# Sunsites-Pearce Fire District

## Basic Financial Statements

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## Year ended June 30, 2022

## Table of Contents

## Independent Auditor's Report

Board of Directors and Management
Sunsites-Pearce Fire District
Pearce, Arizona

### Report on Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining aggregate fund information of Sunsites-Pearce Fire District (the District), as of and for the year ended June 30, 2022, 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, the major fund and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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. 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

#### *Management's Responsibility for the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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.
- 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.
- 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 on pages 4 through 10, the budgetary comparison information on pages 42 and 43, the schedule of the District's proportionate share of net pension liability – cost-sharing plans on page 44, the schedule of changes in the District's net pension/OPEB liability and related ratios – agent plans on pages 45 and 46, the schedule of District pension/OPEB contributions on page 47 and the notes to plan schedules on pages 48 and 49 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated October 24, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Tucson, Arizona
October 24, 2022

**Sunsites-Pearce Fire District**
**Management's Discussion and Analysis**
**Year Ended June 30, 2022**

As management of Sunsites-Pearce Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which begin on page 11. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the basic financial statements.

**Nature of Operations**

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

## Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $1,135,289. Of this amount, $618,390 is invested in capital assets, net of related debt.
- During the year, the District's total net position increased by $276,667 or 32.2% from the previous year.
- Total revenues decreased from the previous fiscal year by $139,791 or 10.4% primarily due to less wildland work performed.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was $516,899.

## Overview of the Financial Statements

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

The main purpose of these statements is to provide the reader with sufficient information to assess whether the District's overall financial position has improved or deteriorated.

## Government-wide Financial Statements

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

## Government-wide Financial Statements - Continued

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

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

The government–wide financial statements can be found on pages 11-12 of this report.

## Fund Financial Statements

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

### *Governmental Funds*

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

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

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

## Fund Financial Statements - Continued

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

The District adopts an annual appropriated budget to provide for its general fund. A budgetary comparison schedule for the general fund is included as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on page 42. The District revises its capital improvement plan annually to outline anticipated replacements and projects, which are to be completed during the year using the general fund.

The basic governmental fund financial statements can be located on pages 13-16 of this report while the fiduciary fund statements are located within pages 17-18 of this report.

### *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 19-41 of this report.

### *Other Information*

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis,* concerning a comparison of the District's budget to actual revenues and expenditures, as described earlier and can be found on pages 42 and 43 of this report and certain pension/OPEB information is reported on pages 44 through 49.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,135,289 at the close of the 2022 fiscal year. A portion of the District's net position ($618,390) reflects its investment in capital assets (e.g., land and improvements, buildings, vehicles, and equipment); less any related outstanding debt used to acquire those assets.

## Government-Wide Financial Analysis - Continued

The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The remaining unrestricted net position is $516,899.

The District's $681,750 in capital assets consists of a fully staffed fire station and an apparatus storage facility. The District maintains a fleet of approximately fifteen fire apparatus, ambulances and staff vehicles. The District has also acquired medical and firefighting equipment, which are maintained in order to provide the highest level of care. The remaining assets consist mainly of cash, investments, and receivables, which are utilized to meet the District's ongoing obligations to its citizens.

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

### Condensed Statement of Net Position

**Governmental Activities**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 293,484 | $ 11,135 |
| Other assets | 793,013 | 779,460 |
| Capital assets, net | 681,750 | 638,066 |
| Total assets | 1,768,247 | 1,428,661 |
| **Deferred outflows of resources related to pensions and OPEB** | 302,397 | 220,894 |
| **Liabilities** | | |
| Current liabilities | 330,980 | 233,090 |
| Noncurrent liabilities | 116,712 | 149,862 |
| Total liabilities | 447,692 | 382,952 |
| **Deferred inflows of resources related to pensions and OPEB** | 487,663 | 407,981 |
| **Net position** | | |
| Net investment in capital assets | 618,390 | 555,752 |
| Restricted for equipment | - | 2,085 |
| Unrestricted | 516,899 | 300,785 |
| Total net position | $ 1,135,289 | $ 858,622 |

## Government-Wide Financial Analysis - Continued

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

### Condensed Statement of Activities

**Governmental Activities**

| | 2022 | 2021 |
|---|---|---|
| **Revenues:** | | |
| Program revenues: | | |
| Charges for services | $ 560,060 | $ 678,656 |
| Capital grant revenue | 128,523 | 161,027 |
| General revenues: | | |
| Real and personal property taxes | 394,044 | 400,092 |
| Fire district assistance tax | 72,886 | 71,513 |
| Fire insurance premium tax | 2,403 | 2,845 |
| Investment earnings | 156 | 61 |
| Miscellaneous | 47,588 | 31,257 |
| Total revenues | 1,205,660 | 1,345,451 |
| **Expenses:** | | |
| Public safety | 928,993 | 1,151,972 |
| Total expenses | 928,993 | 1,151,972 |
| Change in net position | 276,667 | 193,479 |
| Net position, beginning of year | 858,622 | 665,143 |
| Net position, ending of year | $ 1,135,289 | $ 858,622 |

The cost of all governmental activities for the year ended June 30, 2022, was $928,993, the largest expense of which was for salaries and wages.

## Financial Analysis of the Governmental Funds

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

## Financial Analysis of the Governmental Funds - Continued

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

At the end of the current fiscal year, the District's governmental fund reported an ending fund balance of $188,120. Significant revenues for the year included tax revenues, ambulance revenues, wildland revenues and capital grant revenue.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $159,630.

## General Fund Budgetary Highlights

Total revenues were $214,682 less than budgeted revenues while total expenditures were $419,783 less than budgeted expenditures. The decrease in budgeted revenues and expenditures occurred primarily due to budgeting for grants which were applied for, but not awarded.

## Capital Assets and Debt Administration

***Capital Assets*** - The District's investment in capital assets as of June 30, 2022, totaled $681,750 (net of accumulated depreciation). These assets include land, buildings and improvements, apparatus and general fire, emergency medical, communications and administrative equipment.

Major capital asset transactions during the year included $94,761 for a truck and $39,010 for a utility terrain vehicle and trailer.

The District depreciates capital assets, except for land, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method; by dividing the cost by the expected useful life in years, resulting in the monthly depreciation expense, until fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. The District maintained its $5,000 threshold policy. Additional information on the District's capital assets is located in Note 3 to the financial statements on page 26.

