



LAKE MOHAVE RANCHOS FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021

LAKE MOHAVE RANCHOS FIRE DISTRICT
For the Fiscal Year Ended June 30, 2021
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Lake Mohave Ranchos Fire District
Dolan Springs, AZ

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Mohave Ranchos Fire District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lake Mohave Ranchos Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lake Mohave Ranchos Fire District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other postemployment benefit plan (OPEB) information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our

audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Lake Mohave Ranchos Fire 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 Lake Mohave Ranchos Fire 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 Lake Mohave Ranchos Fire District's internal control over financial reporting and compliance.

BDR Richards, CPA's, PLC

Snowflake, AZ
January 18, 2022

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2021

As management of Lake Mohave Ranchos Fire District (District), we offer readers of the District's statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

Financial Highlights

1. The liabilities of the Lake Mohave Ranchos Fire District exceeded its assets at the close of the most recent fiscal year by \$458,334, an increase of \$634,932 or 58 percent, mainly due to a decrease in the net pension liability of \$1,907,587.
2. Cash and investments increased by \$55,228 or 9 percent, mainly due to constraints on expenditures.
3. At the end of the current fiscal year fund balances decreased by \$65,491 to \$574,541 or 10 percent, mainly due to an increase in capital expenditures from the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government-wide financial statements present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long term debt). They are intended to provide a broad overview in a manner similar to a private sector business.

The Statement of Net Position presents information of all the assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District 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 9-10 of this report.

Fund Financial Statements. A provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2021

Governmental Funds - continued

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District.

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 near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements. The notes to the financial statements can be found beginning on page of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Lake Mohave Ranchos Fire District, liabilities exceeded assets by \$458,334 at the close of the 2021 fiscal year.

A large portion of net position of the District, \$481,566 reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any depreciation expense and outstanding leases. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending.

The remaining balance of restricted net position of \$(939,900) is available for public safety expenditures.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2021

Government-wide Financial Analysis – continued

The following table reflects a summary of net position:

Lake Mohave Ranchos Fire District			
Net Position			
June 30, 2021			
	2021	2020	Increase/ (Decrease)
Current and other assets	\$ 1,109,453	\$ 1,167,698	\$ (58,245)
Capital assets - net	599,812	364,217	235,595
Total assets	1,709,265	1,531,915	177,350
Total deferred outflows of resources	270,344	255,231	15,113
Long-term liabilities	813,039	2,789,176	(1,976,137)
Other liabilities	281,244	37,609	243,635
Total liabilities	1,094,283	2,826,785	(1,732,502)
Total deferred inflows of resources	1,343,660	53,627	1,290,033
Net investment in capital assets	481,566	212,430	269,136
Unrestricted	(939,900)	(1,305,696)	365,796
Total net position	\$ (458,334)	\$ (1,093,266)	\$ 634,932

Lake Mohave Ranchos Fire District			
Changes in Net Position			
June 30, 2021			
	2021	2020	Increase/ (Decrease)
Operating revenues	\$ 391,647	\$ 312,552	\$ 79,095
Operating expenses	493,650	2,857,798	(2,364,148)
Income from operations	(102,003)	(2,545,246)	2,443,243
Net non-operating revenues			
Investment earnings	7,149	10,875	(3,726)
General revenues	729,786	602,962	126,824
Net non-operating revenue	736,935	613,837	123,098
Changes in net position	634,932	(1,931,409)	2,566,341
Net position, beginning of year	(1,093,266)	838,143	(1,931,409)
Net position, end of year	\$ (458,334)	\$ (1,093,266)	\$ 634,932

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2021

Government-wide Financial Analysis – continued

Governmental activities - The net position of the District from governmental activities increased from a deficit of \$(1,093,266) to \$(458,334) an increase of 58%. Key elements of these activities are as follows:

- Operating expenses decreased by \$2,364,148 or 83%, largely due to a decrease in the net pension liability.
- Operating revenues increased by \$79,095 or 25%, largely due to an increase in ambulance revenues received.
- Long-term liabilities decreased by \$1,976,137, largely to a decrease in the net pension liability.
- Net investment in capital assets increased by \$269,136 due to capital purchases during the year.

District Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with fund related legal requirements.

As of June 30, 2021, the governmental funds of the District reported combined fund balances of \$574,541, which was a decrease of \$65,491 or 10%. Key elements of these activities are as follows:

- Capital purchases were higher by \$250,697 due to construction in progress.

