



# TUBAC FIRE DISTRICT

★ ARIZONA ★

COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT

for the fiscal year  
ended June 30, 2020



Tubac Fire District



# TUBAC FIRE DISTRICT

## SANTA CRUZ COUNTY, ARIZONA



## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2020

Prepared by:

The James Vincent Group

**TUBAC FIRE DISTRICT**  
**YEAR ENDED JUNE 30, 2020**

**DRAFT**

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**YEAR ENDED JUNE 30, 2020**

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## INTRODUCTORY SECTION



December 16, 2020

To the Honorable Members of the Board and Citizens of Tubac Fire District:

The following is the Comprehensive Annual Financial Report (CAFR) of Tubac Fire District (TFD) for the fiscal year ending June 30, 2020. This CAFR report is intended to meet and exceed all legal reporting requirements that are borne by this jurisdiction. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Arizona Revised Statutes (ARS) 48-253 and 48-805(9) require an annual audit to be performed in accordance to the statutory requirements and in conformance to generally accepted government auditing standards. As such, the fiscal year audit has been performed by an independent certified public accounting firm, BeachFleischman PC. The auditors have issued an unmodified (“clean”) opinion on the Tubac Fire District’s financial statements for the year ended June 30, 2020.

The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

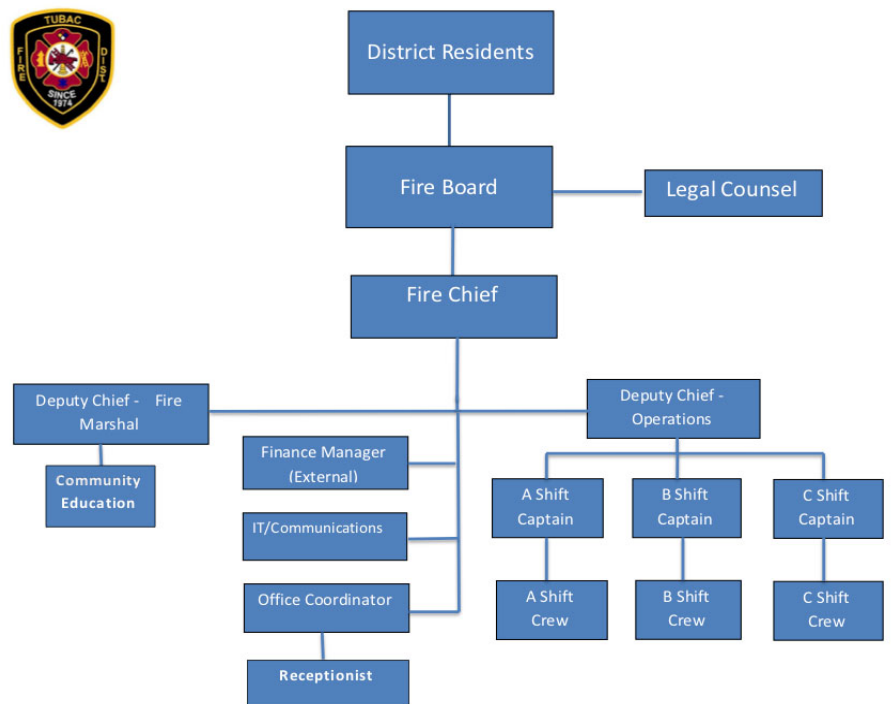
## **District Profile**

The Tubac Fire District was established in 1974. The District provides fire and emergency medical services, which include fire suppression, emergency medical response, rescue, fire prevention, public education, and various other non-emergency services such as venomous creature removal. Tubac Fire District operates from four fire stations, staffed by a minimum of seven operational personnel for twenty-four hours each day of the year. Each station is outfitted with a Type 1 engine, an ALS/BLS ambulance, water tender, and Type 6 brush truck to meet the emergency response needs of the community. All suppression personnel are dual trained in structural/wildland firefighting and certified EMT’s or Paramedics. The district is managed by five administrative staff and a five-person elected fire board.

