

VERNON FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1	
INDEPENDENT AUDITOR'S REPORT	5	
MANAGEMENT 'S DISSCUSSION and ANALYSIS	9	
BASIC FINANCIAL STATEMENTS:	17	
Government -Wide Financial Statements		
Statement of Net Position	18	A
Statement of Activities	19	B
Fund Financial Statements		
Balance Sheet - Governmental Fund	20	C
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	21	D
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	22	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities	23	F
Notes to the Financial Statements	25	

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

VERNON FIRE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2024

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	43	
Budgetary Comparison Schedule – General Fund	44	G
Notes to Budgetary Comparison Schedule	45	
OTHER SUPPLEMENTARY INFORMATION	47	
Arizona Annual Report Information	48	
GOVERNMENT AUDIT STANDARDS SECTION	49	
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>	51	

**THIS PAGE WAS
DELBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CGFM, PI, AUDIT PARTNER

TRICIA E. SAUNDERS, PI, AUDITOR

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

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

Triciaesanders@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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Vernon Fire District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and *Government Auditing Standards*, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- λ Exercise professional judgment and maintain professional skepticism throughout the audit.
- λ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- λ Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- λ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- λ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and *Government Auditing Standards*, 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 and *Government Auditing Standards*, 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 Information

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, 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.

Saunders Company, Ltd.

Glendale, Arizona

February 24, 2025

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

Vernon Fire District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2024

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, 2024. 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 5000 residents living in rural Arizona and another 5000 seasonal residents in Apache County in Rural Eastern Arizona. It has primary response responsibility for nearly 56 square miles. Mutual aid agreements increase the response area to 406 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 two firefighter staff on each shift. Volunteers are used to balance the response team on an 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 directions 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 in 2005 as a volunteer fire district and in 2007 received funding to staff the current configuration .

The VFD has employed a Deputy Chief to oversee the Firefighters.

Results of Operations

For the 2023-2024 FYR: The District was able to provide a significant increase in pay for line personnel and staff of 5% to 10% depending on position. VFD also provided a one-time bonus based on length of employment for the employees. VFD was also able to repair and maintain many older fleet vehicles.

Financial Highlights

The fire district received a one-million-dollar infusion of cash from the State of Arizona Budget through Arizona State Representative David Marshall. VFD was also awarded \$772,761 in grants. Of the total grants awarded, the District received \$ 295,849 during the 2024 Fiscal Year. These funds will provide VFD with the ability to secure a 2023 Command Vehicle, have a tender built and purchase a trailer for the UTV. We were also

able to purchase 4 sets of turnout equipment, and purchase brand new SCBAs. A grant was also given to setup a Chromebook in each vehicle with public safety software. We utilized our Assistance to Firefighters Grant (AFG) to provide all our Firefighters with the state of the art Cancer screening.

VFD also received \$ 164,391 in Wildland billings over the fiscal year.

- § District's net depreciated investment in capital assets before adjustment for capital debt increased by \$256,225 or 28.76%.
- § The District's net position increased by \$817,801 or 73.02% from the previous fiscal year.
- § Total revenues increased by \$1,019,844 or 80.52% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$ 980,919.

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.

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, 2024

	Balance <u>June 30, 2023</u>	Balance <u>June 30, 2024</u>
Net Investment in Capital Assets	\$ 750,846	\$ 956,895
Unrestricted	<u>369,167</u>	<u>980,919</u>
Total Net Position	<u>\$ 1,120,013</u>	<u>\$ 1,937,814</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 \$ 1,937,814 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

	Governmental Activities	
	2023	2024
Assets		
Current and Other Assets	\$ 412,243	\$ 1,048,732
Prepaid Assets	0	41,013
Capital Assets, not being depreciated	156,459	156,459
Capital assets, being depreciated, net	734,557	990,782
Total assets	<u>1,303,259</u>	<u>2,236,986</u>
Liabilities		
Current liabilities	115,140	140,714
Non-Current liabilities	68,106	158,458
Total liabilities	<u>183,246</u>	<u>299,172</u>
Net position:		
Net investment in capital assets	750,846	956,895
Unrestricted	369,167	980,919
Total Net Position	<u>\$ 1,120,013</u>	<u>\$ 1,937,814</u>

