

**VERNON FIRE DISTRICT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**SAUNDERS COMPANY, Ltd.**  
James H. Saunders, CPA  
6008 West Cortez Street  
Glendale, Arizona 85304  
Phone 623-476-8660  
Fax 602-926-2431

**THIS PAGE**

**IS**

**DELIBERATELY LEFT BLANK**

**VERNON FIRE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2021**

**TABLE OF CONTENTS**

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1	
INDEPENDENT AUDITOR'S REPORT	5	
MANAGEMENT'S DISCUSSION and ANALYSIS	9	
BASIC FINANCIAL STATEMENTS:	15	
Government -Wide Financial Statements		
Statement of Net Position	16	A
Statement of Activities	17	B
Fund Financial Statements		
Balance Sheet - Governmental Fund	18	C
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	19	D
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	20	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities	21	F
Notes to the Financial Statements	23	

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

**VERNON FIRE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2021**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	41	
Budgetary Comparison Schedule – General Fund	42	G
Notes to Budgetary Comparison Schedule	43	
OTHER SUPPLEMENTARY INFORMATION	45	
Arizona Annual Report Information	46	
GOVERNMENT AUDIT STANDARDS SECTION	47	
Report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49	
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE OF ARIZONA FIRE DISTRICT REGULATORY REQUIREMENTS	53	

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

# SAUNDERS COMPANY, LTD

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

---

CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Triciaesaunders@yahoo.com](mailto:Triciaesaunders@yahoo.com)

---

Member: American Institute of Certified Public Accountants  
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

To the Governing Board  
Vernon Fire District  
Vernon, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Vernon Fire District, Vernon, 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 and each major fund of the Vernon 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.

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**



## INDEPENDENT AUDITOR'S REPORT

6/30/2021

Page 2

### **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 May 27, 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  
May 27, 2022

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

# Vernon Fire District

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

The following discussion and analysis of the Vernon 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 Vernon Fire District (VFD) is a combination department that provides fire, rescue and emergency medical services to nearly 3000 residents living in rural Apache County in Eastern Arizona. It has primary response responsibility to nearly 56 square miles. Mutual aid agreements increase the response area to 120 square miles. Infrastructure is limited and water is tendered or drafted as available. Staffing is provided by a 3 platoon structure with a captain and firefighter staffing on each shift. Volunteers are used to balance the response team on a paid-on-call status.

The VFD is administered by a fire district board of 5 elected officials. They meet in a public meeting monthly and give direction to the fire chief relative to the administrative functions of the district. All operational decisions are made by the fire chief. The district was initiated 2005 as a volunteer fire district and in 2007 received funding to staff the current configuration .

### **Results of Operations**

During the 2020/2021 FYR: The Board has given the full-time employees a 5% raise for the 2021/22 FYR and the per diem wage increased to \$16.00 per hour. This change was initiated for inflation and general yearly increase

### **Financial Highlights**

VFD received \$354,212 in Wildland billing over the fiscal year. These monies for the District keep operations in the black during the lean property tax months.

- § District investment in capital assets decreased by \$64,833 or 7.06%.
- § The District's net position decreased by \$14,906 or 1.42% from the previous fiscal year.
- § Total revenues increased by \$272,129 or 35.31% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$388,817.

## **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.

Vernon Fire District started the 2021 fiscal year out with \$107,516 in carryover in the County Warrant Account, which held us over for operations until tax funds came in. We closed out the 2021 fiscal year with \$65,354 in the County Warrant Account.

The Vernon Fire District maintains their general fund account with the County Treasurer and has a payroll account and special revenue account in a commercial bank. They also have a pay pal account.

## **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 that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance related requirements.

**Net Position June 30, 2021**

	Balance <u>June 30, 2020</u>	Balance <u>June 30, 2021</u>
Net Investment in Capital Assets	\$ 640,641	\$ 644,503
Unrestricted	<u>407,585</u>	<u>388,817</u>
Total Net Position	<u>\$ 1,048,226</u>	<u>\$ 1,033,320</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 Vernon Fire District, total net position was \$ 1,033,320 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 is a comparative analysis between the current and the prior fiscal year for the government -wide statements.