Capital Asset and Debt Administration

Capital Assets - As of June 30, 2021, the District's investment in its capital assets for governmental activities is \$599,812 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment. The net increase in the District's investment in capital assets for the fiscal year was \$235,595, due to construction in progress.

Lake Mohave Ranchos Fire District			
Capital Assets			
June 30, 2021			
	2021	2020	Increase/ (Decrease)
Land, not depreciated	\$ 12,439	\$ 12,439	\$ -
Construction in progress	199,729	-	199,729
Buildings	326,348	284,359	41,989
Vehicles	1,124,254	1,109,047	15,207
Equipment	484,790	481,454	3,336
Total capital assets	\$ 2,147,560	\$ 1,887,299	260,261
Less accumulated depreciation	(1,547,748)	(1,523,082)	(24,666)
Total capital assets, net	\$ 599,812	\$ 364,217	\$ 235,595

LAKE MOHAVE RANCHOS FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2021

Long Term Debt - At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$813,039. This amount is made up of compensated absences, net pension and OPEB liabilities, as well as capital leases for the purchase of a new ambulance and ambulance related equipment, which showed on June 30, 2021 an ending balance owed on the capital leases of \$118,246. The District estimates only \$44,821 due within the following fiscal year.

Budgetary Highlights

The overall budget remained consistent with the prior year and there were no significant budget variances for the year.

Economic Factors and FY2022 Budget/Tax Rate

As property values have continued to decline, tax revenues to the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while provided the highest level of service to the community. Despite aggressive management of expenditures costs continue to rise, such as, employee benefits included pension contribution rates have continued to rise.

For fiscal year 2022, the District adopted a tax rate of 3.25. The District has continued to maintain the operational needs of the District through vigilant management of expenses and exploration of non-tax revenue sources.

Financial Contact

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 16126 Pierce Ferry Rd, Dolan Springs, AZ 86441, 928-7467-3300.

BASIC FINANCIAL STATEMENTS

LAKE MOHAVE RANCHOS FIRE DISTRICT

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 674,007
Receivables (net of allowance)	
Ambulance	219,131
Property Taxes	101,561
Other	42,066
Prepays	28,367
Net pension/OPEB asset	44,321
Capital assets:	
Non-depreciable	212,168
Depreciable (net)	387,644
Total Assets	1,709,265
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions/OPEB	270,344
Total Deferred Outflows of Resources	270,344
Combined Assets and Deferred Outflows of Resources	1,979,609
Liabilities	
Accounts payable	217,908
Accrued payroll and related liabilities	18,515
Noncurrent liabilities:	
Due within one year - lease payable	41,211
Due within one year - compensated absences	3,610
Due in more than a year - lease payable	77,035
Due in more than a year - compensated absences	10,780
Due in more than a year - net pension/OPEB liability	725,224
Total Liabilities	1,094,283
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions/OPEB	1,343,660
Total Deferred Inflows of Resources	1,343,660
Combined Liabilities and Deferred Inflows of Resources	2,437,943
Net Position	
Net investment in capital assets	481,566
Unrestricted	(939,900)
Total Net Position	\$ (458,334)

LAKE MOHAVE RANCHOS FIRE DISTRICT

Statement of Activities

June 30, 2021

	<u>Governmental Activities</u>
Expenses	
Public safety, fire protection:	
Emergency services	\$ 698,861
Administrative and support services	198,669
Adjustment to pension expense from actuarial study	(466,919)
Depreciation	<u>63,039</u>
Total program expenses	<u>493,650</u>
 Program Revenues	
Charges for services	<u>391,647</u>
Total program revenues	<u>391,647</u>
Net program expenses	<u>102,003</u>
 General Revenues	
Property taxes	627,020
Centrally assessed taxes	66,180
Investment earnings	7,149
Grants	18,907
Sale of surplus equipment	6,350
Miscellaneous	<u>11,329</u>
Total general revenues	<u>736,935</u>
Change in Net position	634,932
Net position - beginning	<u>(1,093,266)</u>
Net position - ending	<u><u>\$ (458,334)</u></u>

LAKE MOHAVE RANCHOS FIRE DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2021**

