

SUMMIT FIRE DISTRICT
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

SUMMIT FIRE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Board of Directors.....	3
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual-General Fund.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual-Debt Service Fund.....	16
Notes to the Basic Financial Statements	17
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension/OPEB Liability	45
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios	47
Schedule of Contributions.....	49
Notes to the Pension/OPEB Plan Schedules	53
Supplementary Information	
Required Disclosure for General Obligation Bonds, Series 2017.....	56

Other Communications from Independent Auditors:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditors' Report on State Legal Compliance	65



Independent Auditors' Report

To the Board of Directors of
Summit Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of Summit Fire District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Summit Fire District, as of June 30, 2020, and the respective changes in financial position, and the respective budgetary comparison for the general fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension/OPEB related schedules and notes on pages 4-7 and pages 45-54 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 October 11, 2020 on our consideration of the Summit 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Fire District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Gilbert, Arizona
October 11, 2020

BOARD OF DIRECTORS

Rick Parker

Chair

Jim Timney

Clerk

Jim Daskocil

Member

Michael Milich

Member

Rob Fauss

Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Summit Fire 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, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total liabilities exceed total assets (net position) by \$1,649,471 at the close of the fiscal year.
- Total net position decreased by \$854,676.
- Total revenues from all sources were \$5,689,733 and the total cost of all District programs was \$6,544,409.
- Total revenue received in the General Fund was \$1,242,238 less than the final budget and expenditures were \$1,066,202 less than the final budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities. Property and fire assistance taxes, intergovernmental revenues and charges for services finance most of this activity.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, 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 District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined liabilities exceed assets by \$1,649,471 as of June 30, 2020 as shown on the following condensed statement of net position.

	Governmental activities	
	June 30, 2020	June 30, 2019
Current and other assets	\$ 2,486,688	\$ 2,597,491
Capital assets	4,444,041	5,030,959
Total assets	<u>6,930,729</u>	<u>7,628,450</u>
Deferred outflows	2,313,356	2,112,298
Long-term liabilities outstanding	9,395,814	9,116,316
Other liabilities	713,775	721,308
Total liabilities	<u>10,109,589</u>	<u>9,837,624</u>
Deferred inflows	783,967	697,919
Net position:		
Invested in capital assets, net of related debt	1,185,694	1,593,958
Restricted - debt service and capital outlay	39,351	33,418
Unrestricted	<u>(2,874,516)</u>	<u>(2,422,171)</u>
Total net position (deficit)	<u>\$ (1,649,471)</u>	<u>\$ (794,795)</u>

Governmental Activities

The cost of all Governmental activities this year was \$6,544,409. Program revenues totaled \$860,056 and general revenues, including taxes, investment earnings and other revenues totaled \$4,829,677.

The District's programs includes: Public Safety (fire protection services). Each program's revenues and expenses are presented below.

	Governmental activities	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 723,647	\$ 671,560
Operating grants and contributions	136,409	101,521
Capital grants and contributions	-	417,331
General revenues:		
Taxes	4,758,918	4,521,289
Unrestricted interest earnings	35,305	47,747
Other revenues	35,454	344,726
Total revenues	<u>5,689,733</u>	<u>6,104,174</u>
Expenses:		
Public Safety	<u>6,544,409</u>	<u>6,020,415</u>
Total expenses	<u>6,544,409</u>	<u>6,020,415</u>
Increase/(decrease) in net position	(854,676)	83,759
Net position (deficit), beginning	(794,795)	(942,550)
Restatement adjustment	-	63,996
Net position (deficit), ending	<u>\$ (1,649,471)</u>	<u>\$ (794,795)</u>

Total resources available during the year to finance governmental operations were \$4,894,938 consisting of net position at July 1, 2019 of (\$794,795), program revenues of \$860,056 and General Revenues of \$4,829,677. Total Governmental Activities expenses during the year were \$6,544,409; thus Governmental Net Position decreased by \$854,676 to (\$1,649,471).

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$1,066,202 more than actual expenditures. Actual revenues were less than the final budget by \$1,242,238.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings and improvements, emergency vehicles, equipment and furniture and fixtures. At the end of fiscal year 2020, net capital assets of the government activities totaled \$4,444,041. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

Debt

At year end, the District had \$9,918,146 in governmental-type debt. This amount includes compensated absences, GO Bonds and related premium and net pension liability. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2021, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Gaillard, Chief, 8905 Koch Field Road, Flagstaff, AZ 86004 or call (928) 526-9537.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

SUMMIT FIRE DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,907,568
Receivables	389,413
Prepaid insurance	17,877
Deposit	42,905
Inventory	2,514
Net OPEB asset	126,411
Capital assets not being depreciated:	
Land	616,598
Capital assets, net of accumulated depreciation:	
Buildings and improvements	2,399,727
Emergency vehicles	925,400
Equipment	474,851
Furniture and fixtures	27,465
Total assets	6,930,729
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,298,171
Deferred outflows related to OPEB	15,185
Total deferred outflows	2,313,356
Liabilities	
Accounts payable and other current liabilities	191,443
Noncurrent liabilities:	
Due within one year	522,332
Due in more than one year	9,395,814
Total liabilities	10,109,589
Deferred Inflows of Resources	
Deferred inflows related to pensions	685,665
Deferred inflows related to OPEB	98,302
Total deferred inflows	783,967
Net Position	
Net investment in capital assets	1,185,694
Restricted for:	
Debt service and capital outlay	39,351
Unrestricted	(2,874,516)
Total net position (deficit)	\$ (1,649,471)