**Condensed Statement of Net Position**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Assets		
Current and other assets	\$ 468,795	\$ 439,819
Capital assets, Net	<u>918,449</u>	<u>853,616</u>
Total assets	1,387,244	1,293,435
Liabilities		
Current liabilities	118,791	109,397
Non-Current liabilities	<u>220,227</u>	<u>150,718</u>
Total liabilities	339,018	260,115
Net position:		
Net investment in capital assets	640,641	644,503
Unrestricted	<u>407,585</u>	<u>388,817</u>
Total Net Position	<u>\$1,048,226</u>	<u>\$1,033,320</u>

The unrestricted net position of \$388,817 is available to meet the District's ongoing obligations to citizens and creditors.

## Governmental Activities

Most of the revenues for the District were derived from assessed property taxes, Fire District Assistance Tax from the County and billing for services.

Governmental Activities net position decreased by \$14,906. Key elements of this decrease are reported below:

### Statement of Activities

	<b><u>Governmental Activities</u></b>	
	<b><u>2020</u></b>	<b><u>2021</u></b>
<b>Expenditures :</b>		
Public Safety:		
Personnel	\$ 597,723	\$ 681,008
Materials and Supplies	166,482	315,001
Administration	20,851	17,190
Debt Service Interest	8,298	7,835
Depreciation	70,360	64,833
Total Expenditures	<u>863,714</u>	<u>1,085,867</u>
<b>Program Revenue:</b>		
Fees for services	<u>139,511</u>	<u>399,422</u>
Total Program Revenue	<u>139,511</u>	<u>399,422</u>
Net Program Expenditures	<u>724,203</u>	<u>386,445</u>
<b>General Revenues :</b>		
Property taxes	490,431	540,217
Fire district assistance tax	97,080	101,362
Interest	1,353	579
Miscellaneous	33,131	29,381
Total general revenues	<u>621,995</u>	<u>671,539</u>
Increase (decrease) in Net Position	(102,208)	(14,906)
Net Position - Beginning of the Year	<u>1,150,434</u>	<u>1,048,226</u>
Net Position - End of the Year	<u>\$1,048,226</u>	<u>\$1,033,320</u>

### **General Fund Budgetary Highlights**

Vernon Fire District has stayed within the Budget for this fiscal year. We, for the sixth fiscal year in a row have funds to carry us into the year and pay for operation expenses without utilizing County Warrants. The Fire Chief has been instrumental in planning that allowed this District to maintain staff at compatible wages, obtain funds for equipment, and hire employees that can help gain funds by billing for the state wildland season.

While the Vernon Fire District stayed within the budget at the fund level as prescribed by Arizona Revised Statutes, the District over-spent the line item for

personnel by \$16,270 due to the unanticipated amount of wildland calls and the materials and supplies line item by \$35,851 due in a large part to the ongoing need for extra materials & supplies caused by the ongoing COVID 19 pandemic.

**Capital Assets and Non-Current Liabilities**

**Capital Assets**

In order to continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects. No new capital assets were added during the fiscal year.

**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	\$ 521,944	\$ 521,944
Buildings	784,972	784,972
Equipment, Fire	<u>160,526</u>	<u>160,526</u>
Total Historical Costs	<u>1,467,442</u>	<u>1,467,442</u>
Less Accumulated Depreciation		
Vehicles	296,485	338,709
Buildings	217,999	238,247
Equipment, Fire	<u>149,509</u>	<u>151,870</u>
Less: Total Accumulated Depreciation	<u>663,993</u>	<u>728,826</u>
Depreciable Capital Assets, Net	803,449	738,616
<u>Non-Depreciable Assets</u>		
Land	<u>115,000</u>	<u>115,000</u>
Capital Assets, Net	<u>\$ 918,449</u>	<u>\$ 853,616</u>

### **Non-Current Liabilities**

At the end of the current fiscal year, the District had non-current liabilities outstanding of \$150,718. 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>
Fire Station	\$ 184,068	\$ 139,957
Fire Engine	<u>90,739</u>	<u>69,156</u>
Total Lease Obligations	274,807	209,113
Compensated Absences – Due in More Than One Year	<u>11,114</u>	<u>9,305</u>
Total Lease Obligations and Compensated Absences	285,921	218,418
Less: Current Capital Liabilities	<u>65,694</u>	<u>67,700</u>
Totals	<u>\$ 220,227</u>	<u>\$ 150,718</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 that vary with economic conditions.

Land values in this District saw an increase of over 9% in tax revenue for the 2020/2021 FY. Through maneuvers by our present Chief, we will be able to maintain a tight budget for the coming FY.

