

**VERNON FIRE DISTRICT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**SAUNDERS COMPANY, Ltd.**  
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**VERNON FIRE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2023**

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# SAUNDERS COMPANY, LTD

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

TRICIA E. SAUNDERS, PI, AUDITOR

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CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
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Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators

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

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## 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, 2023, 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, 2023, 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 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.

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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, 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 March 26, 2024, 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

March 26, 2024

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**Vernon Fire District**  
**Management's Discussion and Analysis of**  
**Basic Financial Statements**  
**June 30, 2023**

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, 2023. 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**

During the 2022/2023 FYR: The Board has given the full-time employees a 5% raise for the 2023/24 FYR and the per diem wage increased to \$17.00 per hour. This change was initiated for inflation and general yearly increase.

**Financial Highlights**

VFD received \$ 282,269 in Wildland billing over the fiscal year and ARPA funding from the state helped cover payroll expenses for the last 6 months of the fiscal year. These additional monies for the District keep operations in the black during the lean property tax months.

§ District investment in capital assets increased by \$9,785 or 1.11%.

- § The District's net position increased by \$6,257 or .56% from the previous fiscal year.
- § Total revenues decreased by \$223,169 or 14.98% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$ 369,167.

### **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, 2023**

	Balance <u>June 30, 2022</u>	Balance <u>June 30, 2023</u>
Net Investment in Capital Assets	\$ 655,127	\$ 750,846
Unrestricted	<u>458,629</u>	<u>369,167</u>
Total Net Position	<u>\$ 1,113,756</u>	<u>\$ 1,120,013</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 \$ 1,120,013 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>2022</u>	<u>2023</u>
Assets		
Current and other assets	\$ 503,568	\$ 412,243
Capital Assets, not being depreciated	115,000	156,459
Capital assets, being depreciated, net	<u>766,231</u>	<u>734,557</u>
Total assets	<u>1,384,799</u>	<u>1,303,259</u>
Liabilities		
Current liabilities	118,954	115,140
Non-Current liabilities	<u>152,089</u>	<u>68,106</u>
Total liabilities	<u>271,043</u>	<u>183,246</u>
Net position:		
Net investment in capital assets	655,127	750,846
Unrestricted	<u>458,629</u>	<u>369,167</u>
Total Net Position	<u>\$ 1,113,756</u>	<u>\$ 1,120,013</u>

The unrestricted net position of \$ 369,167 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 \$6,257. Key elements of this increase are reported below:

**Statement of Activities**

	<b><u>Governmental Activities</u></b>	
	<b><u>2022</u></b>	<b><u>2023</u></b>
<b>Expenditures :</b>		
Public Safety :		
Personnel	\$ 880,668	\$ 795,353
Operations	425,615	342,337
Administration	21,960	60,476
Debt Service Interest	9,052	10,660
Operating Grants	8,794	0
Depreciation	68,885	65,700
Total Expenditures	<u>1,414,974</u>	<u>1,274,526</u>
<b>Program Revenue:</b>		
Fees for services	678,157	252,188
Capital Grants	10,575	44,271
Operating Grants	87,500	273,109
Total Program Revenue	<u>776,232</u>	<u>569,568</u>
Net Program Expenditures	<u>638,742</u>	<u>704,958</u>
<b>General Revenues :</b>		
Property taxes	519,673	573,395
Fire District Assistance Tax	103,331	114,456
Interest	408	683
Miscellaneous	95,766	22,681
Total general revenues	<u>719,178</u>	<u>711,215</u>
Increase (decrease) in Net Position	80,436	6,257
Net Position - Beginning of the Year	<u>1,033,320</u>	<u>1,113,756</u>
Net Position - End of the Year	<u>\$1,113,756</u>	<u>\$1,120,013</u>

**General Fund Budgetary Highlights**

Vernon Fire District has stayed within the Budget for this fiscal year. We, for the ninth 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 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 overspend its expenditure budget at the fund level by \$ 13,683. This overage was in the line items personnel in the amount of \$ 6,586 and operations in the amount of \$ 102,238. 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 and increased need for staffing due to the ongoing COVID 19 pandemic. The capital and administration line items were also over budget by \$33,190 and \$ 27,376 respectively. This was due in large part to differences in how budget items were assigned and how line items were booked in Quick Books.