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

SUMMIT FIRE DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Governmental Activities
Expenses:	
Public safety - fire protection and emergency services	
Salaries, wages, and benefits	\$ 4,760,237
Repairs and maintenance	293,950
Insurance	52,391
Legal and professional	343,481
Operating expenses	264,846
Depreciation	310,881
Loss on disposal of capital assets	405,074
Interest	113,549
	6,544,409
 Program revenues:	
Charges for services	723,647
Operating grants and contributions	136,409
	860,056
 Total program revenues	 860,056
 Net program expenses	 5,684,353
 General revenues	
Property taxes	4,398,538
Fire District Assistance Tax (FDAT)	360,380
Investment earnings	35,305
Other revenues	35,454
	4,829,677
 Total general revenues	 4,829,677
 Change in net position	 (854,676)
 Net position (deficit) - beginning	 (794,795)
 Net position (deficit) - ending	 \$ (1,649,471)

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

SUMMIT FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Assets:			
Cash	1,872,987	34,581	\$ 1,907,568
Property tax receivables	147,235	8,245	155,480
Due from other governments	233,933	-	233,933
Prepaid insurance	17,877	-	17,877
Deposit	42,905	-	42,905
Inventory	2,514	-	2,514
Total Assets	2,317,451	42,826	2,360,277
Liabilities:			
Accounts payable	36,221	-	36,221
Accrued liabilities	155,222	-	155,222
Total Liabilities	191,443	-	191,443
Deferred Inflows of Resources			
Unavailable revenue - property taxes	89,592	3,475	93,067
Total deferred inflows of resources	89,592	3,475	93,067
Fund Balance:			
Nonspendable	63,296	-	63,296
Restricted	-	39,351	39,351
Assigned	561,445	-	561,445
Unassigned	1,411,675	-	1,411,675
Total Fund Balance	2,036,416	39,351	2,075,767
Total liabilities, deferred inflows of resources and fund balance	\$ 2,317,451	\$ 42,826	

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.	4,444,041
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	93,067
Some liabilities, including capital leases and net pension/OPEB liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,791,735)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	1,529,389
Net position (deficit) of governmental activities	\$ (1,649,471)

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

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 4,095,219	\$ 297,976	\$ 4,393,195
Fire district assistance tax	360,380	-	360,380
Grant income	136,409	-	136,409
Charges for services	723,647	-	723,647
Interest income	34,795	510	35,305
Miscellaneous income	35,454	-	35,454
Total Revenues	<u>5,385,904</u>	<u>298,486</u>	<u>5,684,390</u>
Expenditures:			
Current:			
Salaries and wages	2,899,797	-	2,899,797
Employee benefits	1,549,454	-	1,549,454
Legal and professional	343,481	350	343,831
Education and training	49,204	-	49,204
Insurance	52,391	-	52,391
Repairs and maintenance	293,950	-	293,950
Supplies	121,493	-	121,493
Utilities	94,023	-	94,023
Grant related expense	28,905	-	28,905
Miscellaneous	39,889	-	39,889
Debt service:			
Principal	-	168,470	168,470
Interest	-	123,733	123,733
Capital outlay	56,947	3,072	60,019
Total Expenditures	<u>5,529,534</u>	<u>295,625</u>	<u>5,825,159</u>
Excess of Revenues Over (Under) Expenditures	<u>(143,630)</u>	<u>2,861</u>	<u>(140,769)</u>
Net change in fund balance	(143,630)	2,861	(140,769)
Fund Balance - Beginning of Year	<u>2,180,046</u>	<u>36,490</u>	<u>2,216,536</u>
Fund Balance - End of Year	<u>\$ 2,036,416</u>	<u>\$ 39,351</u>	<u>\$ 2,075,767</u>

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

SUMMIT FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2020

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

Net change in fund balance - total governmental funds \$ (140,769)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (181,844)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, etc.) is to decrease net position. (405,074)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 178,654

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 net pension liability is measured a year before the District's report date. Pension expense, which is the change in net pension liability adjusted for changed in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities. (253,556)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes. 5,343

Some 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. This amount represent the change in accrued compensated absences and PSPRS refunds payable. (57,430)

Change in net position of governmental activities \$ (854,676)