The unrestricted net position of \$ 980,919 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 increased by \$817,801. Key elements of this increase are reported below:

Statement of Activities

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2024</u>
Expenditures :		
Public Safety :		
Personnel	\$ 795,353	\$ 852,888
Operations	342,337	412,938
Administration	60,476	77,312
Debt Service Interest	10,660	9,896
Depreciation	65,700	83,372
Total Expenditures	<u>1,274,526</u>	<u>1,436,406</u>
Program Revenue:		
Fees for services	252,188	258,845
Capital Grants	44,271	254,774
Operating Grants	273,109	41,075
Total Program Revenue	<u>569,568</u>	<u>554,694</u>
Net Program Expenditures	<u>704,958</u>	<u>881,712</u>
General Revenues :		
Property taxes	573,395	524,509
Fire District Assistance Tax	114,456	124,515
Interest	683	3,731
Intergovernmental Revenue	0	1,000,000
Miscellaneous	22,681	46,758
Total general revenues	<u>711,215</u>	<u>1,699,513</u>
Increase (decrease) in Net Position	6,257	817,801
Net Position - Beginning of the Year	<u>1,113,756</u>	<u>1,120,013</u>
Net Position - End of the Year	<u>\$1,120,013</u>	<u>\$1,937,814</u>

General Fund Budgetary Highlights

Vernon Fire District achieved their tenth straight year of operating within budget and finishing the fiscal year with funding to carry into the next fiscal year without utilizing county warrants.

The Fire Chief has been instrumental in planning that allowed this District to maintain staff at comparable wages, obtain funds for equipment, and obtain ARPA funds to hire employees that can help us be NFPA compliant.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend its expenditure budget at the fund level. The District did however overspend several line items. This overage was in the line items personnel in the amount of \$ 193,324 and operations in the amount of \$ 18,159. The variance in the personnel and operations line items were in large part due to wildland deployments which were off-set by the revenue generated. Additionally, administration and capital

outlay line items were also over budget by \$ 9,522 and \$ 339,597 respectively. This was due in large part to differences in how budget items were assigned and how line items were booked in Quick Books. Debt Service Principal and Interest also were over budget by \$6,737 and 9,896 respectively. This was due to a payment on the new note payable for the heart monitors.

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. During the Fiscal Year, the District was able to purchase the following Capital Assets:

- λ 2011 Brush Truck
- λ 2001 & 2002 Ford F250 Support trucks
- λ New SCBA's and 2 Heart monitors

Capital Assets, Net of Depreciation June 30, 2024

Capital asset activity for the year ended:

	BALANCE <u>06/30/2023</u>	BALANCE <u>06/30/2024</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 589,704	\$ 724,704
Buildings	784,972	784,972
Equipment, Fire	<u>183,526</u>	<u>388,123</u>
Total Historical Costs	<u>1,558,202</u>	<u>1,897,799</u>
Less Accumulated Depreciation		
Vehicles	386,667	424,659
Buildings	278,743	298,991
Equipment, Fire	<u>158,235</u>	<u>183,367</u>
Less: Total Accumulated Depreciation	<u>823,645</u>	<u>907,017</u>
Depreciable Capital Assets, Net	734,557	990,782
<u>Non-Depreciable Assets</u>		
Land	<u>156,459</u>	<u>156,459</u>
Capital Assets, Net	<u>\$ 891,016</u>	<u>\$ 1,147,241</u>

Non-Current Liabilities

At the end of the current fiscal year, the District had non-current liabilities outstanding of \$ 158,458. All of the debt is backed by the full faith and credit of the District.

Changes in Non-Current Liabilities:

	BALANCE <u>06/30/2023</u>	BALANCE <u>06/30/2024</u>
Fire Station #2	\$ 47,940	\$ 0
Fire Engine (2007)	23,706	0
Fire Engine (2004)	68,524	50,948
Brush Truck (2011)	0	95,000
Zoll Heart Monitors (2)	0	44,398
Total Notes Payable	<u>140,170</u>	<u>190,346</u>
Compensated Absences – Due in More Than One Year	<u>17,158</u>	<u>20,214</u>
Total Notes Payable and Compensated Absences	157,328	210,560
Less: Current Notes Payable	<u>89,222</u>	<u>52,102</u>
Totals	<u>\$ 68,106</u>	<u>\$ 158,458</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.