**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:

4 acres for future Station  
2013 Ford F150 Pickup

**Capital Assets, Net of Depreciation June 30, 2023**

Capital asset activity for the year ended:

	<u>BALANCE</u> <u>06/30/2022</u>	<u>BALANCE</u> <u>06/30/2023</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 596,444	\$ 589,704
Buildings	784,972	784,972
Equipment, Fire	<u>160,526</u>	<u>183,526</u>
Total Historical Costs	<u>1,541,942</u>	<u>1,558,202</u>
Less Accumulated Depreciation		
Vehicles	362,985	386,667
Buildings	258,495	278,743
Equipment, Fire	<u>154,231</u>	<u>158,235</u>
Less: Total Accumulated Depreciation	<u>775,711</u>	<u>823,645</u>
Depreciable Capital Assets, Net	766,231	734,557
<u>Non-Depreciable Assets</u>		
Land	<u>115,000</u>	<u>156,459</u>
Capital Assets, Net	<u>\$ 881,231</u>	<u>\$ 891,016</u>

**Non-Current Liabilities**

At the end of the current fiscal year, the District had non-current liabilities outstanding of \$ 68,106. Our Debt Service is made up of notes payable for Station 1, 2004 Engine, a vehicle and non-current compensated absences. All of the debt is backed by the full faith and credit of the District.

Changes in Non-Current Liabilities:

	BALANCE <u>06/30/2022</u>	BALANCE <u>06/30/2023</u>
Fire Station #2	\$ 94,592	\$ 47,940
Fire Engine (2007)	46,821	23,706
Fire Engine (2004)	<u>84,690</u>	<u>68,524</u>
Total Notes Payable	226,103	140,170
Compensated Absences – Due in More Than One Year	<u>11,919</u>	<u>17,158</u>
Total Notes Payable and Compensated Absences	238,022	157,328
Less: Current Notes Payable	<u>85,933</u>	<u>89,222</u>
Totals	<u>\$ 152,089</u>	<u>\$ 68,106</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 2022/2023 FY. Through maneuvers by our present Chief, we will be able to maintain a tight budget for the coming FY.

Chief Niehuis is actively seeking support from the state legislation to give financial support to the district.

We hope to obtain a grant writer to help us go after more grants to help support the district in replacing outdated equipment and vehicles.

**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, 2023**

Exhibit A

**Governmental  
Activities**

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**ASSETS**

Cash & Cash Equivalents	\$	266,046
Receivables:		
Property Taxes Receivable		76,012
ARPA Funds Receivable		43,665
Accounts Receivable, net of allowance for bad debt		21,753
Undeposited Funds		4,767
Capital Assets, not being depreciated		156,459
Capital Assets, being depreciated, net		<u>734,557</u>
 Total Assets		 <u>1,303,259</u>

**LIABILITIES**

Current Liabilities		
Accounts Payable		719
Credit Cards Payable		33
Payroll Taxes/ Withholdings Payable		12,303
Wages Payable		8,573
Due in Less Than One Year:		
Compensated Absences		4,290
Notes Payable		89,222
Non-Current Liabilities		
Due in More Than One Year:		
Compensated Absences		17,158
Notes Payable		<u>50,948</u>
 Total Liabilities		 <u>183,246</u>

**NET POSITION**

Net Investment in Capital Assets		750,846
Unrestricted		<u>369,167</u>
 <b>Total Net Position</b>	<b>\$</b>	 <b><u>1,120,013</u></b>

-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, 2023**

Exhibit B

**Governmental  
Activities**

**EXPENDITURES**

Public Safety :		
Personnel Services	\$	795,353
Operations		342,337
Administration		60,476
Debt Service Interest		10,660
Depreciation		<u>65,700</u>
Total Program Expenditures		<u>1,274,526</u>

**PROGRAM REVENUES**

Fees for Service		252,188
Capital Grants		44,271
Operating Grants		<u>273,109</u>
Total Program Revenues		<u>569,568</u>
Net Program Expenditures		<u>704,958</u>

**GENERAL REVENUES**

Property Taxes		573,395
Fire District Assistance Tax		114,456
Interest Earnings		683
Miscellaneous		<u>22,681</u>
Total General Revenues		<u>711,215</u>
Increase (Decrease) in Net Position		6,257