***Long-Term Liabilities*** - At the end of the current year, the District had long-term liabilities outstanding of $116,712, which included compensated absences of $15,247, Financed purchases of $63,360 and net pension liability of $38,105.

All of the long-term liabilities are backed by the full faith and credit of the District. Additional information on the District's long-term liabilities is located in Note 5 to the financial statements on page 27.

## Economic Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions. The following discussion identifies other significant matters that are expected to impact the District in fiscal year 2022-23.

- The District has a carryover grant award for an ambulance which is expected to be received in early 2023 which will increase revenue and result in a surplus vehicle that will have some potential revenue from auction.

- Personnel costs are expected to increase as the District gets back to full staffing after cuts in previous years to manage cash flow.

## Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Sunsites-Pearce Fire District at 105 North Tracy Road, Pearce, Arizona 85625.

# Basic Financial Statements

**Sunsites-Pearce Fire District**
**Statement of Net Position**
**June 30, 2022**

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and investments | $ 293,484 |
| Receivables, net: | |
| Ambulance | 68,029 |
| Property taxes | 303,652 |
| Out-of-district | 41,440 |
| Wildland | 32,320 |
| Prepaid items | 28,490 |
| Net pension and other post-employment benefit asset | 319,082 |
| Capital assets, not being depreciated | 31,000 |
| Capital assets, being depreciated, net | 650,750 |
| Total assets | 1,768,247 |
| **Deferred outflows of resources** | |
| Deferred outflows related to pensions and other postemployment benefits | 302,397 |
| Total deferred outflows of resources | 302,397 |
| **Liabilities** | |
| Accounts payable | 22,213 |
| Accrued payroll and related | 19,558 |
| Accrued PSPRS refunds (See Note 9) | 89,175 |
| Unearned grant revenue | 200,034 |
| Noncurrent liabilities: | |
| Due within one year | 29,910 |
| Due in more than one year | 86,802 |
| Total liabilities | 447,692 |
| **Deferred inflows of resources** | |
| Deferred inflows related to pensions and other postemployment benefits | 487,663 |
| Total deferred inflows of resources | 487,663 |
| **Net position** | |
| Net investment in capital assets | 618,390 |
| Unrestricted | 516,899 |
| Total net position | $ 1,135,289 |

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

**Sunsites-Pearce Fire District**
**Statement of Activities**
**Year Ended June 30, 2022**

| | Governmental Activities |
|---|---|
| **Program expenses** | |
| *Public safety-fire protection and emergency medical services* | |
| Personnel costs | $ 604,769 |
| Operations | 103,149 |
| Administration | 139,778 |
| Depreciation | 81,297 |
| Total program expenses | 928,993 |
| | |
| **Program revenues** | |
| Charges for services | 560,060 |
| Capital grant revenue | 128,523 |
| Total program revenues | 688,583 |
| Net program expense | (240,410) |
| | |
| **General revenues** | |
| Taxes: | |
| Real and personal property taxes | 394,044 |
| Fire district assistance tax | 72,886 |
| Fire insurance premium tax | 2,403 |
| Investment earnings | 156 |
| Other | 47,588 |
| Total general revenues | 517,077 |
| Change in net position | 276,667 |
| Net position, July 1, 2021 | 858,622 |
| Net position, June 30, 2022 | $ 1,135,289 |

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

**Sunsites-Pearce Fire District**
**Balance Sheet**
**Governmental Fund**
**June 30, 2022**

| | | General Fund |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ | 293,484 |
| Receivables, net: | | |
| Ambulance | | 68,029 |
| Property taxes | | 303,652 |
| Out-of-district | | 41,440 |
| Wildland | | 32,320 |
| Prepaid items | | 28,490 |
| Total assets | $ | 767,415 |
| **Liabilities** | | |
| Accounts payable | $ | 22,213 |
| Accrued payroll and related | | 19,558 |
| Unearned grant revenue | | 200,034 |
| Total liabilities | | 241,805 |
| **Deferred inflows of resources** | | |
| Unavailable revenues | | 337,490 |
| Total deferred inflows of resources | | 337,490 |
| **Fund balance** | | |
| Nonspendable | | 28,490 |
| Unassigned | | 159,630 |
| Total fund balance | | 188,120 |
| Total liabilities, deferred inflows of resources and fund balance | $ | 767,415 |

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

**Sunsites-Pearce Fire District**
**Reconciliation of the Governmental Fund Balance Sheet**
**to the Government-wide Statement of Net Position**
**June 30, 2022**

| | | |
|---|---|---|
| **Total fund balances** | | $ 188,120 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets | $ 1,681,856 | |
| Less: accumulated depreciation | (1,000,106) | |
| | | 681,750 |
| Net pension/OPEB assets held in trust for future benefits are not available resources for District operations and therefore, are not reported in the funds. | | 319,082 |
| Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds. | | 337,490 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows: | | |
| Net pension liability | (38,105) | |
| Compensated absences | (15,247) | |
| Lease purchases | (63,360) | |
| | | (116,712) |
| PSPRS refund amounts are not due and payable in the current period and, therefore, are not reported as a liability in the funds | | (89,175) |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. | | (185,266) |
| **Net position of governmental activities** | | $ 1,135,289 |

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

**Sunsites-Pearce Fire District**
**Statement of Revenues, Expenditures, and Change in Fund Balance**
**Governmental Fund**
**Year Ended June 30, 2022**

| | General Fund |
|---|---|
| **Revenues** | |
| Taxes: | |
| Real and personal property taxes | $ 393,728 |
| Fire district assistance tax | 72,886 |
| Fire insurance premium tax | 2,403 |
| Grant revenue | 128,523 |
| Charges for services | 545,908 |
| Investment earnings | 156 |
| Other | 47,588 |
| Total revenues | 1,191,192 |
| **Expenditures** | |
| *Public safety-fire protection and emergency medical services* | |
| Current: | |
| Personnel costs | 599,230 |
| Operations | 103,149 |
| Administration | 135,238 |
| Capital outlay | 124,981 |
| Debt Service: | |
| Principal payments | 18,954 |
| Interest payments | 4,539 |
| Total expenditures | 986,091 |
| Excess of revenues over expenditures | 205,101 |
| Net change in fund balance | 205,101 |
| Fund balance (deficit), July 1, 2021 | (16,981) |
| Fund balance, June 30, 2022 | $ 188,120 |