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

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,091,613	\$ 4,091,613	\$ 4,095,219	\$ 3,606
Fire district assistance tax	360,000	360,000	360,380	380
Grant income	957,039	957,039	136,409	(820,630)
Charges for services	1,071,290	1,071,290	723,647	(347,643)
Interest income	-	-	34,795	34,795
Miscellaneous income	148,200	148,200	35,454	(112,746)
Total Revenues	<u>6,628,142</u>	<u>6,628,142</u>	<u>5,385,904</u>	<u>(1,242,238)</u>
Expenditures:				
Current:				
Salaries and wages	3,088,367	3,088,367	2,899,797	188,570
Employee benefits	1,500,610	1,500,610	1,549,454	(48,844)
Legal and professional	358,717	358,717	343,481	15,236
Education and training	-	-	49,204	(49,204)
Insurance	-	-	52,391	(52,391)
Repairs and maintenance	618,042	618,042	293,950	324,092
Supplies	-	-	121,493	(121,493)
Utilities	-	-	94,023	(94,023)
Grant related expense	930,000	930,000	28,905	901,095
Miscellaneous	-	-	39,889	(39,889)
Capital outlay	100,000	100,000	56,947	43,053
Total Expenditures	<u>6,595,736</u>	<u>6,595,736</u>	<u>5,529,534</u>	<u>1,066,202</u>
Excess of Revenues Over/(Under) Expenditures	<u>32,406</u>	<u>32,406</u>	<u>(143,630)</u>	<u>(176,036)</u>
Net change in fund balance	32,406	32,406	(143,630)	(176,036)
Fund Balance - Beginning of Year	<u>2,180,046</u>	<u>2,180,046</u>	<u>2,180,046</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,212,452</u>	<u>\$ 2,212,452</u>	<u>\$ 2,036,416</u>	<u>\$ (176,036)</u>

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

SUMMIT FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Debt Service Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 297,617	\$ 297,617	\$ 297,976	\$ 359
Interest income	-	-	510	510
Total Revenues	<u>297,617</u>	<u>297,617</u>	<u>298,486</u>	<u>869</u>
Expenditures:				
Current:				
Legal and professional	-	-	350	(350)
Debt service:				
Principal	173,884	173,884	168,470	5,414
Interest	-	123,733	123,733	-
Capital outlay	-	-	3,072	(3,072)
Total Expenditures	<u>173,884</u>	<u>297,617</u>	<u>295,625</u>	<u>1,992</u>
Excess of Revenues Over/(Under) Expenditures	<u>123,733</u>	<u>-</u>	<u>2,861</u>	<u>2,861</u>
Fund Balance - Beginning of Year	<u>36,490</u>	<u>36,490</u>	<u>36,490</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 160,223</u></u>	<u><u>\$ 36,490</u></u>	<u><u>\$ 39,351</u></u>	<u><u>\$ -</u></u>

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

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

Summit Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District is located north of Flagstaff, Arizona and is established to provide fire services to the citizens in the communities of Doney Park, Timberline, Fernwood and Highway 180 identified as the Fort Valley area. The District is governed by a board of directors that is elected by the residents of the District. The terms of the directors are staggered and each director serves for four years. The District has five fire stations to serve the residents of the District and also assists in out-of-district fires. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. The emphasis of the District's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government.

The **Debt Service Fund** is used to account for legally restricted tax levies of the District which are used to meet ongoing debt service requirements.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, Fire District Assistance Taxes (FDAT), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

Cash includes cash on hand, demand deposits with banks and deposits with the Coconino County Treasurer. The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. The District's inventory of materials and supplies related to the maintenance facility is recorded at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	5-39 years
Vehicles and equipment	5-20 years
Furniture and fixtures	5-15 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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. The government currently has one type of item which qualifies for reporting in this category. It is pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

In addition to liabilities, the statement of financial 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. The government has two types of items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and 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 ASRS and 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.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services rendered to the District. Fifty-six hour employees may accumulate up to 240 hours and forty hour employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. General sick leave benefits are cumulative and vest with employees based on years of service with the District and are accrued as compensated balances. The liability for vested compensated absences is recorded in the government-wide statements as a non-current liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 8,473,535
Accumulated depreciation	<u>(4,029,494)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 4,444,041</u>

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 129,037
Depreciation expense	<u>(310,881)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ (181,844)</u></u>

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the Board must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased.

Final Budget Adoption: State law specifies that exactly seven days prior to the day the property tax levy is adopted, the Board must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the Board.

For management purposes, the District adopts a budget for departments within the General Fund. The Fire Chief is authorized to transfer budgeted amounts within departments; however, any revisions that alter total expenditures must be approved by the Board. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 3. Stewardship, Compliance and Accountability (Continued)

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2020, if any.

Note 4. Deposits and Investments

Deposits as of the District at June 30, 2020 consist of the following:

	<u>Fair Value</u>
Deposits:	
Cash on hand (General Fund)	10,426
Cash in bank (General Fund)	3,246
Cash on deposit with the	
Coconino County Treasurer (General Fund)	1,859,315
Coconino County Treasurer (Debt Service Fund)	34,581
Total deposits	<u>\$ 1,907,568</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2020, none of the District's bank balance of \$1,937,180 was exposed to custodial credit risk because it was insured and collateralized.

The District maintains a bank account at a local bank to record bank activity related to wildland suppression.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 4. Deposits and Investments (Continued)

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2020.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no assets measured at fair value as of June 30, 2020.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

This section intentionally left blank

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 5. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2020:

Governmental Activities:	Balance 06/30/19	Additions	Deletions	Transfers	Balance 06/30/20
Capital assets, not being depreciated:					
Land and land improvements	\$ 916,598	\$ -	\$ (300,000)	\$ -	\$ 616,598
Construction in progress	416,000	-	-	(416,000)	-
Total capital assets, not being depreciated	<u>1,332,598</u>	<u>-</u>	<u>(300,000)</u>	<u>(416,000)</u>	<u>616,598</u>
Capital assets, being depreciated:					
Buildings and improvements	3,988,920	64,051	(153,343)	-	3,899,628
Emergency vehicles	2,660,375	38,288	(383,498)	416,000	2,731,165
Equipment	1,311,729	26,698	(180,496)	-	1,157,931
Furniture and fixtures	72,335	-	(4,122)	-	68,213
Total capital assets, being depreciated	<u>8,033,359</u>	<u>129,037</u>	<u>(721,459)</u>	<u>416,000</u>	<u>7,856,937</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,432,379)	(130,721)	63,199	-	(1,499,901)
Emergency vehicles	(2,076,509)	(99,498)	370,242	-	(1,805,765)
Equipment	(784,713)	(77,208)	178,841	-	(683,080)
Furniture and fixtures	(41,397)	(3,454)	4,103	-	(40,748)
Total accumulated depreciation	<u>(4,334,998)</u>	<u>(310,881)</u>	<u>616,385</u>	<u>-</u>	<u>(4,029,494)</u>
Total capital assets, being depreciated, net	<u>5,030,959</u>	<u>(181,844)</u>	<u>(405,074)</u>	<u>-</u>	<u>4,444,041</u>
Governmental activities capital assets, net	<u>\$ 5,030,959</u>	<u>\$ (181,844)</u>	<u>\$ (405,074)</u>	<u>\$ -</u>	<u>\$ 4,444,041</u>

Depreciation expense of \$310,881 was charged to the public safety function of the District.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

Governmental Activities:	Balance 06/30/19	Additions	Retirements	Balance 06/30/20	Current Portion
Compensated absences	\$ 341,015	\$ 279,570	\$ (222,140)	\$ 398,445	\$ 338,678
Net Pension/OPEB Liabilities	5,806,817	454,537	-	6,261,354	-
Notes from Direct Borrowings					
County Loan	193,880	-	(48,470)	145,410	48,470
Bonds from Direct Placements					
GO Bond, Series 2017	3,070,000	-	(120,000)	2,950,000	125,000
Unamortized premium	173,121	-	(10,184)	162,937	10,184
Total	\$ 9,584,833	\$ 734,107	\$ (400,794)	\$ 9,918,146	\$ 522,332

In February 2017, the District entered into a bond purchase agreement with Stifel, Nicolaus & Company, Incorporated. The Arizona General Obligation Bonds, Series 2017 have a par amount of \$3,300,000. Under the terms of the agreement, the average annual payment is \$242,160 with an all-in true interest cost of 3.78%. The balance outstanding at June 30, 2020 was \$2,950,000.

In June 2018, the District entered into a loan agreement with Coconino County in order to finance the first year's bond payments on the Arizona General Obligation Bonds, Series 2017 mentioned above. The loan payable to Coconino County totaled \$242,350. Under the terms of the agreement, annual principal payments will be made in the amount of \$48,470 with semi-annual interest payments at a rate of 2.20%. The balance outstanding at June 30, 2020 was \$145,410

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 6. Long-Term Debt (Continued)

The following is an annual schedule of future minimum debt payments with the present value of the net minimum debt payments for the years ended June 30th:

<u>Year</u>	Bonds Payable from Direct Placements and Notes Payable from Direct Borrowings		
	GO Bond, Series 2017	County Loan	Total
2021	\$ 243,000	\$ 51,669	\$ 294,669
2022	243,000	50,603	293,603
2023	242,800	49,003	291,803
2024	242,400	-	242,400
2025	241,800	-	241,800
2025-2029	1,207,400	-	1,207,400
2030-2034	1,210,400	-	1,210,400
2035-2037	488,400	-	488,400
Total remaining debt payments	4,119,200	151,275	4,270,475
Less: amount representing interest	(1,169,200)	(5,865)	(1,175,065)
Present value of net remaining minimum debt payments	\$ 2,950,000	\$ 145,410	\$ 3,095,410

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits

The District contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2020, 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	Governmental Activities
Net pension and OPEB asset	\$ 522	\$ 125,889	\$ 126,411
Net pension and OPEB liability	269,197	5,992,157	6,261,354
Deferred outflows of resources	40,204	2,273,152	2,313,356
Deferred inflows of resources	18,370	765,597	783,967

The District's accounts payable and other current liabilities includes \$33,119 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2020. Also, the District reported \$919,852 of pension and OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The District participates in the Arizona State Retirement System (ASRS). The 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. 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.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

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:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* 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 earning. 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 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.

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.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll.

The District's contributions to the pension, health insurance premium benefit, and long term disability plans for the year ended June 30, 2020, were \$22,797, \$976, and \$338, respectively.

Liability – At June 30, 2020, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 269,197
Health insurance premium benefit	(522)
Long-term disability	1,218

The net asset and liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. 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, 2019. The District's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	Proportion June 30, 2018	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.00176%	0.00185%	0.00009%
Health insurance premium benefit	0.00179%	0.00189%	0.00010%
Long-term disability	0.00176%	0.00187%	0.00011%

Expense—For the year ended June 30, 2020, the District recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 37,113
Health insurance premium benefit	654
Long-term disability	400

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

Deferred outflows/inflows of resources –At June 30, 2020, 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		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,863	\$ 51	\$ -	\$ 624	\$ 144	\$ -
Changes of assumptions or other inputs	1,138	10,720	1,027	-	182	-
Net difference between projected and actual earnings on pension plan investments	-	6,051	-	679	-	26
Changes in proportion and differences between contributions and proportionate share of contributions	8,696	219	-	-	43	-
Contributions subsequent to the measurement date	22,797	-	976	-	338	-
Total	<u><u>\$ 37,494</u></u>	<u><u>\$ 17,041</u></u>	<u><u>\$ 2,003</u></u>	<u><u>\$ 1,303</u></u>	<u><u>\$ 707</u></u>	<u><u>\$ 26</u></u>