**NET POSITION-BEGINNING OF THE YEAR** 1,113,756

**NET POSITION-END OF THE YEAR** \$ 1,120,013

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

**VERNON FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2023**

Exhibit C

**General**

**ASSETS**

Cash and Cash Equivalents	\$	266,046
Receivables:		
Property Taxes		76,012
ARPA Funds Receivable		43,665
Accounts Receivable, net of allowance for bad debt		21,753
Undeposited Funds		<u>4,767</u>
 Total Assets	 \$	 <u><u>412,243</u></u>

**LIABILITIES**

Accounts Payable	\$	719
Credit Cards Payable		33
Payroll Taxes/Withholding Payable		12,303
Wages Payable		<u>8,573</u>
 Total Liabilities		 21,628

**DEFERRED INFLOW OF RESOURCES**

Unavailable Revenues		
Deferred Property Taxes		<u>69,360</u>
 Total Liabilities and Inflow of Resources		 <u>90,988</u>

**FUND BALANCE**

Assigned		131,902
Unassigned		<u>189,353</u>
 Total Fund Balance		 <u><u>321,255</u></u>
 Total Liabilities, Deferred Inflow of Resources & Fund Balance	 \$	 <u><u>412,243</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, 2023**

Exhibit D

	<b>General</b>
<b>REVENUE</b>	
Property Taxes	\$ 557,406
Fire District Assistance Tax	114,456
Fees for Service	252,188
Capital Grants	44,271
Operating Grants	273,109
Interest Earnings	683
Miscellaneous	24,403
Total Revenues	1,266,516
<b>EXPENDITURES</b>	
Public Safety:	
Personnel	788,804
Operations	342,337
Administration	60,476
Debt Service	
Principal	85,933
Interest	10,660
Capital Outlay	77,207
Total Expenditures	1,365,417
Excess (Deficiency) of Revenues over Expenditures	(98,901)
Net Change in Fund Balance	(98,901)
<b>Fund Balance-Beginning of Year</b>	420,156
<b>Fund Balance-End of Year</b>	\$ 321,255

-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, 2023**

Exhibit E

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

Fund Balance - Total Governmental Fund (Exhibit C)	\$	321,255
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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	1,714,661	
Less: Accumulated Depreciation	<u>(823,645)</u>	
		891,016

Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds.	(161,618)
--	-----------

Deferred Inflows of Resources	<u>69,360</u>
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Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 1,120,013</u></u>
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**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, 2023**

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)	\$	(98,901)

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.		16,260
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Net Change in Deferred Outflows and Inflows of Resources		9,514
--	--	-------

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.		79,384
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Change in Net Position of Governmental Activities (Exhibit B)	\$	6,257
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-The Notes to the Financial Statements are an Integral Part of This Statement-

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# VERNON FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

### **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 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 1<sup>st</sup> 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, 2023:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>
Insured Deposits (FDIC)	\$ 128,511
Apache County Treasurer Investment Pool	141,050
PayPal	<u>3,361</u>
Total Deposits	272,922
In Transit Items	<u>(7,076)</u>
Total Depository Accounts	265,846

NON DEPOSITORY ACCOUNTS

Cash On Hand	<u>200</u>
Total Non- Depository Accounts	<u>200</u>
Total Cash & Cash Equivalents	<u>\$ 266,046</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 \$ 141,050

Total \$ 141,050



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, 2023, 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 \$86,956 with an allowance for bad debt of \$65,203 at June 30, 2023. This gave a net of \$21,753 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>06/30/2022</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2023</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 596,444	\$ 12,748	\$ 19,488	\$ 589,704
Buildings	784,972	0	0	784,972
Equipment, Fire	<u>160,526</u>	<u>23,000</u>	<u>0</u>	<u>183,526</u>
Total Historical Costs	<u>1,541,942</u>	<u>35,748</u>	<u>19,488</u>	<u>1,558,202</u>
Less Accumulated Depreciation				
Vehicles	362,985	41,448	17,766	386,667
Buildings	258,495	20,248	0	278,743
Equipment, Fire	<u>154,231</u>	<u>4,004</u>	<u>0</u>	<u>158,235</u>
Less: Total Accumulated Depreciation	<u>775,711</u>	<u>65,700</u>	<u>17,766</u>	<u>823,645</u>
Depreciable Capital Assets, Net	766,231	(29,952)	1,722	734,557
<u>Non-Depreciable Assets</u>				
Land	<u>115,000</u>	<u>41,459</u>	<u>0</u>	<u>156,459</u>
Capital Assets, Net	<u>\$ 881,231</u>	<u>\$ 11,507</u>	<u>\$ 1,722</u>	<u>\$ 891,016</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 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:

	Governmental <u>Activities</u>
Unavailable Revenues	
Deferred Property Taxes	\$ 69,360
Total Governmental Activities	<u>\$ 69,360</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 \$ 4,290 payable in less than one year and \$ 17,158 payable in future years.

**NOTE 12 – CURRENT LIABILITIES**

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

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

Changes in Current Liabilities:

	<u>BALANCE</u> <u>06/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE</u> <u>06/30/2023</u>
Accounts Payable	\$ 4,849	\$ 0	\$ 4,130	\$ 719
Credit Cards Payable	0	33	0	33
Payroll Taxes Payable	11,222	1,081	0	12,303
Wages Payable	13,970	0	5,397	8,573
Compensated Absences	2,980	1,310	0	4,290
Notes Payable	85,933	3,289	0	89,222
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 118,954</u>	<u>\$ 5,713</u>	<u>\$ 9,527</u>	<u>\$ 115,140</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 28<sup>th</sup> 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 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 (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.

**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 1<sup>st</sup> and June 1<sup>st</sup> each year with the final payment of \$11,532 due December 1, 2026.

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 06/30/23</u>
Fire Station #2	6.192%	01/28/2024	\$ 47,940
Fire Engine (2007)	3.459%	05/15/2024	\$ 23,706
Fire Engine (2004)	8.545%	12/01/2026	\$ 68,524

The following assets were acquired through notes payable :

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Fire Station # 2	\$ 570,000	\$ 194,750	\$ 375,250
Fire Engine (2007)	113,000	48,029	64,971
Fire Engine (2004)	93,000	13,950	79,050
Total	<u>\$ 776,000</u>	<u>\$ 221,878</u>	<u>\$ 519,271</u>

Changes in Non-Current Liabilities :

	<u>BALANCE 06/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>BALANCE 06/30/2023</u>
Fire Station #2	\$ 94,592	\$ 0	\$ 46,652	\$ 47,940
Fire Engine (2007)	46,821	0	23,115	23,706
Fire Engine (2004)	84,690	0	16,166	68,524
Total Notes Payable	226,103	0	85,933	140,170
Compensated Absences – Due in More Than One Year	<u>11,919</u>	<u>17,528</u>	<u>12,289</u>	<u>17,158</u>
Total Notes Payable and Compensated Absences	238,022	17,528	98,222	157,328
Less: Current Notes Payable	<u>85,933</u>	<u>3,289</u>	<u>0</u>	<u>89,222</u>
Totals	<u>\$ 152,089</u>	<u>\$ 14,239</u>	<u>\$ 98,222</u>	<u>\$ 68,106</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, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 89,222	\$ 7,118	\$ 96,340
2025	19,111	3,954	23,065
2026	20,778	2,286	23,064
2027	<u>11,059</u>	<u>473</u>	<u>11,532</u>
Total Obligation	140,170	<u>\$ 13,831</u>	154,001
Less Amount Representing Interest			<u>13,831</u>
Less amount due within 1 year	<u>89,222</u>		
Future Minimum Notes Payable Payments			<u>\$ 140,170</u>
Amount due after 1 year	<u>\$ 50,948</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	\$ 750,846
Unrestricted	<u>369,167</u>
Total Net Position	<u>\$ 1,120,013</u>

Governmental Fund Balances :

Assigned Fund Balances :

Special Revenue	\$ 122,618
Payroll	<u>9,284</u>
Total Assigned Fund Balances	131,902
Unassigned Fund Balances	<u>189,353</u>
Total Fund Balance	<u>\$ 321,255</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 2022, \$3.375 per \$100 of assessed valuation for tax year 2023, \$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 - RECEIPT OF ARPA FUNDS**

In fiscal year 2022, the district was awarded federal grant funds through the Governor's Office ARPA Legislative Proposals FY 2022 Grant program. The federal funding source for this grant program is the State and local Fiscal Recovery Fund. The District is considered a Sub-recipient of funding for reporting purposes. The total amount of grant funds awarded in Fiscal Year 2022 was \$350,000 of which \$218,835 was dispersed during Fiscal Year 2023.