We instituted a subscription plan that increased revenue by \$28,000 this FY.

We are actively obtaining letters from Residents to join our District, which will increase the tax base for us.

### **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 can be obtained through Vernon Fire District at PO Box 400 Vernon, Arizona 85940 Phone - 928-537-4895.



## **BASIC FINANCIAL STATEMENTS**

**VERNON FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

Exhibit A

**Governmental  
Activities**

---

**ASSETS**

Cash & Cash Equivalents	\$	354,763
Receivables:		
Property Taxes		57,564
Accounts Receivable		27,492
Capital Assets, Net		<u>853,616</u>
 Total Assets		 <u>1,293,435</u>

**LIABILITIES**

Current Liabilities		
Accounts Payable		8,712
Payroll Taxes Payable		23,732
Wages Payable		6,927
Due in Less Than One Year:		
Compensated Absences		2,326
Notes Payable		67,700
Non-Current Liabilities		
Due in More Than One Year:		
Compensated Absences		9,305
Notes Payable		<u>141,413</u>
 Total Liabilities		 <u>260,115</u>

**NET POSITION**

Net Investment in Capital Assets		644,503
Unrestricted		<u>388,817</u>
 <b>Total Net Position</b>	 \$	 <u><u>1,033,320</u></u>

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

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

Exhibit B

**Governmental  
Activities**

**EXPENDITURES**

Public Safety :		
Personnel Services	\$	681,008
Materials & Services		315,001
Administration		17,190
Debt Service Interest		7,835
Depreciation		<u>64,833</u>
Total Program Expenditures		<u>1,085,867</u>

**PROGRAM REVENUES**

Fees for Service		<u>399,422</u>
Total Program Revenues		<u>399,422</u>
Net Program Expenditures		<u>686,445</u>

**GENERAL REVENUES**

Property Taxes		540,217
Fire District Assistance Tax		101,362
Interest Earnings		579
Miscellaneous		<u>29,381</u>
Total General Revenues		<u>671,539</u>
Increase (Decrease) in Net Position		(14,906)

**NET POSITION-BEGINNING OF THE YEAR** 1,048,226

**NET POSITION-END OF THE YEAR** \$ 1,033,320

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

**VERNON FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2021**

Exhibit C

General

**ASSETS**

Cash and Cash Equivalents	\$	354,763
Receivables:		
Property Taxes		57,564
Accounts Receivable		<u>27,492</u>
Total Assets	\$	<u><u>439,819</u></u>

**LIABILITIES**

Accounts Payable	\$	8,712
Payroll Taxes Payable		23,732
Wages Payable		<u>6,927</u>
Total Liabilities		39,371

**DEFERRED INFLOW OF RESOURCES**

Unavailable Revenues		
Deferred Property Taxes		<u>47,646</u>
Total Liabilities and Inflow of Resources		<u>87,017</u>

**FUND BALANCE**

Assigned		285,848
Unassigned		<u>66,954</u>
Total Fund Balance		<u>352,802</u>
Total Liabilities, Deferred Inflow of Resources & Fund Balance	\$	<u><u>439,819</u></u>

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

**VERNON FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2021**

Exhibit D

	<b>General</b>
<b>REVENUE</b>	
Property Taxes	\$ 512,099
Fire District Assistance Tax	101,362
Fees for Service	399,422
Interest Earnings	579
Miscellaneous	29,381
Total Revenues	1,042,843
<b>EXPENDITURES</b>	
Public Safety:	
Personnel	683,270
Materials and Supplies	315,001
Administration	17,190
Debt Service	
Principal	65,694
Interest	7,835
Total Expenditures	1,088,990
Excess (Deficiency) of Revenues over Expenditures	(46,147)
Net Change in Fund Balance	(46,147)
<b>Fund Balance-Beginning of Year</b>	<b>398,949</b>
<b>Fund Balance-End of Year</b>	<b>\$ 352,802</b>

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

**VERNON FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND  
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 Balance - Total Governmental Fund (Exhibit C)	\$	352,802
--	----	---------

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	1,582,442	
Less: Accumulated Depreciation	<u>(728,826)</u>	
		853,616

Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds.	(220,744)
--	-----------

Deferred Inflows of Resources	<u>47,646</u>
-------------------------------	---------------

Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 1,033,320</u></u>
---	----------------------------

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

Exhibit F

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

Net Change in Fund Balance - Total Governmental Fund (Exhibit D)	\$	(46,147)
---	----	----------

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.		(64,833)
--	--	----------

Net Change in Deferred Outflows and Inflows of Resources		28,118
--	--	--------

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 liabilities 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.		67,956
--	--	--------

Change in Net Position of Governmental Activities (Exhibit B)	\$	(14,906)
---	----	----------

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

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**



# VERNON 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 Apache 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 Apache 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 non-fiduciary 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 90 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.