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expense as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-term disability
2021	\$ 249	\$ (226)	\$ 35
2022	(3,052)	(226)	35
2023	(1,162)	64	61
2024	1,621	127	66
2025	-	(15)	56
Thereafter	-	-	90

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance
Recovery Rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent 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. 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 Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Totals	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. 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. 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/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Proportionate share of the	(6.5%)	(7.5%)	(8.5%)
Net pension liability	\$ 383,129	\$ 269,197	\$ 173,978
Net insurance premium benefit liability (asset)	2,646	(522)	(3,222)
Net long-term disability liability	1,348	1,218	1,092

Plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan description – District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS 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. 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).

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

This section intentionally left blank.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (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 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 months
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.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the agent pension plans’ benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	8	1
Active employees	32	32
Total	52	45

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. 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. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	District - Pension	District-Health insurance premium
PSPRS	7.65-11.65%	31.45%	0.34%
PSPRS Tier 3 risk pool	9.94%	9.73%	0.21%

Also, statute required the District to contribute at the actuarially determined rate of 16.27 percent (15.84 percent for pension and 0.43 percent for health insurance premium benefit) of the annual covered payroll of District employees who were PSPRS Tier 3 Risk Pool members, in addition to the District’s required contributions to the PSPRS Tier 3 Risk Pool for these District employees.

The District’s contributions to the plans for the year ended June 30, 2020 were:

	Pension		Health insurance premium benefit
PSPRS	\$ 690,197	\$	7,517
PSPRS Tier 3 risk pool	128,873		95

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

Liability – At June 30, 2020, the District reported a net pension liability of \$5,990,939 and a net OPEB asset of \$125,889. The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Individual 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 rates	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation 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 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 plan investment expense 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:

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short term investments	2.00%	0.25%
U.S. Equity	16.00%	4.75%
Non-U.S. Equity	14.00%	5.00%
Private Credit	16.00%	5.36%
Fixed Income	5.00%	3.00%
Private Equity	12.00%	8.40%
GTS	12.00%	4.01%
Real Assets	9.00%	6.75%
Real Estate	10.00%	4.50%
Risk Parity	4.00%	4.01%
Total	100.00%	

Discount Rate – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine this Single 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 actuarially determined contribution rates and the member rate. Based on these 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/OPEB liability.

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

Changes in the Net Pension/OPEB Liability

	Pension Increase (decrease)			Health insurance premium benefit 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 (a) - (b)
Balances at June 30, 2019	\$ 15,601,456	\$ 10,041,017	\$ 5,560,439	\$ 311,642	\$ 351,437	\$ (39,795)
Changes for the year:		-			-	
Service cost	508,129	-	508,129	7,612	-	7,612
Interest on total pension/OPEB liability	1,159,552	-	1,159,552	23,449	-	23,449
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(162,718)	-	(162,718)	(90,133)	-	(90,133)
Changes of assumptions	331,352	-	331,352	3,021	-	3,021
Contributions - employer	-	682,642	(682,642)	-	7,235	(7,235)
Contributions - employee	-	194,706	(194,706)	-	-	-
Net investment income	-	542,929	(542,929)	-	19,109	(19,109)
Benefit payments, including refunds of employee contributions	(879,914)	(879,914)	-	(4,744)	(4,744)	-
Plan administrative expenses	-	(10,433)	10,433	-	(330)	330
Other changes*	-	-	-	-	-	-
Net changes	956,401	529,930	426,471	(60,795)	21,270	(82,065)
Adjustment to beginning of year	-	(4,029)	4,029	-	4,029	(4,029)
Balances at June 30, 2020	\$ 16,557,857	\$ 10,566,918	\$ 5,990,939	\$ 250,847	\$ 376,736	\$ (125,889)

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 7. Pensions and Other Postemployment Benefits (Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the District's net pension/OPEB (asset) liability 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 (6.30%)	Discount Rate (7.30%)	1% Increase (8.30%)
Proportionate share of			
Net pension (asset) / liability	\$ 8,607,645	\$ 5,990,939	\$ 3,887,400

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

Expense and deferred outflows/inflows of resources – For the year ended June 30, 2020, the District recognized pension expense for PSPRS of \$819,070 and OPEB expense of \$7,612. At June 30, 2020, 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	\$ 384,105	\$ 668,624	\$ 698	\$ 85,257
Changes in assumptions	892,857	-	2,688	11,716
Net difference between projected and actual earnings on pension/OPEB plan investments	164,645	-	1,477	-
Contributions subsequent to the measurement date	819,070	-	7,612	-
Total	\$ 2,260,677	\$ 668,624	\$ 12,475	\$ 96,973

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 December 31	Pension	Health Insurance Premium Benefit
2021	\$ 235,045	\$ (12,626)
2022	113,653	(12,627)
2023	183,407	(10,152)
2024	179,088	(10,434)
2025	61,195	(11,829)
Thereafter	595	(34,442)

SUMMIT FIRE DISTRICT
Notes to the Financial Statements
June 30, 2020

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and natural disasters. The District has insurance protection and the limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

Note 9. Intergovernmental Agreements

On August 23, 2010, the District entered into an agreement with Pinewood Fire District (Pinewood) and Highlands Fire District (Highlands) for the purpose of establishing, operating and managing the interagency fire crew known as the Bear Jaw Fire and Fuels Module (Module). The purpose of the Module is to perform all aspects of hazard fuel mitigation, primarily thinning and burning, public education and wildfire suppression across the partner agency's jurisdictions. The District, Pinewood and Highlands shall equally share the cost of operating supplies and Americorps positions in the event that insufficient revenue is generated to cover these costs. The agreement may be terminated by any party upon thirty days written notice to the other parties. The District terminated its participation in the agreement in December 2019.