The district saw an increase in property assessment of 6.9% this year for FY 2023-2024. Despite the increase of tax revenue, it was not enough to cover the rising cost of goods and the man power it costs for our call volume. VFD was able to balance the budget for the coming year utilizing monies given them from the State of Arizona legislature. We are hopeful in the future property assessments will continue to rise and generate additional income. The District is also doing more Wildland call-outs which generates income for the District.

VFD grant writers were able to successfully receive 3 large grants from the State of Arizona. One allowed the purchase of needed new MSA SCBA's. A 2nd one allowed us to put Chromebooks with public safety software in each vehicle, and the 3rd one allowed us to order the building of a new water tender, the purchase of a new 2023 F150 and retro fit it into an emergency vehicle as well as the purchase of a trailer for the Polaris.

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.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

BASIC FINANCIAL STATEMENTS

**VERNON FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

Exhibit A

**Governmental
Activities**

ASSETS

Cash & Cash Equivalents	\$ 845,064
Receivables:	
Property Taxes Receivable	52,610
Wildland Receivable	75,872
Accounts Receivable, net of allowance for bad debt	75,186
Prepaid Assets	41,013
Capital Assets, not being depreciated	156,459
Capital Assets, being depreciated, net	<u>990,782</u>
 Total Assets	 <u>2,236,986</u>

LIABILITIES

Current Liabilities	
Accounts Payable	57,538
Credit Cards Payable	6,414
Payroll Taxes/ Withholdings Payable	5,022
Wages Payable	13,287
Accrued Interest	1,297
Due in Less Than One Year:	
Compensated Absences	5,054
Notes Payable	52,102
Non-Current Liabilities	
Due in More Than One Year:	
Compensated Absences	20,214
Notes Payable	<u>138,244</u>
 Total Liabilities	 <u>299,172</u>

NET POSITION

Net Investment in Capital Assets	956,895
Unrestricted	<u>980,919</u>
 Total Net Position	 <u><u>\$ 1,937,814</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, 2024**

Exhibit B

**Governmental
Activities**

EXPENDITURES

Public Safety :	
Personnel Services	\$ 852,888
Operations	412,938
Administration	77,312
Debt Service Interest	9,896
Depreciation	<u>83,372</u>
Total Program Expenditures	<u>1,436,406</u>

PROGRAM REVENUES

Fees for Service	258,845
Capital Grants	254,774
Operating Grants	<u>41,075</u>
Total Program Revenues	<u>554,694</u>
Net Program Expenditures	<u>881,712</u>

GENERAL REVENUES

Property Taxes	524,509
Fire District Assistance Tax	124,515
Interest Earnings	3,731
Intergovernmental Revenue	1,000,000
Miscellaneous	<u>46,758</u>
Total General Revenues	<u>1,699,513</u>
Increase (Decrease) in Net Position	817,801

NET POSITION-BEGINNING OF THE YEAR 1,120,013

NET POSITION-END OF THE YEAR \$ 1,937,814

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

**VERNON FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024**

Exhibit C

General

ASSETS

Cash and Cash Equivalents	\$ 845,064
Receivables:	
Property Taxes	52,610
Wildland Receivable	75,872
Accounts Receivable, net of allowance for bad debt	75,186
Prepaid Assets	<u>41,013</u>
Total Assets	<u><u>\$ 1,089,745</u></u>

LIABILITIES

Accounts Payable	\$ 57,538
Credit Cards Payable	6,414
Payroll Taxes/Withholding Payable	5,022
Wages Payable	13,287
Accrued Interest	<u>1,297</u>
Total Liabilities	83,558

DEFERRED INFLOW OF RESOURCES

Unavailable Revenues	
Deferred Property Taxes	<u>37,208</u>
Total Liabilities and Inflow of Resources	<u>120,766</u>

FUND BALANCE

Assigned	674,684
Non-Spendable	41,013
Unassigned	<u>253,282</u>
Total Fund Balance	<u>968,979</u>
Total Liabilities, Deferred Inflow of Resources & Fund Balance	<u><u>\$ 1,089,745</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, 2024