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

**Sunsites-Pearce Fire District**
**Reconciliation of the Governmental Fund Statement**
**of Revenues, Expenditures and Change in Fund Balance**
**to the Government-wide Statement of Activities**
**Year Ended June 30, 2022**

| | | |
|---|---|---|
| **Net change in fund balance - governmental fund** | $ | 205,101 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period: | | |
| Expenditures for capital outlays | | 124,981 |
| Depreciation expense | | (81,297) |
| Property tax revenues and certain charges for services reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. | | 14,468 |
| District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/ OPEB asset is measured a year before the District's report. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities (includes both PSPRS & ASRS): | | |
| Pension/OPEB contributions | | 42,933 |
| Pension/OPEB expense | | 38,648 |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Payments on long-term debt | | 18,954 |
| Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | | |
| Change in compensated absences | | 2,054 |
| Increase in claims and judgements (PSPRS refunds described in Note 9) | | (89,175) |
| **Change in net position of governmental activities** | $ | 276,667 |

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

**Sunsites-Pearce Fire District**
**Statement of Fiduciary Net Position**
**Fiduciary Fund**
**June 30, 2022**

| | Volunteer Fire Pension Fund |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 45,516 |
| Investments at fair value | 60,530 |
| Total assets | $ 106,046 |
| **Net Position** | |
| Held in trust for pension trust participants | $ 106,046 |

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

**Sunsites-Pearce Fire District**
**Statement of Change in Fiduciary Net Position**
**Fiduciary Fund**
**Year Ended June 30, 2022**

| | Volunteer Fire Pension Fund |
|---|---|
| **Additions** | |
| ***Net Investment Earnings (Losses)*** | |
| Investment earnings (losses) | (8,797) |
| Investment costs | (3,535) |
| Net investment earnings (losses) | (12,332) |
| Total additions | (12,332) |
| **Deductions** | |
| Distributions to participants | - |
| Total deductions | - |
| Change in net position | (12,332) |
| Net position, July 1, 2021 | 118,378 |
| Net position, June 30, 2022 | $ 106,046 |

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

## Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sunsites-Pearce Fire District (the "District") conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of the new provisions resulted in no significant changes in the District's financial statements.

### A. Reporting Entity

The District, operating since 1973, is a special purpose local governmental unit that is governed by an elected governing board. The District was formed and is operated pursuant to the provisions of Title 48 of the Arizona Revised Statutes. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day-to-day operations are supervised by the fire chief and the chief's staff.

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

### B. Basis of Presentation

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

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

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

Program revenues include charges to customers for ambulance and fire services provided and operating and capital grants and contributions.

## Note 1 – Summary of Significant Accounting Policies – Continued

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements** – Provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the general fund as its only governmental fund. The *general* fund is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.

The District also reports a *fiduciary* fund which accounts for the activity of the volunteer fire pension fund.

### C. Basis of Accounting

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

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

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

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

## Note 1 – Summary of Significant Accounting Policies – Continued

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

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

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

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the fire chief to make assignments of resources for a specific purpose. Modifications or rescissions of constraints can also be removed by the same action that limited the funds.

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

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

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

## Note 1 – Summary of Significant Accounting Policies – Continued

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

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

**Receivables –** Receivables outstanding at year-end consist of amounts due for property taxes, fire suppression and other similar services, and emergency medical services. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2022, the allowance for uncollectible accounts was $25,849.

**Capital Assets** – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets (or groups of assets) with a value of $5,000 or more and an estimated useful life exceeding one year.

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

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

| Capital asset class | Estimated useful life |
|---|---|
| Land and improvements | Non-depreciable |
| Buildings and improvements | 15 to 40 years |
| Vehicles, furniture and equipment | 5 to 20 years |

**Compensated Absences** – The District allows full-time employees to accumulate earned, but unused vacation. A liability is reported for paid time off that is payable upon termination or retirement. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements. The District's policy on sick leave allows part-time employees to accrue hours based on hours worked. No amount is paid out for sick leave upon termination.

## Note 1 – Summary of Significant Accounting Policies – Continued

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

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

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

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

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

## Note 2 – Cash, Cash Equivalents and Investments

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

## Note 2 – Cash, Cash Equivalents and Investments – Continued

The District utilizes Cochise County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments. A.R.S. §48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities.

The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account and the special revenue accounts, and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety percent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

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 District. Any surplus remaining in the District's general fund for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

**Cash on hand and deposits** – At June 30, 2022, the total amount of cash on hand was $600 and the carrying amount of the total cash was $94,068 and the bank balance was $300,203 of which all are insured or collateralized. Cash equivalents consisting of money markets held with an investment company were $45,516 at June 30, 2022.

**Investments** – The District's investments at June 30, 2022, are categorized within the fair value hierarchy established by generally accepted accounting principles as follows:

| | Fair value measurement using | | |
|---|---|---|---|
| **Investment type** | **Quoted prices in active markets for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| Mutual fund | $ 60,530 | $ - | $ - |

## Note 2 – Cash, Cash Equivalents and Investments – Continued

The District's investments at June 30, 2022, are comprised of amounts held by the Cochise County Treasurer totaling $199,416 and amounts held by an investment company for the volunteer pension fund investment account totaling $60,530.

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

**Credit risk –** The District does not have a formal investment policy with respect to credit risk. For the District's general fund investments held by the Cochise County investment pool, the pool is governed by statute which requires specific credit ratings for debt securities.

**Custodial credit risk** – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy with respect to custodial credit risk. However, for the Cochise County investment pool, statute requires collateral for deposits at 102 percent for all deposits not covered by federal depository insurance.

**Interest rate risk** – The District does not have a formal investment policy with respect to interest rate risk. At June 30, 2022, the District's investments can be withdrawn from their accounts at will and therefore, are not subject to a significant amount of interest rate risk.