**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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**VERNON FIRE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2023**

Exhibit G

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 572,278	\$ 572,278	\$ 557,406	\$ (14,872)
Fire District Assistance Tax	114,456	114,456	114,456	-
Fees for Service	388,282	388,282	252,188	(136,094)
Capital Grants	364,499	364,499	44,271	(320,228)
Operating Grants	150,000	150,000	273,109	123,109
Interest Earnings	-	-	683	683
Miscellaneous	9,219	9,219	24,403	15,184
	<u>1,598,734</u>	<u>1,598,734</u>	<u>1,266,516</u>	<u>(332,218)</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
Public Safety:				
Personnel	782,218	782,218	788,804	(6,586)
Operations	240,099	240,099	342,337	(102,238)
Administration	33,100	33,100	60,476	(27,376)
Debt Service				
Principal	92,340	92,340	85,933	6,407
Interest	10,660	10,660	10,660	-
Operating Grants	149,300	149,300	-	149,300
Capital Outlay	44,017	44,017	77,207	(33,190)
	<u>1,351,734</u>	<u>1,351,734</u>	<u>1,365,417</u>	<u>(13,683)</u>
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues over Expenditures	<u>247,000</u>	<u>247,000</u>	<u>(98,901)</u>	<u>(345,901)</u>
Net Change in Fund Balances	247,000	247,000	(98,901)	(345,901)
<b>Fund Balance at Beginning of Year</b>	<u>465,000</u>	<u>465,000</u>	<u>420,156</u>	<u>(44,844)</u>
<b>Fund Balance at End of Year</b>	<u>\$ 712,000</u>	<u>\$ 712,000</u>	<u>\$ 321,255</u>	<u>\$ (390,745)</u>

See Accompanying Notes To The Budgetary Comparison Schedule

**VERNON FIRE DISTRICT**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED JUNE 30, 2023**

**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**

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did overspend its expenditure budget at the fund level by \$ 13,683. This overage was in the line items personnel in the amount of \$ 6,586 and operations in the amount of \$ 102,238. 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 and increased need for staffing due to the ongoing COVID 19 pandemic. The capital and administration line items were also over budget by \$33,190 and \$ 27,376 respectively . This was due in large part to differences in how budget items were assigned and how line items were booked in Quick Books.

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## **OTHER SUPPLEMENTARY INFORMATION**

**VERNON FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2023**

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 26, 2022	5:30 PM	Vernon Library, Vernon, Arizona
August 23, 2022	5:30 PM	Vernon Library, Vernon, Arizona
September 27, 2022	5:30 PM	Vernon Library, Vernon, Arizona
October 25, 2022	5:30 PM	Vernon Library, Vernon, Arizona
November 15, 2022	5:30 PM	Vernon Library, Vernon, Arizona
December 20, 2022	5:30 PM	Vernon Library, Vernon, Arizona
January 24, 2023	5:30 PM	Vernon Library, Vernon, Arizona
February 28, 2023	5:30 PM	Vernon Library, Vernon, Arizona
March 28, 2023	5:30 PM	Vernon Library, Vernon, Arizona
April 25, 2023	5:30 PM	Vernon Library, Vernon, Arizona
May 16, 2023	5:30 PM	Vernon Library, Vernon, Arizona
June 20, 2023	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
Grey Murphy	928-537-4895	Bank Manager
Gregg McClendon	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	Vernon, Arizona
Vernon Post Office	Vernon, Arizona
District Web Site	<a href="http://www.vernonfiredistrict.org">www.vernonfiredistrict.org</a>
Vernon Library	Vernon, Arizona

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

None



**VERNON FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS SECTION**  
**JUNE 30, 2023**

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# SAUNDERS COMPANY, LTD

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

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

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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

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## 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, 2023, 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 March 26, 2024.

### 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*.

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**Independent Auditor's Report on Internal Control...**

**June 30, 2023**

**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

March 26, 2024

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