	301,593	890,838	
Total pension liability - beginning	9,694,456	8,894,257	8,996,385	7,906,559	7,259,639	6,958,046	6,067,208	
Total pension liability - ending (a)	<u>\$ 9,806,018</u>	<u>\$ 9,694,456</u>	<u>\$ 8,894,257</u>	<u>\$ 8,996,385</u>	<u>\$ 7,906,559</u>	<u>\$ 7,259,639</u>	<u>\$ 6,958,046</u>	
Plan fiduciary net position								
Contributions - employer	\$ 427,825	\$ 480,341	\$ 503,419	\$ 346,086	\$ 321,853	\$ 262,897	\$ 243,554	
Contributions - employee	19,716	78,263	111,536	139,063	144,970	139,297	140,061	
Net investment income	70,680	276,917	324,463	494,019	23,739	158,727	501,319	
Benefit payments, including refunds of employee contributions	(352,341)	(371,123)	(405,914)	(396,346)	(736,064)	(358,051)	(188,438)	
Administrative expenses	(5,763)	(5,800)	(5,638)	(4,771)	(3,816)	(4,260)	-	
Other changes	-	(5,372)	(200,930)	12,260	(70,374)	(3,288)	(178,524)	
Net change in plan fiduciary net position	160,117	453,226	326,936	590,311	(319,692)	195,322	517,972	
Plan fiduciary net position - beginning	5,509,771	5,056,545	4,729,495	4,139,184	4,458,876	4,263,584	3,745,612	
Plan fiduciary net position - ending (b)	<u>\$ 5,669,888</u>	<u>\$ 5,509,771</u>	<u>\$ 5,056,431</u>	<u>\$ 4,729,495</u>	<u>\$ 4,139,184</u>	<u>\$ 4,458,906</u>	<u>\$ 4,263,584</u>	
District's net pension liability - ending (a) - (b)	<u>\$ 4,136,130</u>	<u>\$ 4,184,685</u>	<u>\$ 3,837,826</u>	<u>\$ 4,266,890</u>	<u>\$ 3,767,375</u>	<u>\$ 2,800,733</u>	<u>\$ 2,694,462</u>	
Plan fiduciary net position as a percentage of the total pension liability	57.82%	56.83%	56.85%	52.57%	52.35%	61.42%	61.28%	
Covered-employee payroll	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	\$ 1,186,026	\$ 1,184,882	\$ 1,309,783	
District's net pension liability as a percentage of covered-employee payroll	337.78%	322.02%	361.87%	325.71%	317.65%	236.37%	205.72%	

See accompanying notes to pension plan/OPEB schedules.

Northern Arizona Fire District
Required Supplementary Information
Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios
Agent Pension/OPEB Plans - Continued
June 30, 2021

PSPRS - OPEB	Reporting fiscal year				2017 through 2011
	(measurement date)				
	2021	2020	2019	2018	
	(2020)	(2019)	(2018)	(2017)	
Total OPEB liability					
Service cost	\$ 5,792	\$ 5,303	\$ 5,409	\$ 6,943	Information
Interest on total OPEB liability	11,903	15,722	17,431	16,070	not
Changes of benefit terms	-	-	-	2,123	available
Difference between expected and actual experience in the measurement of the OPEB liability	(6,269)	(68,565)	(41,961)	9,025	
Changes of assumptions or other inputs	-	1,467	-	(5,618)	
Benefit payments, including refunds of employee contributions	(6,024)	(6,024)	(7,127)	(5,833)	
Net change in OPEB liability	5,402	(52,097)	(26,248)	22,710	
Total OPEB liability - beginning	158,073	210,170	236,418	213,708	
Total OPEB liability - ending (a)	\$ 163,475	\$ 158,073	\$ 210,170	\$ 236,418	
Plan fiduciary net position					
Contributions - employer	\$ 5,202	\$ 8,184	\$ 4,123	\$ 9,579	
Net investment income	1,770	10,712	12,967	19,628	
Benefit payments, including refunds of employee contributions	(6,024)	(6,024)	(7,127)	(5,833)	
Administrative expenses	(218)	(185)	(197)	(173)	
Other changes	-	4,794	(1)	-	
Net change in plan fiduciary net position	730	17,481	9,765	23,201	
Plan fiduciary net position - beginning	215,116	197,635	187,870	164,669	
Plan fiduciary net position - ending (b)	\$ 215,846	\$ 215,116	\$ 197,635	\$ 187,870	
District's net OPEB liability - ending (a) - (b)	\$ (52,371)	\$ (57,043)	\$ 12,535	\$ 48,548	
Plan fiduciary net position as a percentage of the total OPEB liability	132.04%	136.09%	94.04%	79.47%	
Covered-employee payroll	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	
District's net OPEB liability as a percentage of covered-employee payroll	-4.28%	-4.39%	1.18%	3.71%	