On January 1, 2016, the District entered into an agreement with the City of Flagstaff (City) for the City to provide management services to the District. The purpose of this agreement is to authorize the City Fire Chief to also function as the District Fire Chief. The initial term of the agreement is two years. The District and City extended the agreement effective September 2018. The District will compensate the City \$142,500 annually for the management services provided. The agreement may be terminated by either party upon thirty days written notice.

Note 10. Contingencies

The District is involved with various matters of litigation from year to year. It is the opinion of the District that these cases will be handled by the District's insurance coverage or that they will not have a material effect on the District's financial condition.

Required Supplementary Information

This page intentionally left blank.

SUMMIT FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2020

ASRS - Pension	Reporting Fiscal Year					
	(Measurement Date)					
	2020	2019	2018	2017	2016	2015
	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Proportion of the net pension liability (asset)	0.001850%	0.001760%	0.001760%	0.001780%	0.001148%	0.001148%
Proportionate share of the net pension liability (asset)	\$ 269,197	\$ 245,458	\$ 274,174	\$ 287,310	\$ 181,849	\$ 169,899
Covered payroll	\$ 194,654	\$ 174,784	\$ 171,421	\$ 171,772	\$ 116,192	\$ 79,080
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	138.30%	140.44%	159.94%	167.26%	156.51%	214.84%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Proportion of the net OPEB (asset)	0.001890%	0.001790%	0.001780%
Proportionate share of the net OPEB (asset)	\$ (522)	\$ (645)	\$ (969)
Covered payroll	\$ 194,654	\$ 174,784	\$ 171,421
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.27%	-0.37%	-0.57%
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Proportion of the net OPEB (asset)	0.001870%	0.001760%	0.0000176
Proportionate share of the net OPEB (asset)	\$ 1,218	\$ 920	\$ 638
Covered payroll	\$ 194,654	\$ 174,784	\$ 171,421
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.63%	0.53%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2020

PSPRS - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 508,129	\$ 482,000	\$ 538,989	\$ 405,614	\$ 422,334	\$ 439,618
Interest on total pension liability	1,159,552	1,098,327	1,002,553	878,953	771,693	708,033
Changes of benefit terms*	-	-	98,111	1,268,601	-	11,561
Difference between expected and actual experience of the total net pension liability	(162,718)	(249,080)	131,152	(301,119)	683,292	(478,387)
Changes of assumptions	331,352	-	332,203	511,145	-	335,837
Benefit payments, including refunds of employee contributions	(879,914)	(662,109)	(537,134)	(781,596)	(223,585)	(170,546)
Net change in total pension liability	956,401	669,138	1,565,874	1,981,598	1,653,734	846,116
Total pension liability - beginning	15,601,456	14,932,318	13,366,444	11,384,846	9,731,112	8,884,996
Total pension liability - ending (a)	<u>\$ 16,557,857</u>	<u>\$ 15,601,456</u>	<u>\$ 14,932,318</u>	<u>\$ 13,366,444</u>	<u>\$ 11,384,846</u>	<u>\$ 9,731,112</u>
Plan fiduciary net position						
Contributions - employer	\$ 682,642	\$ 743,606	\$ 469,097	\$ 378,117	\$ 341,378	\$ 358,783
Contributions - employee	194,706	219,044	269,996	266,970	304,232	229,772
Net investment income	542,929	658,019	976,342	48,805	291,993	910,407
Benefit payments, including refunds of employee contributions	(879,914)	(662,109)	(537,134)	(781,596)	(223,585)	(170,546)
Other (net transfer)	(10,433)	(357,842)	(8,930)	(126,556)	(13,579)	(303,804)
Net change in plan fiduciary net position	529,930	600,718	1,169,371	(214,260)	700,439	1,024,612
Plan fiduciary net position - beginning	10,041,017	9,440,299	8,270,928	8,485,188	7,784,749	6,760,137
Adjustment to beginning of year	(4,029)	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 10,566,918</u>	<u>\$ 10,041,017</u>	<u>\$ 9,440,299</u>	<u>\$ 8,270,928</u>	<u>\$ 8,485,188</u>	<u>\$ 7,784,749</u>
Net pension liability - ending (a) - (b)	<u>\$ 5,990,939</u>	<u>\$ 5,560,439</u>	<u>\$ 5,492,019</u>	<u>\$ 5,095,516</u>	<u>\$ 2,899,658</u>	<u>\$ 1,946,363</u>
Plan fiduciary net position as a percentage of the total pension liability	63.82%	64.36%	63.22%	61.88%	74.53%	80.00%
Covered employee payroll	\$ 2,034,325	\$ 2,238,735	\$ 2,427,878	\$ 2,164,428	\$ 2,250,452	\$ 2,220,970
Net pension liability as a percentage of covered-employee payroll	294.49%	248.37%	226.21%	235.42%	128.85%	87.64%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