Exhibit D

	<u>General</u>
REVENUE	
Property Taxes	\$ 556,662
Fire District Assistance Tax	124,515
Fees for Service	258,845
Capital Grants	254,774
Operating Grants	41,075
Interest Earnings	3,731
Intergovernmental Revenue	1,000,000
Miscellaneous	<u>46,758</u>
Total Revenues	<u>2,286,360</u>
EXPENDITURES	
Public Safety:	
Personnel	853,069
Operations	412,938
Administration	77,312
Debt Service	
Principal	107,288
Interest	9,896
Capital Outlay	<u>339,597</u>
Total Expenditures	<u>1,800,100</u>
Excess (Deficiency) of Revenues over Expenditures	486,260
OTHER FINANCING SOURCES	
Proceeds from Note Payable Agreements	<u>161,464</u>
Total Other Financing Sources	<u>161,464</u>
Net Change in Fund Balance	647,724
Fund Balance-Beginning of the Year	<u>321,255</u>
Fund Balance -End of the Year	<u><u>968,979</u></u>

-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, 2024**

Exhibit E

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

Fund Balance - Total Governmental Fund (Exhibit C)	\$	968,979
--	----	---------

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	2,054,258	
Less: Accumulated Depreciation	<u>(907,017)</u>	
		1,147,241

Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds.	(215,614)
--	-----------

Deferred Inflows of Resources	<u>37,208</u>
-------------------------------	---------------

Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 1,937,814</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, 2024**

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)	\$	647,724

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 capital outlay exceeded depreciation expense in the current period.		256,225
--	--	---------

Net Change in Deferred Outflows and Inflows of Resources		(32,152)
--	--	----------

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.		(53,996)
--	--	----------

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>817,801</u>
---	----	----------------

-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, 2024

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 their 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 is 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 prepaid assets) 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 the adopted budget, which has been certified to by the chairman and clerk of the District Board, on forms provided by the Auditor General of the State of Arizona to the County Board of Supervisors no later than August 1st of each year. Every budget adopted by a fire district in Arizona shall include the annual estimate of revenues and expenses of the fire district for the preceding and current fiscal year fully itemized as prescribed on the forms provided by the Auditor General of the State of Arizona. 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, 2024:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>
Insured Deposits (FDIC)	\$ 250,000
Collateralized Deposits	425,322
Apache County Treasurer	<u>184,927</u>
Total Deposits	860,249
 In Transit Items	 <u>(15,385)</u>
 Total Depository Accounts	 844,864

NON DEPOSITORY ACCOUNTS

Cash On Hand	<u>200</u>
 Total Non- Depository Accounts	 <u>200</u>
 Total Cash & Cash Equivalents	 <u>\$ 845,064</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>\$ 184,927</u>
 Total	 <u>\$ 184,927</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, 2024, 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 \$175,508 with an allowance for bad debt of \$100,322 at June 30, 2024. This gave a net of \$75,186 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>06/30/2023</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2024</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 589,704	\$ 135,000	\$ 0	\$ 724,704
Buildings	784,972	0	0	784,972
Equipment, Fire	<u>183,526</u>	<u>204,597</u>	<u>0</u>	<u>388,123</u>
Total Historical Costs	<u>1,558,202</u>	<u>339,597</u>	<u>0</u>	<u>1,897,799</u>
Less Accumulated Depreciation				
Vehicles	386,667	37,992	0	424,659
Buildings	278,743	20,248	0	298,991
Equipment, Fire	<u>158,235</u>	<u>25,132</u>	<u>0</u>	<u>183,367</u>
Less: Total Accumulated Depreciation	<u>823,645</u>	<u>83,372</u>	<u>0</u>	<u>907,017</u>
Depreciable Capital Assets, Net	734,557	256,225	0	990,782
<u>Non-Depreciable Assets</u>				
Land	<u>156,459</u>	<u>0</u>	<u>0</u>	<u>156,459</u>
Capital Assets, Net	<u>\$ 891,016</u>	<u>\$ 256,225</u>	<u>\$ 0</u>	<u>\$ 1,147,241</u>