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

A reconciliation of the District's cash, deposits and investments to amounts shown on the statements of net positions are as follows:

| | General Fund | Fiduciary Fund | Total |
|---|---|---|---|
| Cash on hand | $ 600 | $ - | $ 600 |
| Cash and cash equivalents held by banks and investment companies | 93,468 | 45,516 | 138,984 |
| Investments held by the Cochise County Treasurer | 199,416 | - | 199,416 |
| Other investments | - | 60,530 | 60,530 |
| Total | $ 293,484 | $ 106,046 | $ 399,530 |

## Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2022, is as follows:

| | Balance, July 1, 2021 | Increases | Decreases | Balance, June 30, 2022 |
|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | |
| Land and improvements | $ 31,000 | $ - | $ - | $ 31,000 |
| Construction in process | 17,999 | - | ( 17,999) | - |
| Total capital assets not being depreciated | 48,999 | - | ( 17,999) | 31,000 |
| **Capital assets being depreciated:** | | | | |
| Buildings and improvements | 196,683 | - | - | 196,683 |
| Furniture and equipment | 675,419 | 22,565 | ( 28,923) | 669,061 |
| Vehicles | 671,141 | 120,415 | ( 6,444) | 785,112 |
| Total capital assets being depreciated | 1,543,243 | 142,980 | ( 35,367) | 1,650,856 |
| **Less: accumulated depreciation for:** | | | | |
| Buildings and improvements | ( 153,689) | ( 5,662) | - | ( 159,351) |
| Furniture and equipment | ( 325,122) | ( 42,616) | 28,923 | ( 338,815) |
| Vehicles | ( 475,365) | ( 33,019) | 6,444 | ( 501,930) |
| Total accumulated depreciation | ( 954,176) | ( 81,297) | 35,367 | ( 1,000,106) |
| Total capital assets being depreciated, net | 589,067 | 61,683 | - | 650,750 |
| Total capital assets, net | $ 638,066 | $ 61,683 | $( 17,999) | $ 681,750 |

## Note 4 – Short-Term Liabilities

In June 2020, the District began obtaining registered warrants from the Cochise County Treasurer to pay off its previous line of credit and to cover operating expenses. The County will withdraw funds from the District's operating account to repay registered warrants as funds become available. Registered warrant activity for the year ended June 30, 2022, was as follows:

| | Balance, July 1, 2021 | Advances | Repayments | Balance, June 30, 2022 |
|---|---|---|---|---|
| Registered warrants | $ 59,943 | $ 181,660 | $( 241,603) | $ - |

## Note 5 – Long-Term Liabilities

A summary of the long-term liabilities activity for the year ended June 30, 2022, is as follows:

| | Balance at July 1, 2021 | Additions | Reductions | Balance at June 30, 2022 | Due Within 1 Year |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Compensated absences | $ 17,301 | $ 23,625 | $ ( 25,679) | $ 15,247 | $ 9,913 |
| Financed purchases | 82,314 | - | ( 18,954) | 63,360 | 19,997 |
| Net pension liability | 50,247 | - | ( 12,142) | 38,105 | - |
| Total governmental activities long-term liabilities | $ 149,862 | $ 23,625 | $ ( 56,775) | $ 116,712 | $ 29,910 |

Accumulated unpaid vacation and leave time is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

On May 15, 2019, the District entered into a financed purchase agreement for a vehicle in the amount of $64,776. The agreement requires annual payments of $12,803, including interest at 5.1% per annum commencing on May 15, 2020, and continuing through May 2025.

On July 24, 2019, the District entered into an agreement to purchase an ambulance in the amount of $45,000 under the same master agreement noted above. The agreement requires annual payments of $10,689, including interest at 6.02% due annually commencing on July 2020 and continuing through July 2024.

The financed purchases are collateralized by the underlying assets. In the event of default, the District may be required to repay the remaining amounts due under the agreements including interest at 12.0% during the fiscal year in which the default occurs.

The future principal and interest payments on the financed purchase agreements are as follows:

| Year ending June 30, | Principal | Interest | Total Payment |
|---|---|---|---|
| 2023 | $ 19,997 | $ 3,495 | $ 23,492 |
| 2024 | 21,100 | 2,392 | 23,492 |
| 2025 | 22,263 | 1,229 | 23,492 |
| | $ 63,360 | $ 7,116 | $ 70,476 |

## Note 6 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all District employees, allows employees to defer a portion of their current salary until future years. Assets held in IRC Section 457 plans are generally subject to claims of creditors.

It is the District's position that it has no liability for investment losses under the plan, but has the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## Note 7 – Employee Retirement Systems and Post Employment Plans

The District and employees contribute to three retirement plans. These plans are the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) and a volunteer pension and relief fund as established by Title 9 of the Arizona Revised Statutes. Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

At June 30, 2022, the District reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

| Statement of Net Position and Statement of Activities | ASRS | PSPRS | Total |
|---|---|---|---|
| Net pension liability | $ 38,105 | $ - | $ 38,105 |
| Net pension and OPEB asset | - | (319,082) | (319,082) |
| Deferred outflows of resources | 10,433 | 291,964 | 302,397 |
| Deferred inflows of resources | 31,344 | 456,319 | 487,663 |
| Pension and OPEB expense | ( 7,783) | ( 30,865) | ( 38,648) |

The District's accrued payroll and employee benefits include $1,404 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022.

### A. Arizona State Retirement System

**Plan Description**: The District contributes to the Arizona State Retirement System (ASRS) for eligible employees. ASRS administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan; and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. Information on the OPEB liability and related deferred inflows/outflows of resources are not further disclosed because of their relative insignificance to the District's financial statements.

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

| | Retirement Initial Membership Date | |
|---|---|---|
| | ***Before July 1, 2011*** | ***On or after July 1, 2011*** |
| Years of service and age required to receive benefit | sum of years and age equals 80<br>10 years, age 62<br>5 years, age 50 *<br>any years, age 65 | 30 years, age 55<br>25 years, age 60<br>10 years, age 62<br>5 years, age 50*<br>any years, age 65 |
| Final average salary is based on | highest 36 consecutive months of last 120 months | highest 60 consecutive months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from $100 per month to $260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

**Note 7 – Employee Retirement Systems and Post Employment Plans – Continued**

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

***Contributions*** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2022 were $4,891. ASRS OPEB information is not further disclosed because of its relative insignificance to the District's financial statements.

During fiscal year 2022, the District paid for ASRS pension contributions from the general fund.

***Liability*** – At June 30, 2022, the District reported a liability of $38,105 for its proportionate share of the ASRS' net pension liability.