	Total Governmental Funds
Assets	
Cash and investments	\$ 674,007
Accounts receivable, net	261,197
Taxes receivable	101,561
Prepaid expenses	28,367
Total assets	\$ 1,065,132
Liabilities	
Accounts payable	217,908
Accrued payroll and related liabilities	18,515
Total liabilities	236,423
Deferred Inflow of Resources	
Unavailable revenue - ambulance	180,712
Unavailable revenue - property taxes	73,456
Total deferred inflow of resources	254,168
Fund Balances	
Nonspendable (prepaids)	28,367
Unassigned:	546,174
Total fund balances	574,541
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,065,132

LAKE MOHAVE RANCHOS FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2021

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

Total fund balances of governmental funds		\$	574,541
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Governmental capital assets		\$	2,122,894
Accumulated depreciation			<u>(1,523,082)</u>
			599,812
Net OPEB asset is not an available resource and, therefore is not reported in the funds.			
			44,321
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.			
Unavailable ambulance revenue			180,712
Unavailable property tax revenue			73,456
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences			(14,390)
Capital leases			(118,246)
Net pension/ OPEB liability			<u>(725,224)</u>
			(857,860)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds:			
Deferred outflows			270,344
Deferred inflows			<u>(1,343,660)</u>
			<u>(1,073,316)</u>
Net position of governmental activities		\$	<u>(458,334)</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	<u>Total Governmental Funds</u>
Revenues	
Property taxes	\$ 627,020
Fire district assistance taxes	66,180
Charges for services	391,647
Interest income	7,149
Grants	18,907
Sale of Surplus Equipment	6,350
Other revenue	11,329
Total revenues	<u>1,128,582</u>
Expenditures	
Current:	
Public safety, fire protection:	
Emergency services	698,861
Administrative and support services	198,669
Capital Outlay	260,261
Debt Service:	
Principal	33,541
Interest	2,741
Total expenditures	<u>1,194,073</u>
Excess of revenues over expenditures	<u>(65,491)</u>
Net change in fund balances	(65,491)
Fund balance - beginning of year	<u>640,032</u>
Fund balance - end of year	<u><u>\$ 574,541</u></u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ (65,491)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$	260,261	
Less current year depreciation		(63,039)	
			197,222

Certain revenues relating to property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported in the funds. 182,691

Principal of long-term debt consumes and provides current financial resources of governmental funds, however, this does not have any effect on net position.

Lease payments 33,541

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (9,812)

Pension/OPEB 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 net pension/OPEB liability is measured a year before the Town's report date. 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/OPEB, is reported in the Statement of Activities.

Pension/OPEB contributions		89,065	
Pension/OPEB expense		207,716	
			296,781

Change in net position of governmental activities **\$ 634,932**

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Mohave Ranchos Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

A. Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a special purpose government). Component units are legally separate entities for which the District is considered to be financially accountable. The District does not report any component units. The District's reporting entity consists of a single general fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report the information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment (e.g. special assessments). Taxes and other revenues not included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to actual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

The District reports the following major governmental funds:

The *General Fund* is the District's only operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

E. Receivables and payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Taxes receivable represent the delinquent ad valorem tax levied against all of the taxable real and personal property within the District. Accounts and other receivables are primarily the charges for ambulance and emergency services not collected at fiscal year-end.

Arizona Revised Statutes require that property taxes be levied on or before the third Monday of August. Taxes are levied and collected by the Mohave County Treasurer on real and personal property. Real property taxes become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due before November 1, and the second installment is due before May 1 of the following year. Personal property taxes are billed throughout the year. Interest and penalties are assessed if a taxpayer fails to pay the tax within a period of time specified by law.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Restricted assets

The District has no restricted assets.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Capital assets

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life in excess of one year.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	\$1,500	20-40
Improvements, other than building	\$1,500	20-40
Furniture, vehicles and equipment	\$1,500	5-20

I. Deferred outflows/inflows of resources

In additions to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Pensions is an item that qualifies for reporting in this category. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pensions, and Unavailable property tax revenue are two items that qualify for reporting in this category.

J. Compensated absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination, such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. All full-time employees of the District are given paid time off based on the amount stated in policy determined by their years of service. Paid time off is accrued on a bi-weekly basis for full time employees and the maximum accrual cannot exceed two times the employee's annual accrual rate. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

K. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

L. Fund equity

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Non-spendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) or (b) legally or contractually required to be maintained intact.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund equity - continued

Restricted fund balance – amounts with constraints placed on their use that are either (a) eternally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District’s decision-making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District’s General Fund that includes amounts not contained in other classifications.