NOTE 9 - DEFERRED OUTFLOWS 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 government-wide 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:

	Governmental <u>Activities</u>
Unavailable Revenues	
Deferred Property Taxes	\$ 37,208
Total Governmental Activities	<u>\$ 37,208</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 \$ 5,054 payable in less than one year and \$ 20,214 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:

	BALANCE <u>06/30/2023</u>	<u>Additions</u>	<u>Deletions</u>	BALANCE <u>06/30/2024</u>
Accounts Payable	\$ 719	\$ 56,819	\$ 0	\$ 57,538
Credit Cards Payable	33	6,381	0	6,414
Payroll Taxes/Withholding	12,303	0	7,281	5,022
Wages Payable	8,573	4,714	0	13,287
Accrued Interest	0	1,297	0	1,297
Compensated Absences	4,290	764	0	5,054
Notes Payable	<u>89,222</u>	<u>0</u>	<u>37,120</u>	<u>52,102</u>
Totals	<u>\$ 115,140</u>	<u>\$ 69,975</u>	<u>\$ 44,401</u>	<u>\$ 140,714</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.

Notes Payable

Fire Station #2: On January 28th 2009 the District entered into a note payable agreement with Zions Bank to build a new fire station. The amount of the note payable 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 28th and January 28th each year with a final payment of \$24,459 due on January 28th 2024. This note payable was paid off during the 2024 Fiscal Year.

Fire Engine (2007): On September 27, 2019 the District entered into a note payable agreement with Zions Bank for the financing of a 2007 International Pumper. The amount of the note payable 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. This note payable was paid off during the 2024 Fiscal Year.

Fire Engine (2004): On January 4, 2022 the District entered into a note payable agreement with First Government for the financing of a 2004 International 4400 Series Engine. The amount of the note payable was \$ 93,000 at an interest rate of 8.545% for a term of 5 years. Semi-annual payments of \$11,532 are due December 1st and June 1st each year with the final payment of \$11,532 due December 1, 2026.

Brush Truck (2011): On June 7, 2024 the District entered into a note payable agreement with National Bank for the financing of a 2011 Brush Truck. The amount of the note payable was \$ 95,000 at an interest rate of 11.935% for a term of 5 years. Semi-annual payments of \$12,825 are due November 1st and May 1st each year with the final payment of \$12,825 due May 1, 2029.

Heart Monitors (2) On September 30, 2023 the District entered into a note payable agreement with Zoll Medical Corporation for the financing of 2 Heart Monitors. The amount of the note payable was \$ 62,464 at an interest rate of 3.777% for a term of 4 years. Semi-annual payments of \$9,389 are due November 1st and May 1st each year with the final payment of \$9,389 due November 1, 2027.

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance</u> <u>06/30/24</u>
Fire Station #2	6.192%	01/28/2024	\$ 0
Fire Engine (2007)	3.459%	05/15/2024	0
Fire Engine (2004)	8.545%	12/01/2026	50,948
Brush Truck (2011)	11.935%	05/01/2029	95,000
Zoll Heart Monitors (2)	3.777%	11/01/2027	44,398
Total			<u>\$ 190,345</u>

The following assets were acquired through notes payable:

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Carrying</u> <u>Value</u>
Fire Station # 2	\$ 570,000	\$ 209,000	\$ 361,000
Fire Engine (2007)	113,000	59,330	53,670
Fire Engine (2004)	93,000	23,250	69,750
Brush Truck (2011)	95,000	1,450	93,550
Zoll Heart Monitors (2)	<u>66,275</u>	<u>6,312</u>	<u>59,963</u>
Total	<u>\$ 937,275</u>	<u>\$ 299,342</u>	<u>\$ 637,933</u>

Changes in Non-Current Liabilities :