The net liability was measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The District's proportion measured as of June 30, 2021, and the change from its proportion measured as of June 30, 2020 were:

| **ASRS** | **Proportion June 30, 2021** | **Increase from June 30, 2020** |
|---|---|---|
| Pension | 0.00029% | 0.00000% |

***Expense*** – For the year ended June 30, 2022, the District recognized pension expense of ($7,783).

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

**Deferred outflows/inflows of resources** – At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Pension | |
|---|---|---|
| | **Deferred outflows of resources** | **Deferred inflows of resources** |
| Differences between expected and actual experience | $ 581 | $ - |
| Changes of assumptions or other inputs | 4,961 | - |
| Net difference between projected and actual earnings on plan investments | - | 12,073 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 19,271 |
| District contributions subsequent to the measurement date | 4,891 | - |
| Total | $ 10,433 | $ 31,344 |

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expenses as follows:

| **Year ending June 30** | **Pension** |
|---|---|
| 2023 | $ ( 19,119) |
| 2024 | 137 |
| 2025 | ( 2,660) |
| 2026 | ( 4,160) |

**<u>Note 7 – Employee Retirement Systems and Post Employment Plans – Continued</u>**

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

| | |
|---|---|
| Actuarial valuation date | June 30, 2020 |
| Actuarial roll forward date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.0% |
| Projected salary increases | 2.9-8.4% |
| Inflation | 2.3% |
| Permanent benefit increase | Included |
| Mortality rates | 2017 SRA Scale U-MP |
| Healthcare cost trend rate | Not applicable |

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|---|---|---|
| Equity | 50% | 4.90% |
| Fixed income - credit | 20% | 5.20% |
| Fixed income - interest rate sensitive | 10% | 0.70% |
| Real estate | 20% | 5.70% |
| Total | 100% | |

***Discount Rate*** – At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute.

**Note 7 – Employee Retirement Systems and Post Employment Plans – Continued**

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate*** **–** The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate.

| | 1% Decrease (6.0%) | Current Discount Rate (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 59,936 | $ 38,105 | $ 19,904 |

***Plan Fiduciary Net Position*** **–** Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System**

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

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS. The report is available on the PSPRS website at www.psprs.com.

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

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

| | Initial membership date: Before January 1, 2012 | Initial membership date: On or after January 1, 2012 and before July 1, 2017 |
|---|---|---|
| **Retirement and Disability** | | |
| Years of service and age required to receive benefit | 20 years of service, any age<br>15 years of service, age 62 | 25 years of service or 15 years of credited service, age 52.5 |
| Final average salary is based on | Highest 36 consecutive months of last 20 years | Highest 60 consecutive months of last 20 years |
| Benefit percent: | | |
| Normal retirement | 50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80% | 1.5% to 2.5% per year of credited service, not to exceed 80% |
| Accidental disability retirement | 50% or normal retirement, whichever is greater | |
| Catastrophic disability retirement | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater | |
| Ordinary disability retirement | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 | |
| **Survivor Benefit** | | |
| Retired members | 80% to 100% of retired member's pension benefit | |
| Active members | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job | |

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

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

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

**Employees covered by benefit terms** – At June 30, 2022, the following employees were covered by the agent plans' benefit terms:

| | Pension | Health |
|---|---|---|
| Inactive employees entitled to but not yet receiving benefits | 3 | - |
| Active employees | 6 | 6 |
| Total | 9 | 6 |

***Contributions*** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

The rates for the year ended June 30, 2022, were 11.50% for the pension plan and 0.09% for the health insurance premium benefit for the District portion and 7.65% - 10.65% for the employee portion. The total pension contributions made during the year were $37,745, and the total health insurance premium benefit contributions were $297. During fiscal year 2022, the District paid for PSPRS pension and OPEB contributions from the general fund.

***Asset –*** At June 30, 2022, the District reported assets of $295,499 and $23,583 for the pension and health insurance premium benefit, respectively. The net assets were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

| | |
|---|---|
| Actuarial valuation date | June 30, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.30% |
| Wage inflation | 3.50% for pensions/not applicable for OPEB |
| Price inflation | 2.50% for pensions/not applicable for OPEB |
| Cost-of-living adjustment | 1.75% for pensions/not applicable for OPEB |
| Mortality rates | PubS-2010 tables |
| Healthcare cost trend rate | Not applicable |

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class.

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

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|---|---|---|
| U.S. public equity | 24% | 4.08% |
| International public equity | 16% | 5.20% |
| Global private equity | 20% | 7.67% |
| Other assets (capital appreciation) | 7% | 5.43% |
| Core bonds | 2% | 0.42% |
| Private credit | 20% | 5.74% |
| Diversifying strategies | 10% | 3.99% |
| Cash - Mellon | 1% | -0.31% |
| Total | 100% | |

***Discount Rate –*** At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

### Changes in the Net Pension/OPEB Liability

| PSPRS Pension | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension (Asset) Liability (a) – (b) |
| **Balances at June 30, 2021** | $ 890,660 | $ 1,124,853 | $ ( 234,193) |
| Changes for the year: | | | |
| Service cost | 68,224 | - | 68,224 |
| Interest on the total liability | 68,490 | - | 68,490 |
| Changes of assumptions or other inputs | 205,947 | - | 205,947 |
| Net investment income | - | 320,285 | ( 320,285) |
| Contributions - employer | - | 50,023 | ( 50,023) |
| Contributions - employee | - | 35,159 | ( 35,159) |
| Benefit payments | ( 41,343) | ( 41,343) | - |
| Administrative expense | - | ( 1,500) | 1,500 |
| Net changes | 301,318 | 362,624 | ( 61,306) |
| **Balances at June 30, 2022** | $ 1,191,978 | $ 1,487,477 | $ ( 295,499) |

**Note 7 – Employee Retirement Systems and Post Employment Plans – Continued**

| PSPRS OPEB | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB (Asset) Liability (a) – (b) |
| **Balances at June 30, 2021** | $ 10,250 | $ 27,522 | $ ( 17,272) |
| Changes for the year: | | | |
| Service cost | 1,840 | - | 1,840 |
| Interest on the total liability | 883 | - | 883 |
| Differences between expected and actual experience in the measurement of the liability | ( 152) | - | ( 152) |
| Contributions – employer | - | 1,345 | ( 1,345) |
| Net investment income | - | 7,568 | ( 7,568) |
| Administrative expense | - | ( 31) | 31 |
| Net changes | 2,571 | 8,882 | ( 6,311) |
| **Balances at June 30, 2022** | $ 12,821 | $ 36,404 | $ ( 23,583) |