Covering 595 square miles with an ambulance transport service area and 160 square miles of district response area the district has grown to serve an estimated 10,000 full time residents. The district responds to approximately 1,600 calls per year, providing fire protection and emergency medical services, ambulance transport, technical rescue, public education and fire prevention.

Recognized by the State of Arizona as a special taxing district, TFD operates under Arizona Revised Statutes (ARS) Title 48, Chapter 5. The District is a community service organization funded through limited assessed value property taxes. It is governed by a five-member Board elected by the public, comprised of a Board Chair and four Board Members, including a Board Clerk and Board Treasurer. All board members are elected at large and serve staggered four-year terms. The Board hires and has authority over a Fire Chief who is charged with managing day-to-day operations of the District. The Deputy Fire Chiefs directly report to the Fire Chief with direct supervision of the three shift Captains, along with indirect supervision of all operations personnel fire code compliance, plan review, and community education. The Board is required to adopt an annual budget which serves as the foundation for financial planning and control. The budget is prepared by fund, function, and object. A current organization chart follows:

### TUBAC FIRE DISTRICT-ORGANIZATIONAL CHART





The District responds to any emergency situation that threatens life, safety or property. The fire district through a regional communication center dispatches the closest available unit(s) with appropriate capabilities to control the emergency or provide the service. Timely response and effective management of medical, rescue and fire control situations represent the most immediate priorities of the Fire District.

TFD also responds to various non-emergency situations that are not routinely handled by other agencies or providers. These non-emergency responses would include things such as wellness checks, smoke detector installation, pest removals, and other situations to assist our residents. The TFD community risk reduction strategies are based on the premise that TFD can proactively attempt to safely and effectively address customer's needs and meet the basic goals of the TFD mission before someone must access the 911 system.

In early 2019, the Arizona Department of Health Services (AZDHS) awarded the Tubac Fire District with Premier EMS Agency Program (PEAP) status. The PEAP certification is awarded to an agency for utilization of electronic patient care reporting and quality assurance programs designed to optimize emergency patient care. Tubac Fire District staff regularly conduct quality assurance assessments on all time-sensitive emergencies related to suspected opioid overdose, cardiac arrest, ST-segment elevation myocardial infarction (STEMI), stroke, major trauma, and pediatric resuscitation. Data from these calls is then used to develop training, education, and policies that enhance patient care and outcomes.