## **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 \$5,000 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 the 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 the 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 area is the amount of equity which is not included in the restricted fund balance and the Investments in Capital Asset 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:

- § Non-spendable 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 districts 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 Apache County Board of Supervisors no later than August 1<sup>st</sup> 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 appropriations 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 Apache County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The Apache 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 Apache County Treasurer 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 Apache 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 Apache 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 Apache County Treasurer are part of an investment pool operated by the Apache County Treasurer. The Apache County Treasurer invests the cash in a pool under policy guidelines established by the Apache County Treasurer's office. The Apache County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the Apache County Treasurer's Investment pool is included in the Comprehensive Annual Financial Report of the County. The fair value of each participant's position in the Apache 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 on the following page.

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>
Insured Deposits (FDIC)	\$ 250,000
Collateralized	42,772
Apache County Treasurer Investment Pool	69,930
PayPal	<u>3,361</u>
Total Deposits	366,063
In Transit Items	<u>(11,500)</u>
Total Depository Accounts	354,563

NON DEPOSITORY ACCOUNTS

Cash On Hand	<u>200</u>
Total Non- Depository Accounts	<u>200</u>
Total Cash & Cash Equivalents	<u>\$ 354,763</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.

Investments by fair value level:

Apache County Treasurer Investment Pool- Level Two

Breakdown of Investments measured at fair value:

Apache County Treasurer Investment Pool	<u>\$ 69,930</u>
Total	<u>\$ 69,930</u>



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 risks 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 Apache County Treasurer's Investment Pool (ACTIP) are external investment pools with no regulatory oversight. The ACTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2021, the ACTIP had not received a credit quality rating from a national rating agency.

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 Apache County Treasurer invests the cash in a pool under policy guidelines established by the Apache County Treasurer's office (the County). The Apache County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the

Apache County Treasurer's Investment Pool (ACTIP) is included in the Comprehensive Annual Report of the County. The fair value of each participant's position in the ACTIP 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.

#### **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.

District management has decided accounts receivable for more than 180 days are unlikely to be collected. Accounts receivable were \$44,991 with an allowance for bad debt of \$17,499 at June 30, 2021. This gave a net of \$27,492 which was expected to be collectable.

#### **NOTE 7 – PROPERTY TAX REVENUE RECEIVABLE**

Property Tax 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	\$ 521,944	\$ 0	\$ 0	\$ 521,944
Buildings	784,972	0	0	784,972
Equipment, Fire	<u>160,526</u>	<u>0</u>	<u>0</u>	<u>160,526</u>
Total Historical Costs	<u>1,467,442</u>	<u>0</u>	<u>0</u>	<u>1,467,442</u>
Less Accumulated Depreciation				
Vehicles	296,485	42,224	0	338,709
Buildings	217,999	20,248	0	238,247
Equipment, Fire	<u>149,509</u>	<u>2,361</u>	<u>0</u>	<u>151,870</u>
Less: Total Accumulated Depreciation	<u>663,993</u>	<u>64,833</u>	<u>0</u>	<u>728,826</u>
Depreciable Capital Assets, Net	803,449	(64,833)	0	738,616
<u>Non-Depreciable Assets</u>				
Land	<u>115,000</u>	<u>0</u>	<u>0</u>	<u>115,000</u>
Capital Assets, Net	<u>\$ 918,449</u>	<u>\$ (64,833)</u>	<u>\$ 0</u>	<u>\$ 853,616</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:

	<u>Governmental Activities</u>
Unavailable Revenues	
Deferred Property Taxes	\$ 47,646
Total Governmental Activities	<u>\$ 47,646</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**

The District has designated all accumulated compensated absences as “Paid Time Off” (PTO).