**Sensitivity of the District's net pension/OPEB (asset) liability to changes in the discount rate –** The following table presents the District's net pension/OPEB asset calculated using the discount rate of 7.3 percent, as well as what the District's net pension/OPEB assets would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher, (8.3 percent) than the current rate:

| | 1% Decrease (6.3%) | Current Discount Rate (7.3%) | 1% Increase (8.3%) |
|---|---|---|---|
| Net pension asset | $ ( 35,675) | $ ( 295,499) | $ ( 496,354) |
| Net OPEB asset | ( 21,200) | ( 23,583) | ( 25,529) |

**Note 7 – Employee Retirement Systems and Post Employment Plans – Continued**

**Plan fiduciary net position** – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

**Expense** – For the year ended June 30, 2022, the District recognized pension and OPEB expense of ($29,819) and ($1,046), respectively.

**Deferred outflows/inflows of resources** – At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | | Health Insurance Premium Benefit | |
|---|---|---|---|---|
| | **Deferred outflows of resources** | **Deferred inflows of resources** | **Deferred outflows of resources** | **Deferred inflows of resources** |
| Differences between expected and actual experience | $ 211,178 | $ 296,078 | $ 478 | $ 15,440 |
| Changes of assumptions or other inputs | 41,978 | - | 288 | 122 |
| Net difference between projected and actual earnings on plan investments | - | 141,446 | - | 3,233 |
| District contributions subsequent to the measurement date | 37,745 | - | 297 | - |
| Total | $ 290,901 | $ 437,524 | $ 1,063 | $ 18,795 |

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year Ending June 30, | Pension | Health |
|---|---|---|
| 2023 | $ ( 49,408) | $ ( 1,758) |
| 2024 | ( 50,233) | ( 1,777) |
| 2025 | ( 54,411) | ( 1,872) |
| 2026 | ( 65,247) | ( 2,194) |
| 2027 | ( 4,764) | ( 1,092) |
| Thereafter | 39,695 | ( 9,336) |

## Note 7 – Employee Retirement Systems and Post Employment Plans – Continued

### C. Volunteer Fire Pension

The District maintains a *Volunteer Fire Pension Fund* as allowed by A.R.S. §9-951. This plan is administered by a third-party financial services company. The plan is reviewed by the Arizona State Fire Marshal's office.

Benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Entry dates are January 1 and July 1 of each year. The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan.

## Note 8 – 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 natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## Note 9 – Contingent Liabilities

In September 2022, PSPRS estimated that the District owed excess contributions and interest refunds totaling $89,175 to its current and former employees covered by the plan. The interest rate is calculated at 5.75% per annum.

The District has included estimated payments of $89,175 in the current year's pension expenses, which will be paid subsequent to year-end. PSPRS will issue credit memos to the District that will allow the District to reduce future contributions to the Plans' trust by the amount of excess employee contributions refunded to employees. Interest obligations are the District's responsibility and will not be offset against future retirement contributions. The actual amount of interest cannot be calculated until the payment date is known. Returning previously remitted employee contributions and retroactively increasing retiree benefits may have an adverse impact on the employer funded status and future employer contribution rates.

## Note 10 – Liquidity

As of June 30, 2022, the District had $293,484 in cash and investments in the general fund. Of this amount, $200,035 is restricted for purchasing capital assets and $89,175 is due to employees for PSPRS contribution refunds, which leaves the District with $4,274 for operating expenditures. This amount represents 0.5% of fiscal year 2022 expenditures.

Cash and investments of less than 10% of the operating budget is of concern and indicates the inability to meet current and long-term obligations.

**Note 10 – Liquidity – Continued**

The District has relied less on the use of registered warrants throughout the 2022 fiscal year which indicates that the District was actively managing its expenses. The District also used cash to payoff the remaining liability owed to Centers for Medicare and Medicaid Services of $140,172 during fiscal year 2022. In addition, PSPRS contributions are withheld from employees based on requirements provided by the plan, thus the liability related to the refunds was out of the District's control and they were therefore not prepared to absorb the additional expenses.

The District had revenues in excess of expenditures for the current year and management intends to continue to closely manage its expenses. Management also anticipates that its future expenditures will decrease once the liability owed to employees as discussed in Note 9 is paid off and credits to future pension contributions are realized.

# Required Supplementary Information

**Sunsites-Pearce Fire District**
**Budgetary Comparison Schedule**
**General Fund**
**Year Ended June 30, 2022**

| | Budgeted amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Taxes: | | | | |
| Real and personal property taxes | $ 416,633 | $ 416,633 | $ 393,728 | $ (22,905) |
| Fire district assistance tax | 83,000 | 83,000 | 72,886 | (10,114) |
| Fire insurance premium tax | - | - | 2,403 | 2,403 |
| Grant revenue | 300,000 | 628,000 | 128,523 | (499,477) |
| Charges for services | 207,000 | 257,000 | 545,908 | 288,908 |
| Investment earnings | 41 | 41 | 156 | 115 |
| Other | 21,200 | 21,200 | 47,588 | 26,388 |
| Total revenues | 1,027,874 | 1,405,874 | 1,191,192 | (214,682) |
| **Expenditures** | | | | |
| *Public safety-fire protection and emergency medical services* | | | | |
| Current: | | | | |
| Personnel costs | 587,474 | 635,154 | 599,230 | 35,924 |
| Operations | 292,500 | 622,820 | 103,149 | 519,671 |
| Administration | 123,900 | 123,900 | 135,238 | (11,338) |
| Capital outlay | 24,000 | 24,000 | 124,981 | (100,981) |
| Debt Service: | | | | |
| Principal payments | - | - | 18,954 | (18,954) |
| Interest payments | - | - | 4,539 | (4,539) |
| Total expenditures | 1,027,874 | 1,405,874 | 986,091 | 419,783 |
| Excess of revenues over expenditures | - | - | 205,101 | 205,101 |
| Net change in fund balance | - | - | 205,101 | 205,101 |
| Fund balance (deficit), July 1, 2021 | - | - | (16,981) | (16,981) |
| Fund balance, June 30, 2022 | $ - | $ - | $ 188,120 | $ 188,120 |

See accompanying notes to budgetary comparison schedule

## Note 1 – Budgeting and Budgetary Control

A.R.S. §48-805.02 requires the District to prepare and adopt a budget annually. The Board of Directors must approve its operating budget to allow sufficient time for required announcements and public hearings and is due to the Cochise County Board of Supervisors by the first day of August. The County then calculates and levies the appropriate property taxes based on the approved budget. A.R.S. prohibits expenditures or liabilities in excess of budgeted amounts.