## **About the Area**

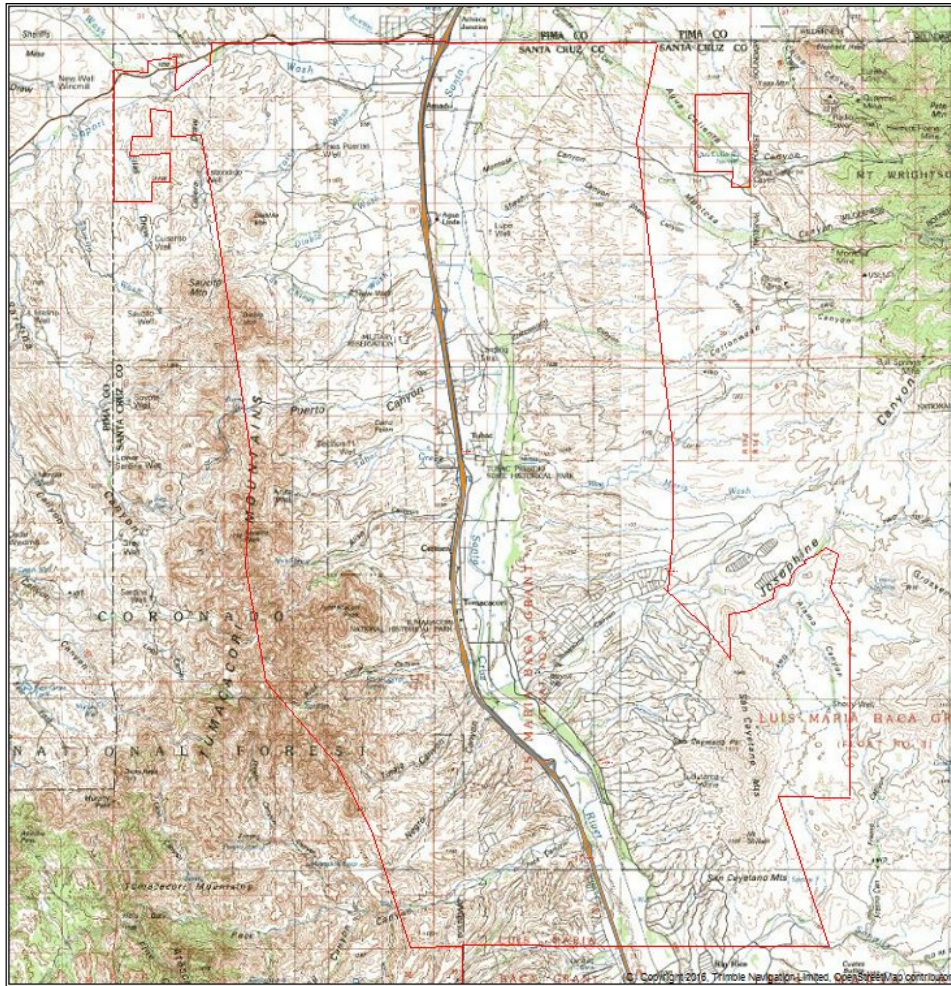
TFD serves residents and visitors of the communities of Tubac, Tumacacori, Carmen, and Rio Rico. The area was originally settled in the 1700's by Spanish soldiers and has become a destination for art and history enthusiasts. At an elevation of approximately 3200' the area has an average daily temperature of 82 degrees, with average annual rain fall of 17 inches. The area is internationally known for resorts, artist community, historic sites, and annual special events, including Festival of Arts, Art Walk, Anza Days, Art Experience, and Luminarias.