SUMMIT FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2020

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 7,612	\$ 7,388	\$ 8,255
Interest on total OPEB liability	23,449	21,724	20,938
Changes of benefit terms*	-	-	3,362
Difference between expected and actual experience of the total net OPEB liability	(90,133)	(6,323)	992
Changes of assumptions or other inputs	3,021	-	(16,681)
Benefit payments	(4,744)	(2,041)	(2,025)
Net change in total OPEB liability	(60,795)	20,748	14,841
Total OPEB liability - beginning	311,642	290,894	276,053
Total OPEB liability - ending (a)	\$ 250,847	\$ 311,642	\$ 290,894
Plan fiduciary net position			
Contributions - employer	\$ 7,235	\$ 4,066	\$ 8,398
Net investment income	19,109	22,851	34,094
Benefit payments	(4,744)	(2,041)	(2,025)
Administrative expense	(330)	(348)	(302)
Net change in plan fiduciary net position	21,270	24,528	40,165
Plan fiduciary net position - beginning	351,437	326,909	286,744
Adjustment to beginning of year	4,029	-	-
Plan fiduciary net position - ending (b)	\$ 376,736	\$ 351,437	\$ 326,909
Net OPEB liability - ending (a) - (b)	\$ (125,889)	\$ (39,795)	\$ (36,015)
Plan fiduciary net position as a percentage of the total OPEB liability	150.19%	112.77%	112.38%
Covered employee payroll	\$ 2,034,325	\$ 2,238,735	\$ 2,427,878
Net OPEB liability as a percentage of covered-employee payroll	-6.19%	-1.78%	-1.48%

Note: The District implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2020

ASRS - Pension	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 22,797	\$ 21,762	\$ 19,051	\$ 18,479	\$ 11,803	\$ 11,075	\$ 11,086
Contributions in relation to the contractually required contribution	(22,797)	(21,762)	(19,051)	(18,479)	(11,803)	(11,075)	(11,086)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 200,624	\$ 194,654	\$ 174,784	\$ 171,421	\$ 171,772	\$ 116,192	\$ 79,080
Contributions as a percentage of covered payroll	11.36%	11.18%	10.90%	10.78%	6.87%	9.53%	14.02%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year		
	2020	2019	2018
Contractually required contribution	\$ 976	\$ 895	\$ 962
Contributions in relation to the contractually required contribution	(976)	(895)	(962)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 200,624	\$ 194,654	\$ 174,784
Contributions as a percentage of covered payroll	0.49%	0.46%	0.55%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year		
	2020	2019	2018
Contractually required contribution	\$ 338	\$ 311	\$ 280
Contributions in relation to the contractually required contribution	(338)	(311)	(280)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 200,624	\$ 194,654	\$ 174,784
Contributions as a percentage of covered payroll	0.17%	0.16%	0.16%

Note: The District implemented GASB 75 in fiscal year 2018. Prior year information is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2020

PSPRS-Pensions	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 826,682	\$ 682,642	\$ 743,606	\$ 469,097	\$ 378,117	\$ 341,378	\$ 358,783
Contributions in relation to the actuarially determined contribution	\$ (826,682)	\$ (682,642)	\$ (743,606)	\$ (469,097)	\$ (378,117)	\$ (341,378)	\$ (358,783)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,754,267	\$ 2,034,325	\$ 2,238,735	\$ 2,427,878	\$ 2,164,428	\$ 2,250,452	\$ 2,220,970
Contributions as a percentage of covered-employee payroll	30.01%	33.56%	33.22%	19.32%	17.47%	15.17%	16.15%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2014 is not available.

SUMMIT FIRE DISTRICT
Schedule of Contributions
June 30, 2020

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year		
	2020	2019	2018
Actuarially determined contribution	\$ 7,612	\$ 4,066	\$ 8,398
Contributions in relation to the actuarially determined contribution	\$ (7,612)	\$ (4,066)	\$ (8,398)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,754,267	\$ 2,034,325	\$ 2,238,735
Contributions as a percentage of covered-employee payroll	0.28%	0.20%	0.38%

Note: The District implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

SUMMIT FIRE DISTRICT
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2020

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 unfunded liabilities
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 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, the 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 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. 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%.

SUMMIT FIRE DISTRICT
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2020

Note 1. Actuarially Determined Contribution Rates (Continued)

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 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. Intergovernmental Agreements

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 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.

Supplementary Information

SUMMIT FIRE DISTRICT
Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2020

Real and Secured Property Taxes Levied and Collected (a)

Fiscal year	Secondary tax rate	District tax levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections to August 30, 2020	
			Amount	% of Levy	Amount	% of Levy
2019/20	3.250	\$ 4,089,829	\$ 3,984,982	97.43%	\$ 4,042,049	98.83%
2018/19	3.250	3,873,165	3,803,101	98.19	3,865,544	99.80
2017/18	3.250	3,655,714	3,577,741	97.87	3,648,636	99.81
2016/17	3.250	3,477,486	3,395,780	97.65	3,471,003	99.81
2015/16	3.250	3,338,690	3,270,322	98.08	3,332,440	99.81
2014/15	3.250	3,241,982	3,167,105	97.43	3,236,327	99.83
2013/14	3.250	3,270,161	3,213,421	97.88	3,265,226	99.85
2012/13	3.110	3,914,145	3,828,774	97.36	3,910,355	99.90

(a) Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collects (delinquent November 1) are waived if the full year's taxes are paid by December 31.