M. Intergovernmental grants and aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

N. Use of estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

O. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of its tax levy outstanding and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

P. Pensions and Postemployment benefits

For purposes of measuring the net pension liability and other postemployment benefits (OPEB) liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension plan’s fiduciary net position of the Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer’s local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

Cash and investments consist of the following:

Deposits:	
Operating accounts	\$ 179,967
Investments:	
Mohave County Treasurer investment pool	494,040
	\$ 674,007

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance. At June 30, 2021, deposits with financial institutions have a carrying value of \$179,967 and a bank balance of \$179,967. The differences representing deposits in transit, outstanding checks, and other reconciling items at the period end.

Investments – Monies levied by the District are invested with the Mohave County Treasurer’s Office and included in the Local Government Investment Pool (LGIP). The District’s investment in the County’s LGIP represents a proportionate interest in the pool’s portfolio; however, the District’s portion is not identified with specific investments. No oversight is provided for the Mohave County Investment Pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary. The fair value of the investment pool is discussed under Fair Value.

The District’s investments at June 30, 2021 were as follows:

	Rating	Rating Agency	Amount
Mohave County Treasurer’s investment pool	Unrated	Not applicable	\$ 494,040

The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk for investments.

Credit risk – Arizona Revised Statutes have the following requirements for credit risk:

Commercial Paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency. Specified bonds, debentures and notes must be rated A or better at the time of purchase by at least two nationally recognized rating agencies. Fixed income securities must carry one of the two highest ratings by Moody’s Investors Service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk – the District’s investment in the County Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS – continued

Concentration of credit risk – The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days. The weighted average maturity of the County Treasurer’s investment pool varies by type of investment, and averages between 1 and 2 years.

Foreign currency risk – the Arizona Revised Statutes do not allow foreign investments.

Fair Value – The District measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access. Level 2 – Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly. Level 3 – Inputs are unobservable and significant to the fair value measurement. Other investments at fair value – investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

At June 30, 2021, the fair value of investments measured on a recurring basis is as follows:

	Fair Value	Other Investments at Fair Value	Level 1	Level 2	Level 3
External Investment Pools:					
Mohave County Treasurer	\$ 494,040	\$ 494,040	\$ -	\$ -	\$ -
Mohave County Treasurer - segregated for capital outlay	-	-	-	-	-
	<u>\$ 494,040</u>	<u>\$ 494,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of a participant’s portion in the Mohave County Treasurer’s investment pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. The investment pool is not registered with the Securities and Exchange Commission as an investment company and there is not regulatory oversight of its operations. There are no unfunded commitments or redemption restrictions related to these investments.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2021 for the District’s general fund, including the applicable allowances for uncollectible accounts, are as follows:

Taxes	\$ 101,561
Program services	<u>389,000</u>
Gross receivables	490,561
Less: allowance for uncollectible	<u>(127,803)</u>
Net total receivables	<u>\$ 362,758</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 – UNAVAILABLE REVENUE

Governmental funds report unavailable revenues in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2021, unavailable revenue consisted of the following:

Unavailable revenues - property taxes	\$	73,456
Unavailable revenues - ambulance		180,712
Total unavailable revenue	\$	<u>254,168</u>

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 12,439	\$ -	\$ -	\$ 12,439
Construction in progress	-	199,729	-	199,729
Total capital assets, not depreciated	12,439	199,729	-	212,168
Capital assets, depreciated				
Buildings	284,359	41,989	-	326,348
Vehicles and apparatus	1,109,047	50,792	(35,585)	1,124,254
Equipment	481,454	8,072	(4,736)	484,790
Total capital assets, depreciated	1,874,860	100,853	(40,321)	1,935,392
Less accumulated depreciation for:				
Buildings	(187,797)	(9,996)	-	(197,793)
Vehicles and apparatus	(945,256)	(22,621)	22,755	(945,122)
Equipment	(390,029)	(30,422)	15,618	(404,833)
Total accumulated depreciation	(1,523,082)	(63,039)	38,373	(1,547,748)
Total capital assets, depreciated net	351,778	37,814	(1,948)	387,644
Total capital assets, net	\$ 364,217	\$ 237,543	\$ (1,948)	\$ 599,812