# Tubac Fire District



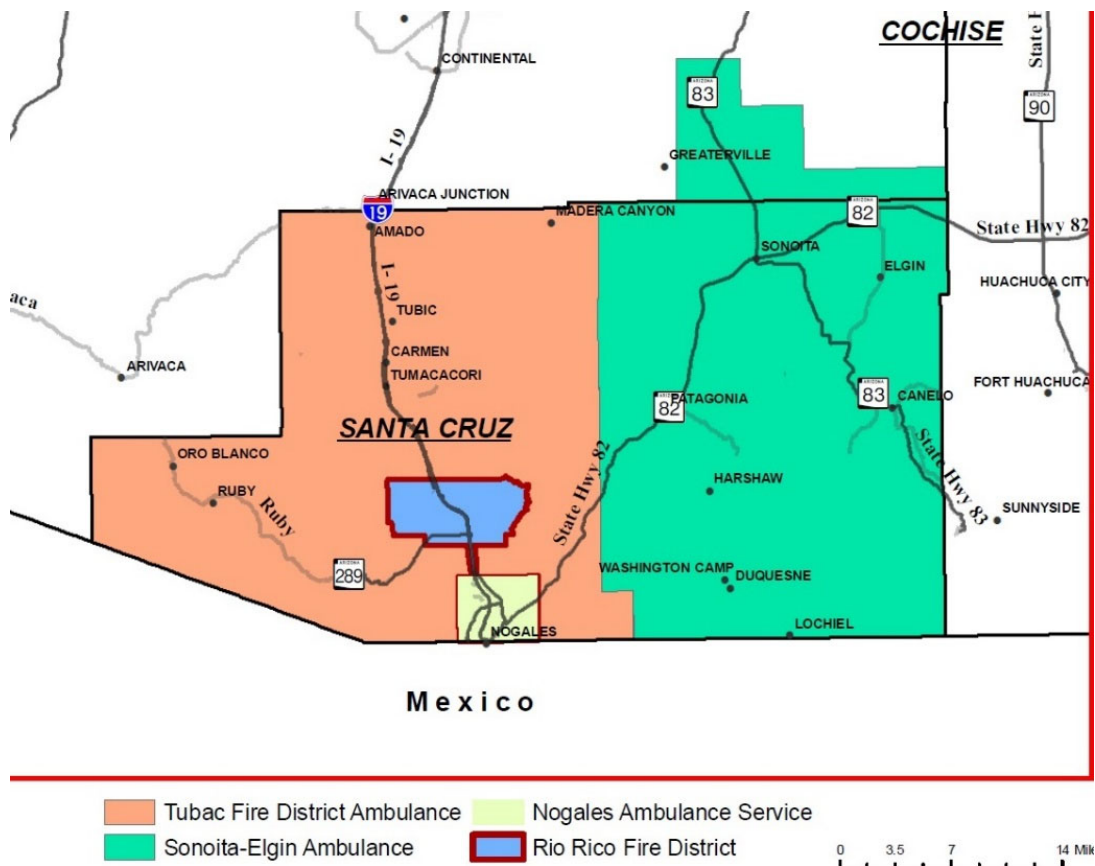
Tubac Fire District Boundary Map



# Tubac Fire District



Tubac Fire District Ambulance Service Map



A snapshot of TFD-Demographics and service levels includes:

District Size	160 square miles
Ambulance Transport Service Area	595 square miles
Full-time Resident Population	10,000
Stations	4
Fire and Rescue Service Staffing	7
Administrative and Support	4
Fire Prevention	1



## **Budget Overview**

The District budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting.

The Board adopts the general fund budget prior to the beginning of the fiscal year of the District. Throughout the budget process the Board reviews the budgeted expenses at the fund, function and object level. This is done to allow the Board, and participating community members, to gain a more detailed understanding of the budget and to be in compliance with Arizona Revised Statute 48-805.02(A) which requires a detailed estimate of expenditures. Although the Board reviews the budget at the fund, function and object level, the budget is approved at the fund level and sets the level by which actual expenditures should not exceed budgeted expenditures. The Board is not required to adopt a formal budget for capital purchases however transfers between funds require Board authorization, as do any transfers from Contingency.

Budgeted expenditures lapse at year-end and may not be carried over to subsequent years.

## **Local Economy and Outlook**

As with many communities, Covid-19 has created significant economic challenges. The uncertainty around Covid-19 and its overall impact on the local economy will take time to understand. The area is known for its tourism and recreation and they are therefore major contributors to the local economy. The uncertainty around Covid-19 and its effect on the local tourism economy will take time to understand its full impact on job growth, rising personal income, unemployment rate, the overall local economic activity.

Trends in net assessed value growth have been positive and economists predict that the increases in net assessed valuation should continue for the next several years.

During the period of 2011-2020 the area experienced population growth, and the area is expected to have population growth of 1.3-1.4% through 2050. District management and staff are working proactively and cooperatively with other governments, surrounding fire districts, and regional planning groups to ensure continued ability to serve this future population.



## **Long-term financial planning and major initiatives**

The district has developed a comprehensive five-year capital improvement plan. The capital improvement plan will sustain and enhance emergency response infrastructure by maintaining and replacing aging facilities and capital assets. This capital improvement plan forecasts the life expectancy and replacement and or maintenance costs for each of the District's long-term assets, as well as define the funding levels needed over each of the five years. The capital improvement plan is reviewed every year to ensure it captures the needs of the organization and is receiving adequate funding.

Tubac Fire District has three primary strategic initiatives. The first is a replacement of the District's Station #1, located in Tubac, and the busiest station within the District. Station #1 is over 45 years old, initially constructed when the District was an all-volunteer service. Station #1 is also the administrative hub for the District, housing four administrative staff. The second strategic initiative is to improve the current emergency dispatch system to include the use of mobile data terminals, pre-arrival instructions, integrated emergency call data with the District records management system, and GIS mapping. The third initiative is a continuation of a current District practice; to research, apply for, and utilize all grant opportunities available to the District. During the current year, the District received grant funding for wildland equipment. The District applied for and received a commitment to fund extrication equipment and radios for next fiscal year. There are many local, state, federal, and tribal grant programs available for fire district funding.