Accumulated unpaid compensated absences are accrued in the Government -Wide Statement of Net Position. The accrual at year end consisted of \$ 2,326 payable in less than one year and \$ 9,305 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 06/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE 06/30/2021</u>
Accounts Payable	\$ 3,125	\$ 5,587	\$ 0	\$ 8,712
Payroll Taxes Payable	18,734	4,998	0	23,732
Wages Payable	28,460	3,132	0	31,592
Compensated Absences	2,778	0	452	2,326
Notes Payable	65,694	2,006	0	67,700
Totals	<u>\$ 118,791</u>	<u>\$ 15,723</u>	<u>\$ 452</u>	<u>\$ 134,062</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 .

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases .

Notes Payable

**Fire Station:** On January 28<sup>th</sup> 2009 the District entered into a lease/purchase agreement with Zions Bank to build a new fire station. The amount of the lease/purchase was \$570,000 at an interest rate of 6.192% for a term of 15 years. Semi-annual payments of \$29,443 are due July 28<sup>th</sup> and January 28<sup>th</sup> each year with a final payment of \$24,459 due on January 28<sup>th</sup> 2024.

**Fire Engine:** On September 27, 2019 the District entered into a lease/purchase agreement with Zions Bank for the financing of a 2007 International Pumper. The amount of the lease/purchase was \$113,000 at an interest rate of 3.459% for a term of 5 years. Semi-annual payments of \$12,268 are due November 15th and May 15th each year with the final payment of 12,053 due May 15th, 2024.

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance</u> <u>06/30/21</u>
Fire Station	6.192%	01/28/2024	\$ 139,957
Fire Engine	3.459%	05/15/2024	\$ 69,156

The following assets were acquired through notes payable :

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Fire Station	\$ 570,000	\$ 166,250	\$ 403,750
Fire Engine	<u>113,000</u>	<u>25,427</u>	<u>87,573</u>
Total	<u>\$ 683,000</u>	<u>\$ 191,677</u>	<u>\$ 491,323</u>

Changes in Non-Current Liabilities :

	<u>BALANCE 06/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE 06/30/2021</u>
Fire Station	\$ 184,068	\$ 0	\$ 44,111	\$ 139,957
Fire Engine	<u>90,739</u>	<u>0</u>	<u>21,583</u>	<u>69,156</u>
Total Lease Obligations	274,807	0	65,694	209,113
Compensated Absences – Due in More Than One Year	<u>11,114</u>	<u>13,052</u>	<u>14,861</u>	<u>9,305</u>
Total Lease Obligations and Compensated Absences	285,921	13,052	80,555	218,418
Less: Current Capital Liabilities	<u>65,694</u>	<u>2,006</u>	<u>0</u>	<u>67,700</u>
Totals	<u>\$ 220,227</u>	<u>\$ 11,046</u>	<u>\$ 80,555</u>	<u>\$ 150,718</u>

**NOTE 16 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS**

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase 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	\$ 67,700	\$ 5,829	\$ 73,529
2023	69,767	3,762	73,529
2024	<u>71,646</u>	<u>1,632</u>	<u>73,278</u>
Total Obligation	209,113	<u>\$ 11,223</u>	220,336
Less Amount Representing Interest			<u>11,223</u>
Less amount due within 1 year	<u>67,700</u>		
Future Minimum Lease Payments			<u>\$ 209,113</u>
Amount due after 1 year	<u>\$ 141,413</u>		

**NOTE 17 – NET POSITION/ FUND BALANCE**

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

The District’s Governmental Funds fund balances consist of restricted, committed, assigned 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.

Assigned fund balance is 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 is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

Net Investment in Capital Assets	\$ 644,503
Unrestricted	<u>388,817</u>
Total Net Position	<u>\$ 1,033,320</u>

Governmental Fund Balances :

Assigned Fund Balances :	
Special Revenue	\$ 273,614
Payroll	<u>12,234</u>
Total Assigned Fund Balances	285,848
Unassigned Fund Balances	<u>66,954</u>
Total Fund Balance	<u>\$ 352,802</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 Apache 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 - 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.