A.R.S. requires the District to prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district, therefore expenditures cannot legally exceed appropriations at expenditure classification levels.

## Note 2 – Budgetary Basis of Accounting

The District's budget is prepared on the modified accrual basis of accounting which is a legally allowable basis for budgetary purposes.

## Note 3 – Expenditures in Excess of Appropriations

For the year ended June 30, 2022, expenditures exceeded final budget amounts in the general fund for line items as follows:

| Function | Expenditures in Excess of Appropriations |
|---|---|
| Administration | $ 11,338 |
| Capital outlay | 100,981 |
| Debt service: principal payments | 18,954 |
| Debt service: interest payments | 4,539 |

The excesses for the above expenditures were the result of more ambulance billings required to Centers for Medicare and Medicaid Services after the dispute resolution, capital asset acquisitions from capital grant funds and debt service amounts being budgeted as capital outlay. The District monitors expenses on an ongoing basis to ensure that overall expenditures are within the budget.

**Sunsites-Pearce Fire District**
**Required Supplementary Information**
**Schedule of the District's Proportionate Share of the Net Pension Liability - Cost-Sharing Plans**
**June 30, 2022**

**ASRS - Pension**

| | Reporting Fiscal Year (measurement date) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022 (2021)** | **2021 (2020)** | **2020 (2019)** | **2019 (2018)** | **2018 (2017)** | **2017 (2016)** | **2016 (2015)** | **2015* (2014)** |
| District's proportion of the net pension liability | 0.00029% | 0.00029% | 0.00070% | 0.00048% | 0.00037% | 0.00000% | 0.00003% | 0.00029% |
| District's proportionate share of the net pension liability | $ 38,105 | $ 50,247 | $ 101,858 | $ 66,943 | $ 57,639 | $ - | $ 4,069 | $ 2,787 |
| District's covered payroll | $ 32,774 | $ 31,594 | $ 73,127 | $ 47,752 | $ 35,779 | $ - | $ 2,406 | $ 19,692 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 116.27% | 159.04% | 139.29% | 140.19% | 161.10% | 0.00% | 169.13% | 14.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.58% | 69.33% | 73.24% | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% |

* Information is not available for fiscal years 2013 and 2014.

See accompanying notes to plan schedules.

**Sunsites-Pearce Fire District**
**Required Supplementary Information**
**Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios - Agent Plans**
**June 30, 2022**

**PSPRS - Pension**

| | Reporting Fiscal Year (measurement date) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022 (2021)** | **2021 (2020)** | **2020 (2019)** | **2019 (2018)** | **2018 (2017)** | **2017 (2016)** | **2016 (2015)** | **2015* (2014)** |
| **Total pension liability** | | | | | | | | |
| Service cost | $ 68,224 | $ 87,536 | $ 92,786 | $ 78,240 | $ 70,902 | $ 52,489 | $ 57,880 | $ 51,573 |
| Interest on total pension liability | 68,490 | 78,484 | 65,007 | 54,283 | 46,724 | 49,808 | 44,168 | 37,142 |
| Changes of benefit terms | - | - | - | - | (10,363) | 29,458 | - | (1,416) |
| Difference between expected and actual experience in the measurement of the pension liability | 205,947 | (244,341) | 36,886 | (41,267) | (35,796) | (176,694) | (27,504) | (4,637) |
| Changes of assumptions or other inputs | - | - | 25,829 | - | 35,431 | 24,216 | - | 8,928 |
| Benefit payments, including refunds of employee contributions | (41,343) | (37,216) | - | - | - | - | - | (10,483) |
| Net change in pension liability | 301,318 | (115,537) | 220,508 | 91,256 | 106,898 | (20,723) | 74,544 | 81,107 |
| Total pension liability - beginning | 890,660 | 1,006,197 | 785,689 | 694,433 | 587,535 | 608,258 | 533,714 | 452,607 |
| Total pension liability - ending (a) | $ 1,191,978 | $ 890,660 | $ 1,006,197 | $ 785,689 | $ 694,433 | $ 587,535 | $ 608,258 | $ 533,714 |
| **Plan fiduciary net position** | | | | | | | | |
| Contributions - employer | $ 50,023 | $ 46,995 | $ 47,081 | $ 44,706 | $ 38,842 | $ 37,854 | $ 34,360 | $ 44,441 |
| Contributions - employee | 35,159 | 37,326 | 36,799 | 46,296 | 36,754 | 36,507 | 34,220 | 31,241 |
| Net investment income | 320,285 | 13,907 | 52,583 | 57,763 | 80,457 | 3,547 | 19,050 | 55,003 |
| Benefit payments, including refunds of employee contributions | (41,343) | (37,216) | - | - | - | - | - | (10,483) |
| Hall/Parker settlement | - | - | - | (16,863) | - | - | - | - |
| Administrative expenses | (1,500) | (1,134) | (1,913) | (1,579) | (1,112) | (911) | (856) | - |
| Other changes | - | - | - | 9 | (7,126) | 3 | (352) | (1) |
| Net change in plan fiduciary net position | 362,624 | 59,878 | 134,550 | 130,332 | 147,815 | 77,000 | 86,422 | 120,201 |
| Plan fiduciary net position - beginning | 1,124,853 | 1,064,975 | 930,425 | 800,093 | 652,278 | 575,278 | 488,856 | 379,271 |
| Plan fiduciary net position - ending (b) | $ 1,487,477 | $ 1,124,853 | $ 1,064,975 | $ 930,425 | $ 800,093 | $ 652,278 | $ 575,278 | $ 499,472 |
| District's net pension (asset) liability - ending (a) - (b) | $ (295,499) | $ (234,193) | $ (58,778) | $ (144,736) | $ (105,660) | $ (64,743) | $ 32,980 | $ 34,242 |
| Plan fiduciary net position as a percentage of the total pension liability | 124.79% | 126.29% | 105.84% | 118.42% | 115.22% | 111.02% | 94.58% | 93.58% |
| Covered-employee payroll | $ 357,052 | $ 385,744 | $ 376,951 | $ 375,068 | $ 329,472 | $ 276,551 | $ 309,681 | $ 302,613 |
| District's net pension (asset) liability as a percentage of covered-employee payroll | -82.76% | -60.71% | -15.59% | -38.59% | -32.07% | -23.41% | 10.65% | 11.32% |

* Information is not available for fiscal years 2013 and 2014.