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District
Required Supplementary Information
Schedule of District Pension/OPEB Contributions
Year Ended June 30, 2021**

	Reporting Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014*
ASRS - Pension								
Statutorily required contribution	\$ 6,695	\$ 4,772	\$ 1,559	\$ 3,415	\$ 3,631	\$ 4,168	\$ 3,846	\$ 1,699
District's contributions in relation to the statutorily required contribution	6,695	4,772	1,559	3,415	3,631	4,168	3,846	1,699
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	\$ 31,922	\$ 32,315	\$ 24,028
District's contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%	13.02%	13.06%	11.90%	7.07%

	Reporting Fiscal Year					2016 through 2014*
	2021	2020	2019	2018	2017	
ASRS - Health insurance premium benefit						
Statutorily required contribution	\$ 224	\$ 204	\$ 64	\$ 138	\$ 189	Information not available
District's contributions in relation to the statutorily required contribution	224	204	64	138	189	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's contributions as a percentage of covered payroll	0.39%	0.49%	0.46%	0.44%	0.68%	

	Reporting Fiscal Year					2016 through 2014*
	2021	2020	2019	2018	2017	
ASRS - Long-term disability						
Statutorily required contribution	\$ 104	\$ 71	\$ 22	\$ 51	\$ 47	Information not available
District's contributions in relation to the statutorily required contribution	104	71	22	51	47	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's contributions as a percentage of covered payroll	0.18%	0.17%	0.16%	0.16%	0.17%	

* Fiscal year 2014 was the first year of implementation of the Plan; therefore, reporting begins in 2014.

**Northern Arizona Fire District
Required Supplementary Information
Schedule of District Pension/OPEB Contributions - Continued
Year Ended June 30, 2021**

PSPRS - Pension	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 374,049	\$ 427,825	\$ 480,341	\$ 503,419	\$ 346,086	\$ 321,853	\$ 262,897	\$ 243,554	Information not available
District's contributions in relation to the actuarially determined contribution	<u>374,049</u>	<u>427,825</u>	<u>480,341</u>	<u>503,419</u>	<u>346,086</u>	<u>321,853</u>	<u>262,897</u>	<u>243,554</u>	
District's contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	<u>\$ 964,316</u>	<u>\$ 1,224,503</u>	<u>\$ 1,299,527</u>	<u>\$ 1,060,547</u>	<u>\$ 1,310,017</u>	<u>\$ 1,186,026</u>	<u>\$ 1,184,882</u>	<u>\$ 1,309,783</u>	
District's contributions as a percentage of covered payroll	<u>38.79%</u>	<u>34.94%</u>	<u>36.96%</u>	<u>47.47%</u>	<u>26.42%</u>	<u>27.14%</u>	<u>22.19%</u>	<u>18.59%</u>	
PSPRS - OPEB									
	Reporting Fiscal Year								
	2021	2020	2019	2018	2017	2016 through 2012			
Actuarially determined contribution	\$ 2,350	\$ 5,202	\$ 8,184	\$ 4,123	\$ 9,579	Information not available			
District's contributions in relation to the actuarially determined contribution	<u>2,350</u>	<u>5,202</u>	<u>8,184</u>	<u>4,123</u>	<u>9,579</u>				
District's contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered payroll	<u>\$ 964,316</u>	<u>\$ 1,224,503</u>	<u>\$ 1,299,527</u>	<u>\$ 1,060,547</u>	<u>\$ 1,310,017</u>				
District's contributions as a percentage of covered payroll	<u>0.24%</u>	<u>0.42%</u>	<u>0.63%</u>	<u>0.39%</u>	<u>0.73%</u>				

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District
Notes to Pension/OPEB Plan Schedules
Year ended June 30, 2021**

Note 1 – Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period as of the 2019 actuarial valuation	3 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
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%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-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%.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	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)

Note 2 – Factors That Affect the Identification of Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, 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 increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the District refunded excess employee contributions to PSPRS members. PSPRS allowed the District to reduce its actual employer contributions for the refund amounts. As a result, the District's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.