Depreciation expense for the year ended June 30, 2021 was \$63,039. Depreciation expense was charged to emergency services function.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in long-term obligations during the year:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Net pension/OPEB liability	\$ 2,632,811	\$ -	\$ (1,907,587)	\$ 725,224	\$ -
Capital leases	151,787	-	(33,541)	118,246	41,211
Compensated absences	<u>4,578</u>	<u>9,812</u>	<u>-</u>	<u>14,390</u>	<u>3,610</u>
Total long-term liabilities	<u>\$ 2,789,176</u>	<u>\$ 9,812</u>	<u>\$ (1,941,128)</u>	<u>\$ 857,860</u>	<u>\$ 44,821</u>

The General Fund has typically been used to liquidate the liability for pensions and OPEB in prior years.

A. Compensated absences

All eligible employees of the District are provided vacation, sick and compensatory leave based on the amounts stated in policy as determined by their years of service. Upon separation from the District, unused accrued vacation, and compensatory leave is paid to eligible employees.

B. Capital leases

The District has acquired various capital assets under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases are as follows:

Vehicles	\$ 163,538
Equipment	111,722
Less: Accumulated Depreciation	<u>(117,552)</u>
Total	<u>\$ 157,708</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2022	\$ 41,211
2023	41,211
2024	35,031
2025	<u>10,808</u>
Total remaining minimum lease payments	128,261
Less amount representing interest:	<u>(10,015)</u>
Present value of remaining minimum lease payments:	<u>\$ 118,246</u>

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 7 – NET REVENUE

The District provides emergency medical and transportation services within the same geographic boundaries as it provides fire prevention and suppression services and outside those boundaries subject to certain limitations. Charges for such emergency medical and transportation services are recognized as service revenues. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provision for bad debt and uncompensated care. The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2021 are as follows:

Gross ambulance service revenues/charges	\$ 967,587
Less:	
Contractual adjustments and uncompensated services	<u>575,940</u>
Net ambulance service revenues	<u><u>\$ 391,647</u></u>

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these third-party payers not cover the entire amount of the services rendered, any remaining amounts are adjusted as uncompensated services with the remaining amounts necessary to support the program funded through tax revenues.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 8 – COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

A. Inter-governmental agreements and indemnifications

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

B. Risk management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. The District has not incurred claims in excess of insurance coverage in any of the last three fiscal years. No provision has been made in the financial statements for possible losses of this nature.

C. Legal proceedings

The District from time to time, may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

NOTE 9 – RETIREMENT AND PENSION PLANS

Public Safety Personnel Retirement System (PSPRS)

The District contributes to the plans as described below. Benefits for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits. At June 30, 2021 the District reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) to the plans which it contributes.

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension and OPEB asset	\$ 44,321
Net pension and OPEB liability	725,224
Deferred outflows of resources	270,344
Deferred inflows of resources	1,343,660
Pension/OPEB expense	(535,594)

The District reported \$89,065 of pension and OPEB contributions as expenditures in the governmental funds related to the plan which it contributes.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT AND PENSION PLANS - continued

Public Safety Personnel Retirement System (PSPRS)

Plan description – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan (OPEB) that covers public safety personnel who are regularly assigned hazardous duty. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

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

	Initial Membership Date:		
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>	<u>On or after July 1, 2017</u>
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5, 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 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		

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT AND PENSION PLANS - continued

Public Safety Personnel Retirement System (PSPRS) - continued

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a joint Legislative Budget committee analysis of the increase’s effects on the plan. 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 \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2021, the following employees were covered by the agent pension plans benefit terms:

PSPRS	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	5	0
Active employees	3	3
Total	10	5

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for 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. Rates are a percentage of active members’ annual covered payroll. Contribution rates for the year ended June 30, 2021 are indicated below.

Active member - <u>Pension</u>	<u>Pension</u>	<u>Health insurance premium</u>
7.65 - 11.65%	32.6 - 46.96%	0.00%
9.94%	46.18%	0.00%

In addition, statute requires the District to contribute at the actuarially determined rate of 19.18% for annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the PSPRS would typically fill.