	<u>BALANCE</u> <u>06/30/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE</u> <u>06/30/2024</u>
Fire Station #2	\$ 47,940	\$ 0	\$ 47,940	\$ 0
Fire Engine (2007)	23,706	0	23,706	0
Fire Engine (2004)	68,524	0	17,576	50,948
Brush Truck (2011)	0	95,000	0	95,000
Zoll Heart Monitors (2)	0	62,464	18,066	44,398
Total Notes Payable	<u>140,170</u>	<u>157,464</u>	<u>107,288</u>	<u>190,346</u>
Compensated Absences – Due in More Than One Year	<u>17,158</u>	<u>6,149</u>	<u>3,093</u>	<u>20,214</u>
Total Notes Payable and Compensated Absences	157,328	163,613	110,381	210,560
Less: Current Notes Payable	<u>89,222</u>	<u>0</u>	<u>37,120</u>	<u>52,102</u>
Totals	<u>\$ 68,106</u>	<u>\$163,613</u>	<u>\$ 73,261</u>	<u>\$ 158,458</u>

NOTE 16 - FUTURE MINIMUM NOTES PAYABLE OBLIGATIONS

The future minimum notes payable obligations and the net present value of these minimum notes payable payments as of June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 52,102	\$ 15,390	\$ 67,492
2026	55,137	12,354	67,491
2027	38,786	7,785	46,571
2028	20,846	4,804	25,650
2029	<u>23,475</u>	<u>2,176</u>	<u>25,651</u>
Total Obligation	190,346	<u>\$ 42,509</u>	232,855
Less Amount Representing Interest			<u>42,509</u>
Less amount due within 1 year	<u>52,102</u>		
Future Minimum Notes Payable Payments			\$ 190,346
Amount due after 1 year	<u>\$ 138,244</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	\$ 956,895
Unrestricted	<u>980,919</u>
Total Net Position	<u>\$ 1,937,814</u>

Governmental Fund Balances :

Assigned Fund Balance :

Special Revenue	\$ 663,370
Payroll	<u>11,314</u>
Total Assigned Fund Balance	674,684
Non-Spendable	41,013
Unassigned Fund Balances	<u>253,282</u>
Total Fund Balance	<u>\$ 968,979</u>

NOTE 18 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. The board, based on the budget submitted by the district, shall levy, in addition to any tax levied as provided in section 48-806, a tax not to exceed

\$3.25 per \$100 of assessed valuation through tax year 2021, \$3.375 per \$100 of assessed valuation for tax year 2022, \$3.50 per \$100 of assessed valuation for tax year 2023 and \$3.75 per \$100 of assessed valuation for tax year 2024 and each tax year thereafter, or the amount of the levy in the preceding tax year multiplied by 1.08, whichever levy is less, and minus any amounts required to reduce the levy pursuant to subsection I of this section, against all property situated within the district boundaries and appearing on the last assessment roll. The levy shall be made and the taxes collected in the manner, at the time and by the officers provided by law for the collection of general county taxes.

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 - INTERGOVERNMENTAL REVENUE

During the 2024 Fiscal Year Vernon Fire District received a one-time appropriation from the Arizona Legislature in the amount of \$1,000,000 to help with operating expenses.

NOTE 20 - 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, 2024

Exhibit G

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 622,574	\$ 622,574	\$ 556,662	\$ (65,912)
Fire District Assistance Tax	124,514	124,514	124,515	1
Fees for Service	250,000	250,000	258,845	8,845
Capital Grants	1,760,000	1,760,000	254,774	(1,505,226)
Operating Grants	1,760,000	1,760,000	41,075	(1,718,925)
Interest Earnings	-	-	3,731	3,731
Intergovernmental Revenue	-	-	1,000,000	1,000,000
Miscellaneous	51,228	51,228	46,758	(4,470)
Total Revenues	4,568,316	4,568,316	2,286,360	(2,281,956)
Expenditures:				
Public Safety:				
Personnel	659,746	659,746	853,070	(193,324)
Operations	298,913	298,913	412,938	(114,025)
Administration	67,790	67,790	77,312	(9,522)
Debt Service				
Principal	100,550	100,550	107,287	(6,737)
Interest	-	-	9,896	(9,896)
Capital Grants	1,760,000	1,760,000	-	1,760,000
Operating Grants	1,760,000	1,760,000	-	1,760,000
Capital Outlay	-	-	339,597	(339,597)
Total Expenditures	4,646,999	4,646,999	1,800,100	2,846,899
Excess (Deficiency) of Revenues over Expenditures	(78,683)	(78,683)	486,260	564,943
Other Financing Sources				
Proceeds from Note Payable Agreement	-	-	161,464	161,464
Total Other Financing Sources	-	-	161,464	161,464
Net Change in Fund Balances	(78,683)	(78,683)	647,724	564,943
Fund Balance at Beginning of Year	78,683	78,683	321,255	242,572
Fund Balance at End of Year	\$ 0	\$ 0	\$ 968,979	\$ 968,979