## **Relevant Financial Policies**

TFD has adopted a comprehensive set of financial policies. The policies are constantly evaluated for their effectiveness and how they keep the Governing Board and staff focused on increased internal controls, reporting and long-term sustainability. The policies implemented have been effective in protecting the District and its focus on maintaining service levels while also providing long term sustainability and success.

## **Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tubac Fire District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish easily readable and efficiently organized comprehensive





annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to express our sincere gratitude to the personnel of the finance department who assisted and contributed to the preparation of this report. Appreciation is also extended to Board Chair Mary Dahl, Members of the Board, the managers, employees and citizens of the District whose continued support is vital to the financial health of Tubac Fire District.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'CHeryl Horvath'.

Cheryl Horvath  
Fire Chief

A handwritten signature in black ink, appearing to read 'The James Vincent Group'.

The James Vincent Group  
Finance Director



## **Tubac Fire District**

List of Elected and Appointed Officials  
June 30, 2020

### **Elected Board Members**

	Term Expires
Board Chair Mary Dahl	November 30, 2020
Board Treasurer Candy Clancy	November 30, 2020
Board Clerk Mike Connelly	November 30, 2022
Board Member Bill Kirkpatrick	November 30, 2020
Board Member Herb Wisdom	November 30, 2022

### **Administrative Offices**

2227 E. Frontage Rd., Tubac, AZ 85646

#### **Fire Chief/Administrator**

Chief Cheryl Horvath

#### **Finance Director**

The James Vincent Group

#### **Legal Counsel**

Coppersmith Brockelman PLC

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Tubac Fire District  
Arizona**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

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**FINANCIAL SECTION**



## **Independent Auditors' Report**

Governing Board and Management  
Tubac Fire District  
Tubac, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Tubac 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 District'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 District'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 Tubac Fire District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tubac Fire District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of Tubac 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 Tubac Fire District's internal control over financial reporting and compliance.

Tucson, Arizona  
December 16, 2020

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**Management's Discussion and Analysis (MD&A)**  
**(Required Supplementary Information)**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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FISCAL YEAR ENDED JUNE 30, 2020

## INTRODUCTION

The management of Tubac Fire District (the District) presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

## FINANCIAL HIGHLIGHTS FOR THE YEAR

The total assets and deferred outflows of the Tubac Fire District were \$9,688,146 at the close of the fiscal year. The total assets and deferred outflows exceeded liabilities and deferred inflows by \$2,410,870. Of this amount \$438,292 represents the balance of the unrestricted net position.

The District realized a \$98,618 decrease in fund balances during the fiscal year. The decrease consists of excess revenues over expenditures of \$984,973, before capital expenditures of \$231,326, debt service payments and expenditures of \$874,865, and other financing sources of \$22,600.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,317,353. The change in fund balance for the general fund was an increase of \$205,645 for the fiscal year. The District Board and Administration are working diligently to enhance the financial position of the organization while still providing a high level of service to the community it serves.

Cash and investments decreased by \$235,502. Of this decrease, \$316,244 was in cash and investments that are restricted to repayment of general obligation bonds payable.

The long-term liabilities decreased by a net amount of \$570,196. This decrease is primarily due to scheduled payments on long-term debt.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



# Government-Wide Financial Statements

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The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt and direct placement obligation). They are intended to provide a broad overview in a manner similar to a private sector business. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

**Statement of Net Position** - The *Statement of Net Position (page 25)* presents information of all District's assets plus deferred outflows of resources, less liabilities, less deferred inflows 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.

**Statement of Activities** - The *Statement of Activities (page 26)* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## Fund Financial Statements

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

**Governmental Funds** - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District. Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget to levy taxes and provide for its general fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget and is presented on page 54.

**Notes to the Financial Statements** - The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Tubac Fire District, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,410,870 at the close of the 2020 fiscal year.

By far, the largest portion of net position of the District, \$1,736,233, reflects the District's investment in capital assets (land, buildings and improvements, fire equipment and vehicles), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be liquidated to service these liabilities.

The restricted portion of net position \$236,345 may be used to pay interest and principal payments on the outstanding bonds.