The District’s contributions to the pension plan for the year ended June 30, 2021 were \$89,065. The district made no contributions for OPEB for the fiscal year ended June 30, 2021. The District paid for the pension contributions from the General Fund during the fiscal year.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT AND PENSION PLANS - continued

Public Safety Personnel Retirement System (PSPRS) – continued

Pension/OPEB liability/asset – At June 30, 2021, the District reported a net pension liability of \$725,224 and a net OPEB asset of \$44,321. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2021, reflect the following changes of benefit terms and actuarial assumptions.

The total liabilities as of June 30, 2021, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.4% to 7.3%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012 and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

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

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Cost of living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.3 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Public Equity International	23.00%	4.93%
Public Equity	15.00%	6.09%
Global Private Equity	18.00%	8.42%
Other Assets (Capital Appreciation)	7.00%	5.61%
Core Bonds	2.00%	0.22%
Private Credit	22.00%	5.31%
Diversifying Strategies	12.00%	3.22%
Cash-Mellon	1.00%	-0.60%
Total	100%	

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT AND PENSION PLANS - continued

Public Safety Personnel Retirement System (PSPRS) – continued

Discount Rate –At June 30, 2020. The discount rate used to measure the total pension/OPEB liability was 7.3%, which was a decrease of .01% from the discount rate used as of June 30, 2019. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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.

Changes in Net Pension/OPEB Liability Schedule

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances at June 30, 2020	\$ 4,090,125	\$ 1,457,314	\$ 2,632,811	\$ 15,095	\$ 68,293	\$ (53,198)
Changes for the year:						
Service cost	9,089		9,089	448		448
Interest on total pension/OPEB liability	156,704		156,704	1,150		1,150
Changes of benefit terms						
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(585,478)		(585,478)	8,077		8,077
Changes of assumptions	(1,427,773)			148		
Contributions - employer		36,337	(36,337)			
Contributions - employee		7,333	(7,333)			
Net investment income		17,921	(17,921)		869	(869)
Benefit payments, including refunds of employee contributions	(141,672)	(141,672)		-	-	
Hall/Parker Settlement		-	-			
Plan administrative expenses		(1,462)	1,462		(71)	71
Other changes*		-	-		-	-
Net changes	(1,989,130)	(81,543)	(1,907,587)	9,823	798	9,025
Balances at June 30, 2021	\$ 2,100,995	\$ 1,375,771	\$ 725,224	\$ 24,918	\$ 69,091	\$ (44,173)

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the District’s net pension/OPEB (assets) liability calculated using the discount rate of 7.30%, as well as what the District’s net pension/OPEB (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.3%	Discount Rate 7.3%	1% Increase 8.3%
Net pension (asset) / liability	\$ 1,030,547	\$ 725,224	\$ 479,865
Net OPEB (asset)/ liability	(41,094)	(44,321)	(47,032)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT AND PENSION PLANS - continued

Public Safety Personnel Retirement System (PSPRS) – continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2021, the District recognized pension expense (income) for PSPRS of \$(519,952) and OPEB expense (income) of \$(15,642). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,821	\$ 390,318	\$ 11,032	\$ 588
Changes in assumptions	18,471	951,848	-	906
Net difference between projected and actual earnings on pension/OPEB plan investments	79,263	-	3,692	-
Contributions subsequent to the measurement date	89,065	-	-	-
Total	\$ 255,620	\$ 1,342,166	\$ 14,724	\$ 1,494

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, 2021. 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 Ended June 30	Pension	Health Insurance Premium Benefit
2022	\$ (614,530)	\$ 2,307
2023	(607,298)	2,775
2024	29,251	2,749
2025	16,966	2,673
2026	-	1,572
Thereafter	-	1,154

NOTE 10 – SUBSEQUENT EVENTS

The District evaluated its June 30, 2021 financial statements for subsequent events through January 18, 2022, the financial statement issuance date. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE MOHAVE RANCHOS FIRE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 650,000	\$ 650,000	\$ 627,020	\$ (22,980)
Fire district assistance taxes	67,443	67,443	66,180	(1,263)
Charges for services	450,000	450,000	391,647	(58,353)
Interest income	8,000	8,000	7,149	(851)
Other revenues	758,257	758,257	36,586	(721,671)
Total revenues	<u>1,933,700</u>	<u>1,933,700</u>	<u>1,128,582</u>	<u>(805,118)</u>
<u>Expenditures</u>				
Public safety:				
Emergency operations	750,000	750,000	698,861	51,139
Administration	220,000	220,000	198,669	21,331
Debt service	45,000	45,000	36,282	
Capital outlay	918,700	918,700	260,261	658,439
Total expenditures	<u>1,933,700</u>	<u>1,933,700</u>	<u>1,194,073</u>	<u>730,909</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(65,491)</u>	<u>(65,491)</u>
<u>Other financing sources (uses)</u>				
Lease purchase proceeds	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(65,491)	(65,491)
Fund balance - beginning	<u>640,032</u>	<u>640,032</u>	<u>640,032</u>	<u>-</u>
Fund balance - ending	<u>\$ 640,032</u>	<u>\$ 640,032</u>	<u>\$ 574,541</u>	<u>\$ (65,491)</u>