Net Limited Assessed Property Value by Property Classification (a)

Class	2019/20	2018/19
Commercial, industrial, utilities and mines	\$ 11,479,582	\$ 10,583,970
Agricultural and vacant	9,925,474	9,432,125
Residential (owner occupied)	89,283,075	84,448,579
Residential (rental)	23,346,689	21,218,172
Railroad	204,927	212,944
Totals	<u>\$ 134,239,747</u>	<u>\$ 125,895,790</u>

(a) Determined by Net Assessed Property Value. See "PROPERTY TAXES - Limited Property Value" and - "Secondary Taxes" herein for a discussion of the use of Net Limited Assessed Property Value for fiscal years 2015-16 and thereafter.

SUMMIT FIRE DISTRICT
Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2020

2019/20 Net Limited Assessed Property Value of Major Taxpayers

Major Taxpayer (a)	2019/20 Net Limited Assessed Property Value	As % of 2019/20 Net Limited Assessed Property Value
Transwestern Pipeline Company LLC	\$ 2,095,749	1.56%
Arizona Public Service Company	1,237,287	0.92
Doney Park Water	782,331	0.58
Kinder Morgan	612,155	0.46
Unisource Energy Corporation	549,584	0.41
Blazing Oak Inc.	456,426	0.34
Macarco VII	433,814	0.32
Stilley Properties LLC	382,809	0.29
Arizona Snowbowl Resort Ltd Partnership	317,782	0.24
BNSF Railway Company	328,525	0.24
	<u>\$ 7,196,462</u>	<u>3.82%</u>

(a)

Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Fillings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Fillings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Fillings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representation of the District, the Underwriter, Bond Counsel, or counsel to the Underwriter has examined the information set forth in the Fillings for accuracy or completeness, nor does any such representation assume responsibility for the same.

SUMMIT FIRE DISTRICT
Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2020

Direct General Obligation Bonded Debt Outstanding and to be Outstanding

Total General Obligation Bonded Debt Outstanding	\$ 2,950,000
New Bonds	<u>-</u>
Total General Obligation Bonded Debt Outstanding and to be Outstanding	<u><u>\$ 2,950,000</u></u>

Statutory Debt Limited/Unused Borrowing Capacity after Bond Issuance

2019/20 Debt limitation	
(6% of Net Limited Assessed Property Value)	\$ 8,054,385
Less: General Obligation Bonds Outstanding and to be Outstanding (a)	<u>(2,950,000)</u>
Unused Borrowing Capacity	<u><u>\$ 5,104,385</u></u>

(a) Includes the Bonds

This section intentionally left blank

SUMMIT FIRE DISTRICT
Supplementary Information
Required Disclosure for General Obligation Bonds, Series 2017
June 30, 2020

Direct and Overlapping General Obligation Bonded Debt

<u>Overlapping Jurisdiction</u>	General Obligation Bonded Debt (b)	<u>Portion Applicable to the District (a)</u>	
		Approximate Percent	Net Debt Amount
State of Arizona	None	0.19%	None
Coconino County	None	6.78	None
Coconino County Community College District	\$ 5,990,000	6.78	\$ 406,122
Flagstaff Unified School District No. 1*	40,390,000	9.88	3,990,532
Summit Fire and Medical District	3,300,000	100.00	3,300,000 (c)
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 7,696,654</u>

(a) Proportion applicable to the District is computed on the ratio of Net Limited Assessed Property Value for 2016/17

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Does not include presently authorized general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
Flagstaff Unified District No. 1	None *
Summit Fire and Medical District	None

* Reflects Flagstaff Unified School District No. 1's anticipated sale of \$10,190,000 remaining bonds on February 8, 2017.

(c) Includes the Bonds

This page intentionally left blank.

Other Communications from Independent Auditors

This page intentionally left blank.



**Independent Auditors' 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 Board of Directors of
Summit Fire District

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 Summit Fire District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Summit Fire District's basic financial statements, and have issued our report thereon dated October 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Summit Fire 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 Summit Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Summit Fire 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. We did not identify any deficiencies in internal control, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Summit Fire 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*.

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.



HintonBurdick, PLLC
Gilbert, Arizona
October 11, 2020



**Independent Auditors' Report on
State Legal Compliance**

Summit Fire District
Flagstaff, Arizona

We have audited the basic financial statements of Summit Fire District (the District) for the year ended June 30, 2020, and have issued our report thereon dated October 11, 2020. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

The management of Summit Fire District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

ARS 48-805.02 requires the audit or report to include an attestation by the auditor of the District as to the following:

1. That the District has not incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District general fund except for those liabilities as prescribed in section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807.
2. That the District complies with subsection F of section 48-805.
3. Whether the audit or report disclosed any information contrary to the certification made as prescribed by subsection D, paragraph 1 of section 48-805.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Summit Fire District complied, in all material respects, with the requirements identified above for the year ended June 30, 2020.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Sincerely,

HintonBurdick, PLLC
Gilbert, Arizona
October 11, 2020