**THIS PAGE WAS  
DELBERATELY LEFT BLANK**

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**VERNON 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		
<b>Revenues:</b>				
Property Taxes	\$ 532,811	\$ 532,811	\$ 512,099	\$ (20,712)
Fire District Assistance Tax	101,362	101,362	101,362	-
Fees for Service	450,000	450,000	399,422	(50,578)
Interest Earnings	-	-	579	579
Miscellaneous	-	-	29,381	29,381
<b>Total Revenues</b>	<b>1,084,173</b>	<b>1,084,173</b>	<b>1,042,843</b>	<b>(41,330)</b>
<b>Expenditures:</b>				
Current:				
Public Safety:				
Personnel	667,000	667,000	683,270	(16,270)
Material and Supplies	279,150	279,150	315,001	(35,851)
Administration	43,650	43,650	17,190	26,460
Debt Service				
Principal	65,694	65,694	65,694	-
Interest	7,835	7,835	7,835	-
Capital Outlay	445,844	445,844	-	445,844
<b>Total Expenditures</b>	<b>1,509,173</b>	<b>1,509,173</b>	<b>1,088,990</b>	<b>420,183</b>
Excess (Deficiency) of Revenues over Expenditures	(425,000)	(425,000)	(46,147)	378,853
Net Change in Fund Balances	(425,000)	(425,000)	(46,147)	378,853
<b>Fund Balance at Beginning of Year</b>	<b>425,000</b>	<b>425,000</b>	<b>398,949</b>	<b>(26,051)</b>
<b>Fund Balance at End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 352,802</b>	<b>\$ 352,802</b>

See Accompanying Notes To The Budgetary Comparison Schedule

**VERNON 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 1<sup>st</sup>. 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 ITEM**

While the Vernon Fire District stayed within the budget at the fund level as prescribed by Arizona Revised Statutes, the District over-spent the line item for personnel by \$ 16,270 due to the unanticipated amount of wildland calls and the materials and supplies line item by \$35,851 due in a large part to the ongoing need for extra materials & supplies caused by the ongoing COVID 19 pandemic.

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

## **OTHER SUPPLEMENTARY INFORMATION**

**VERNON 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 28, 2020	5:30 PM	Vernon Library, Vernon, Arizona
August 18, 2020	5:30 PM	Vernon Library, Vernon, Arizona
September 22, 2020	5:30 PM	Vernon Library, Vernon, Arizona
October 27, 2020	5:30 PM	Vernon Library, Vernon, Arizona
November 24, 2020	5:30 PM	Vernon Library, Vernon, Arizona
December 08, 2020	5:30 PM	Vernon Library, Vernon, Arizona
January 26, 2021	5:30 PM	Vernon Library, Vernon, Arizona
February 23, 2021	5:30 PM	Vernon Library, Vernon, Arizona
March 23, 2021	5:30 PM	Vernon Library, Vernon, Arizona
April 27, 2021	5:30 PM	Vernon Library, Vernon, Arizona
May 18, 2021	5:30 PM	Vernon Library, Vernon, Arizona
June 22, 2021	5:30 PM	Vernon Library, Vernon, Arizona

**BOARD MEMBERS**

<u>Name</u>	<u>Business Phone</u>	<u>Occupation</u>
Paul Kocacic	928-537-4895	Retired
Dave Peelman	928-537-4895	Reality
Adrian Aldredge	928-537-4895	Retired
Randy Mifflin	928-537-4895	Sales Manager
John Vehar	928-537-4895	Retired

**LOCATION AND POSTING OF MEETING NOTICES (all meetings)**

Vernon Firehouse 1    Vernon, Arizona  
 Vernon Post Office    Vernon, Arizona  
 District Web Site    [www.vernonfiredistrict.org](http://www.vernonfiredistrict.org)  
 Vernon Library    Vernon, Arizona  
 Stanford Store  
 Distributed by e-mail by 2 community volunteers

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

None



**VERNON FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS SECTION**  
**JUNE 30, 2021**

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

# SAUNDERS COMPANY, LTD

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

---

CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Triciaesaunders@yahoo.com](mailto:Triciaesaunders@yahoo.com)

---

Member: American Institute of Certified Public Accountants  
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  
Vernon Fire District  
Vernon, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Vernon Fire District, Vernon, 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 May 27, 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.

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

### **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  
May 27, 2022

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**

# SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Triciasanders@yahoo.com](mailto:Triciasanders@yahoo.com)

Member: American Institute of Certified Public Accountants  
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 COMPLIANCE WITH STATE OF ARIZONA FIRE DISTRICT REGULATORY REQUIREMENTS

To the Governing Board  
Vernon Fire District  
Vernon, Arizona

### Report on Compliance

We have audited the Vernon 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 May 27, 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  
May 27, 2022

**THIS PAGE  
IS  
DELIBERATELY LEFT BLANK**