Note 1 - Budgetary Basis of Accounting

The District prepares its annual budget on the modified accrual basis of accounting. The level of budgetary control is at the fund level. A budgetary comparison for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2021

PSPRS Pension

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability							
Service cost	\$ 9,089	\$ 47,622	\$ 48,041	\$ 41,027	\$ 29,325	\$ 27,173	\$ 47,003
Interest on total pension liability	156,704	165,098	163,271	140,215	108,578	103,490	110,350
Changes of benefit terms	-	-	-	43,215	167,165	-	(434)
Difference between expected and actual experience of the total net pension liability	(585,478)	228,480	(115,371)	161,977	224,511	44,606	(172,250)
Changes of assumptions	(1,427,773)	1,513,496	-	54,404	61,051	-	53,091
Benefit payments, including refunds of employee contributions	(141,672)	(96,013)	(93,684)	(121,338)	(98,877)	(124,196)	(106,254)
Net change in total pension liability	(1,989,130)	1,858,683	2,257	319,500	491,753	51,073	(68,494)
Total pension liability - beginning	4,090,125	2,231,442	2,229,185	1,909,685	1,417,932	1,366,859	1,435,353
Total pension liability - ending (a)	<u>\$ 2,100,995</u>	<u>\$ 4,090,125</u>	<u>\$ 2,231,442</u>	<u>\$ 2,229,185</u>	<u>\$ 1,909,685</u>	<u>\$ 1,417,932</u>	<u>\$ 1,366,859</u>
Plan fiduciary net position							
Contributions - employer	\$ 36,337	\$ 73,134	\$ 96,882	\$ 41,105	\$ 56,891	\$ 47,395	\$ 32,420
Contributions - employee	7,333	16,990	19,065	22,298	24,742	24,531	18,499
Net investment income	17,921	74,870	90,646	128,489	5,664	34,449	122,544
Benefit payments, including refunds of employee contributions	(141,672)	(96,013)	(93,684)	(121,338)	(98,877)	(124,196)	(106,254)
Hall/Parker Settlement	-	-	(32,629)	-	-	-	-
Pension Plan Administrative Expense	(1,462)	(2,302)	(2,080)	(1,537)	(1,215)	(1,220)	-
Other (net transfer)	-	-	(31,855)	147,150	178,146	(865)	(59,651)
Net change in plan fiduciary net position	(81,543)	66,679	46,345	216,167	165,351	(19,906)	7,558
Plan fiduciary net position - beginning	1,457,314	1,390,635	1,344,290	1,128,123	962,772	982,678	975,120
Plan fiduciary net position - ending (b)	<u>\$ 1,375,771</u>	<u>\$ 1,457,314</u>	<u>\$ 1,390,635</u>	<u>\$ 1,344,290</u>	<u>\$ 1,128,123</u>	<u>\$ 962,772</u>	<u>\$ 982,678</u>
Net pension liability - ending (a) - (b)	<u>\$ 725,224</u>	<u>\$ 2,632,811</u>	<u>\$ 840,807</u>	<u>\$ 884,895</u>	<u>\$ 781,562</u>	<u>\$ 455,160</u>	<u>\$ 384,181</u>
Plan fiduciary net position as a percentage of the total pension liability	65.48%	35.63%	62.32%	60.30%	59.07%	67.90%	71.89%
Covered payroll	\$ 135,433	\$ 46,040	\$ 222,930	\$ 197,055	\$ 174,038	\$ 256,882	\$ 153,791
Net pension liability as a percentage of covered payroll	535.49%	5718.53%	377.16%	449.06%	449.08%	177.19%	249.81%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See the notes to the pension/OPEB schedules.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2021