The remaining balance of unrestricted net position, \$438,292, reflects its cash and current account receivable less any current liabilities (e.g. accounts payable, accrued payroll, and compensated absences) and long-term liabilities not associated with capital assets. The District uses the cash balances to pay current and ongoing financial obligations in order to provide services to residents.

At the end of fiscal year 2020, the District is able to report positive balances in net position.

The following table reflects the condensed Statement of Net Position:

Tubac Fire District  
Condensed Statement of Net Position  
As of June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Cash and investments	\$ 1,903,291	\$ 1,822,549	\$ 80,742
Cash and investments, restricted	236,345	552,589	(316,244)
Other assets	723,250	481,343	241,907
Capital assets	<u>5,445,836</u>	<u>5,626,644</u>	<u>(180,808)</u>
Total assets	<u>8,308,722</u>	<u>8,483,125</u>	<u>(174,403)</u>
Total deferred outflows	<u>1,379,424</u>	<u>1,286,204</u>	<u>93,220</u>
Other liabilities	143,052	97,324	45,728
Long-term liabilities	<u>6,469,265</u>	<u>7,039,461</u>	<u>(570,196)</u>
Total liabilities	<u>6,612,317</u>	<u>7,136,785</u>	<u>(524,468)</u>
Total deferred inflows	<u>664,959</u>	<u>533,428</u>	<u>131,531</u>
Net investment in capital assets	1,736,233	1,154,375	581,858
Restricted	236,345	552,589	(316,244)
Unrestricted	<u>438,292</u>	<u>392,152</u>	<u>46,140</u>
Total net position	<u>\$ 2,410,870</u>	<u>\$ 2,099,116</u>	<u>\$ 311,754</u>

## Governmental Activities

The Net Position of the District from governmental activities increased from \$2,099,116 to \$2,410,870, a change of 15%. Key elements of these activities are as follows:

Unrestricted net position increased by \$46,140 primarily due to increases in property tax revenues and increases in operating and capital grants.

Net investment in capital assets increased by \$581,858 primarily due to repayments on long-term debt.

Restricted net position decreased by \$316,244 due to the timing of the District's bond payment at year end.

Charges for services decreased by \$67,171 due to a decrease in wildland deployments during the fiscal year.

Miscellaneous income decreased by \$12,371 due to a decrease in gains from the sale of capital assets.

Expenses for public safety increased by \$496,772 due to increases on maintenance expense for an aging fleet and equipment and an increase in grant expenses.

The following table reflects the Condensed Statement of Activities:

Tubac Fire District  
Condensed Statement of Activities  
For the Years Ended June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Program revenues:			
Charges for services	\$ 742,292	\$ 809,463	\$ (67,171)
Operating grants and contributions	327,784	7,188	320,596
Capital grants and contributions	151,978	-	151,978
General revenues:			
Property taxes	2,938,734	2,807,784	130,950
Fire District Assistance Tax	134,202	128,442	5,760
Rental income	198,786	191,577	7,209
Miscellaneous	99,897	112,268	(12,371)
Total revenues	<u>4,593,673</u>	<u>4,056,722</u>	<u>536,951</u>
Expenses:			
Public safety	4,169,720	3,672,948	496,772
Interest on long-term debt and direct placement obligation	<u>112,199</u>	<u>227,753</u>	<u>(115,554)</u>
Total expenses	<u>4,281,919</u>	<u>3,900,701</u>	<u>381,218</u>
Change in net position	311,754	156,021	155,733
Beginning net position	<u>2,099,116</u>	<u>1,943,095</u>	<u>156,021</u>
Ending net position	<u>\$ 2,410,870</u>	<u>\$ 2,099,116</u>	<u>\$ 311,754</u>

## DISTRICT FUNDS FINANCIAL ANALYSIS

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

**Governmental Funds** - The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Governing Board.

At June 30, 2020, the governmental funds of the District reported a combined fund balance of \$2,342,185.