See accompanying notes to plan schedules.

**Sunsites-Pearce Fire District**
**Required Supplementary Information**
**Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios - Agent Plans - Continued**
**June 30, 2022**

**PSPRS - OPEB**

| | Reporting Fiscal Year (measurement date) | | | | | |
|---|---|---|---|---|---|---|
| | **2022 (2021)** | **2021 (2020)** | **2020 (2019)** | **2019 (2018)** | **2018 (2017)** | **2017 through 2013** |
| **Total OPEB liability** | | | | | | |
| Service cost | $ 1,840 | $ 2,091 | $ 1,632 | $ 1,360 | $ 1,285 | Information not available |
| Interest on total OPEB liability | 883 | 1,607 | 1,659 | 1,354 | 1,141 | |
| Changes of benefit terms | - | - | - | - | 584 | |
| Difference between expected and actual experience in the measurement of the OPEB liability | (152) | (13,079) | (4,810) | 451 | 213 | |
| Changes of assumptions or other inputs | - | - | 362 | - | (177) | |
| Net change in OPEB liability | 2,571 | (9,381) | (1,157) | 3,165 | 3,046 | |
| Total OPEB liability - beginning | 10,250 | 19,631 | 20,788 | 17,623 | 14,577 | |
| Total OPEB liability - ending (a) | $ 12,821 | $ 10,250 | $ 19,631 | $ 20,788 | $ 17,623 | |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 1,345 | $ 1,498 | $ 1,018 | $ 982 | $ 2,339 | |
| Net investment income | 7,568 | 324 | 1,262 | 1,544 | 2,069 | |
| Administrative expenses | (31) | (26) | (22) | (23) | (19) | |
| Net change in plan fiduciary net position | 8,882 | 1,796 | 2,258 | 2,503 | 4,389 | |
| Plan fiduciary net position - beginning | 27,522 | 25,726 | 23,468 | 20,965 | 16,576 | |
| Plan fiduciary net position - ending (b) | 36,404 | 27,522 | 25,726 | 23,468 | 20,965 | |
| District's net OPEB asset - ending (a) - (b) | $ (23,583) | $ (17,272) | $ (6,095) | $ (2,680) | $ (3,342) | |
| Plan fiduciary net position as a percentage of the total OPEB asset | 283.94% | 268.51% | 131.05% | 112.89% | 118.96% | |
| Covered-employee payroll | $ 357,052 | $ 385,744 | $ 376,951 | $ 375,068 | $ 329,472 | |
| District's net OPEB asset as a percentage of covered-employee payroll | -6.60% | -4.48% | -1.62% | -0.71% | -1.01% | |

See accompanying notes to plan schedules.

**Sunsites-Pearce Fire District**
**Required Supplementary Information**
**Schedule of District Pension/OPEB Contributions**
**Year Ended June 30, 2022**

**ASRS - Pension**

| | Reporting Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Statutorily required contribution | $ 4,891 | $ 3,818 | $ 3,617 | $ 8,176 | $ 5,205 | $ 3,857 | $ - | $ 262 | $ 2,107 | Information not available |
| District's contributions in relation to the statutorily required contribution | 4,891 | 3,818 | 3,617 | 8,176 | 5,205 | 3,857 | - | 262 | 2,107 | |
| District's contribution deficiency | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| District's covered payroll | $ 40,725 | $ 32,774 | $ 31,594 | $ 73,127 | $ 47,752 | $ 35,779 | $ - | $ 2,406 | $ 19,692 | |
| District's contributions as a percentage of covered payroll | 12.01% | 11.65% | 11.45% | 11.18% | 10.90% | 10.78% | 0.00% | 10.89% | 10.70% | |

**PSPRS - Pension**

| | Reporting Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Actuarially determined contribution | $ 37,745 | $ 56,021 | $ 51,034 | $ 47,081 | $ 44,706 | $ 38,842 | $ 37,854 | $ 34,360 | $ 44,441 | Information not available |
| District's contributions in relation to the actuarially determined contribution | 37,745 | 56,021 | 51,034 | 47,081 | 44,706 | 38,842 | 37,854 | 34,360 | 44,441 | |
| District's contribution deficiency | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| District's covered payroll | $ 328,214 | $ 357,052 | $ 385,744 | $ 376,951 | $ 375,068 | $ 329,472 | $ 276,551 | $ 309,681 | $ 302,613 | |
| District's contributions as a percentage of covered payroll | 11.50% | 15.69% | 13.23% | 12.49% | 11.92% | 11.79% | 13.69% | 11.10% | 14.69% | |

**PSPRS - OPEB**

| | Reporting Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 through 2013 |
| Actuarially determined contribution | $ 297 | $ 1,500 | $ 1,620 | $ 1,018 | $ 1,018 | $ 2,339 | Information not available |
| District's contributions in relation to the actuarially determined contribution | 297 | 1,500 | 1,620 | 1,018 | 1,018 | 2,339 | |
| District's contribution deficiency | $ - | $ - | $ - | $ - | $ - | $ - | |
| District's covered payroll | $ 328,214 | $ 357,052 | $ 385,744 | $ 376,951 | $ 375,068 | $ 329,472 | |
| District's contributions as a percentage of covered payroll | 0.09% | 0.42% | 0.42% | 0.27% | 0.27% | 0.71% | |

See accompanying notes to plan schedules.

## Note 1 – Actuarially Determined Contribution Rates

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

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent-of-pay, closed |
| Remaining amortization period as of the 2020 actuarial valuation | 7 years |
| Asset valuation method | 7-year smoothed market value; 80%/120% market corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. |
| Projected salary increases | In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%. |
| Wage growth | In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%. |
| Retirement age | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011. |
| Mortality | In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females) |

## Note 2 – Factors That Affect Trends

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

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