PSPRS Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)			
	2021	2020	2019	2018
	(2020)	(2019)	(2018)	(2017)
Total OPEB liability				
Service cost	\$ 448	\$ 1,159	\$ 1,048	\$ 808
Interest on total OPEB liability	1,150	3,057	2,813	2,168
Changes of benefit terms	-	-	-	22
Difference between expected and actual experience of the total net OPEB liability	8,077	(29,417)	(1,200)	7,680
Changes of assumptions or other inputs	-	148	-	(1,694)
Benefit payments	-	-	-	-
Net change in total OPEB liability	<u>9,675</u>	<u>(25,053)</u>	<u>2,661</u>	<u>8,984</u>
Total OPEB liability - beginning	<u>15,095</u>	<u>40,148</u>	<u>37,487</u>	<u>28,503</u>
Total OPEB liability - ending (a)	<u><u>\$ 24,770</u></u>	<u><u>\$ 15,095</u></u>	<u><u>\$ 40,148</u></u>	<u><u>\$ 37,487</u></u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-
OPEB plan net investment income	869	3,518	4,240	6,399
Benefit payments	-	-	-	-
OPEB plan administrative expense	(71)	(61)	(65)	(57)
Other changes	-	-	1	-
Net change in plan fiduciary net position	<u>798</u>	<u>3,457</u>	<u>4,176</u>	<u>6,342</u>
Plan fiduciary net position - beginning	<u>68,293</u>	<u>64,836</u>	<u>60,660</u>	<u>54,318</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 69,091</u></u>	<u><u>\$ 68,293</u></u>	<u><u>\$ 64,836</u></u>	<u><u>\$ 60,660</u></u>
Net OPEB liability/(asset) - ending (a) - (b)	<u><u>\$ (44,321)</u></u>	<u><u>\$ (53,198)</u></u>	<u><u>\$ (24,688)</u></u>	<u><u>\$ (23,173)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	278.93%	452.42%	161.49%	161.82%
Covered payroll	\$ 135,433	\$ 46,040	\$ 222,930	\$ 197,055
Net OPEB (asset) liability as a percentage of covered payroll	-32.73%	-115.55%	-11.07%	-11.76%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2021

PSPRS Pension

	Reporting Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 37,206	\$ 37,206	\$ 77,082	\$ 96,882	\$ 41,105	\$ 56,891	\$ 47,395	\$ 32,420
Contributions in relation to the actuarially determined contribution	\$ (37,206)	\$ (37,206)	\$ (77,082)	\$ (96,882)	\$ (41,105)	\$ (56,891)	\$ (47,395)	\$ (32,420)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 271,408	\$ 135,433	\$ 46,040	\$ 222,930	\$ 197,055	\$ 174,038	\$ 256,882	\$ 153,791
Contributions as a percentage of covered payroll	13.71%	27.47%	167.42%	43.46%	20.86%	32.69%	18.45%	21.08%

PSPRS

Health Insurance Premium Benefit

	Reporting Fiscal Year			
	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 271,408	\$ 135,433	\$ 46,040	\$ 222,930
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

LAKE MOHAVE RANCHOS FIRE DISTRICT
Notes to Pension Plan Schedules
June 30, 2021

Note 1 - Actuarially Determined Contribution Rates

Actuarially 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	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years for underfunded liabilities; 20 years for excess.
Asset valuation method	7-year smoothed market; 80%/120% market corridor
 Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation; the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return decreased from 7.85% to 7.5%.
Projected salary increases	In the 2017 actuarial valuation, the projected salary increases were decreased from 4.0%-8.0% to 3.5% -7.5%. 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 4.0% to 3.5% for PSPRS In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS.
Retirement age	Experience-based tables 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	RP-2014 mortality tables, with 75% of MP-2016 fully generational projection scales.

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, the 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 contributions rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired or will retire after 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.

REPORT OF INTERNAL CONTROL AND ON COMPLIANCE

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Governing Board of Lake Mohave Ranchos Fire District
Dolan Springs, AZ

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lake Mohave Ranchos Fire District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lake Mohave Ranchos Fire District's basic financial statements, and have issued our report thereon dated January 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Lake Mohave Ranchos Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02 subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This is supplemental reporting for state compliance purposes only.

Purpose of this Report

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

BDR Richards, CPA's, PLC

Snowflake, AZ
January 18, 2022