See Accompanying Notes To The Budgetary Comparison Schedule

VERNON FIRE DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2024

NOTE 1 – BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

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

NOTE 2 – OVER-EXPENDITURE OF BUDGET LINE ITEMS

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend its expenditure budget at the fund level. The District did however overspend several line items. This overage was in the line items personnel in the amount of \$ 193,324 and operations in the amount of \$ 18,159. The variance in the personnel and operations line items were in large part due to wildland deployments which were off-set by the revenue generated. Additionally, administration and capital outlay line items were also over budget by \$ 9,522 and \$ 339,597 respectively. This was due in large part to differences in how budget items were assigned and how line items were booked in Quick Books. Debt Service Principal and Interest were over budget by \$6,737 and 9,896 respectively. This was due to a payment on the new note payable for the heart monitors.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

OTHER SUPPLEMENTARY INFORMATION

**VERNON FIRE DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2024**

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 25, 2023	5:30 PM	Vernon Library, Vernon, Arizona
August 22, 2023	5:30 PM	Vernon Library, Vernon, Arizona
September 26, 2023	5:30 PM	Vernon Library, Vernon, Arizona
October 24, 2023	5:30 PM	Vernon Library, Vernon, Arizona
November 21, 2023	5:30 PM	Vernon Library, Vernon, Arizona
December 19, 2023	5:30 PM	Vernon Library, Vernon, Arizona
January 23, 2024	5:30 PM	Vernon Library, Vernon, Arizona
February 27, 2024	5:30 PM	Vernon Library, Vernon, Arizona
March 26, 2024	5:30 PM	Vernon Library, Vernon, Arizona
April 23, 2024	5:30 PM	Vernon Library, Vernon, Arizona
May 21, 2024	5:30 PM	Vernon Library, Vernon, Arizona
June 25, 2024	5:30 PM	Vernon Library, Vernon, Arizona

BOARD MEMBERS

<u>Name</u>	<u>Business Phone</u>	<u>Occupation</u>
Paul Kocacic	928-537-4895	Member-Retired
Grey Murphy	928-537-4895	Board Clerk-VP, PNC Bank
Gregg McClendon	928-537-4895	Member-Retired
Randy Mifflin	928-537-4895	Member-Sales Rep-Cellular One
John Vehar	928-537-4895	Board Chair-Retired

LOCATION AND POSTING OF MEETING NOTICES (all meetings)

Vernon Firehouse	Vernon, Arizona
Vernon Post Office	Vernon, Arizona
District Web Site	www.vernonfiredistrict.org

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

None

VERNON FIRE DISTRICT
GOVERNMENT AUDIT STANDARDS SECTION
JUNE 30, 2024

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CGFM, PI, AUDIT PARTNER
TRICIA E. SAUNDERS, PI, AUDITOR

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

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 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 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Vernon District's basic financial statements, and have issued our report thereon dated February 24, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**THIS PAGE
IS DELIBERATLY LEFT BLANK**

Independent Auditor's Report on Internal Control...

June 30, 2024

Page 2

Report on Compliance with State of Arizona Regulatory Requirements

In conjunction with our Audit, nothing came to our attention causing us to believe the Vernon Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except those liabilities as prescribed in Arizona Revised Statutes (A.R.S.) section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02, subsection F. However, our Audit was not directed primarily toward obtaining knowledge of such non-compliance. This report is supplemental reporting as required by Arizona Revised Statutes intended solely for the information and use of management and to meet the requirements of A.R.S. 48-805. Accordingly, this report is not suitable for any other purpose and is not intended to be and should not be used by anyone other than the specified parties.

Purpose of This Report

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

Saunders Company, Ltd.

Glendale, Arizona

February 24, 2025

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**