**General Fund** - The general fund accounts for all of the financial resources of the District, which are not accounted for in any other fund. As of June 30, 2020, total fund balance was \$2,105,840, of which \$59,883 was nonspendable because of prepaid items, \$728,604 was assigned by management for future capital outlay, and \$1,317,353 was unassigned for financial reporting purposes. Total general fund balance increased by \$205,645 due to an increase in funds received for grants and contributions.

**Debt service Fund** - The Debt Service Fund accounts for the property tax levy dedicated to the payment of principal and interest on the general obligation bonds. As of June 30, 2020, the ending fund balance in the Debt Service Fund was \$236,345. Due to the timing of payments on bond obligations, the balance decreased by \$304,263.

The following statement provides the detail of the District fund balances:

Tubac Fire District Governmental Funds – Fund Balances As of June 30, 2020 and 2019				
Major funds	June 30, 2020		June 30, 2019	
	Amount	%	Amount	%
General				
Nonspendable	\$ 59,883	2.6 %	\$ 53,523	2.2 %
Assigned	728,604	31.1 %	728,023	29.8 %
Unassigned	1,317,353	56.2 %	1,118,649	45.8 %
Debt Service:				
Restricted	236,345	10.1 %	540,608	22.2 %
Total fund balance	\$ 2,342,185	100.0 %	\$ 2,440,803	100.0 %

## BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

Revenues were over budget by \$422,836, primarily due to the District being awarded a regional grant for the purchase of equipment.

Expenses were over budget by \$468,942 mainly due to an increase in grant expenditures, which included a regional grant with equipment passed through to other agencies.

Amounts budgeted for other financing uses consisted of amounts to be transferred for capital purposes. The budgeted amount was used for current year capital outlays in the general fund, in lieu of transferring to a capital projects fund to then make purchases out of.

Tubac Fire District  
Condensed Budget to Actual - General Fund  
As of June 30, 2020

	Budget	Actual	Variance with budget
Total revenues	\$ 3,649,964	\$ 4,072,800	\$ 422,836
Total expenditures	3,420,813	3,889,755	468,942
Revenue over (under) expenditures	229,151	183,045	(46,106)
Total other financing sources (uses)	(229,151)	22,600	251,751
Net change in fund balance	\$ -	\$ 205,645	\$ 205,645

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2020 totaled \$5,445,836 (net of accumulated depreciation). These assets include land, buildings and improvements, fire equipment, and vehicles.

During the year, the District purchased capital assets of \$231,326, which included communication and operating equipment.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. Additional information on the District's capital assets can be found in the notes to the basic financial statements.

Tubac Fire District  
 Capital Assets (net of depreciation)  
 As of June 30, 2020 and 2019

DRAFT

	Governmental Activities		Increase (decrease)
	2020	2019	
Land and buildings	\$ 6,563,740	\$ 6,572,060	\$ (8,320)
Fire equipment	1,718,178	1,520,769	197,409
Vehicles	3,061,206	3,522,372	(461,166)
Accumulated depreciation	<u>(5,897,288)</u>	<u>(5,988,557)</u>	<u>91,269</u>
	<u>\$ 5,445,836</u>	<u>\$ 5,626,644</u>	<u>\$ (180,808)</u>

Additional information regarding the capital assets of the District can be found in the notes to the financial statements at page 40 of this report.

## Long-Term Liabilities

At the end of the current fiscal year, the District had \$6,469,265 in long-term liabilities outstanding, a net decrease of \$570,196, or 8.1% from the prior year. The decrease is attributed to the advanced refunding of the direct placement obligation.

The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2020, the District had total general obligation bonds, direct placement obligation, and capital leases outstanding of \$3,709,603. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$500,000. All debt is backed by the full faith and credit of the District.

In accordance with GASB Statements No. 68 and 75, the District is required to include the net pension/OPEB liability (asset) on the financial statements. The net pension/OPEB liability is measured as the total pension/OPEB liability, less the plan's fiduciary net position. Relating to the District's participation in the Public Safety Personnel Retirement System (PSPRS), a net pension liability is recorded at June 30, 2020 of \$2,646,365 and a net pension/OPEB asset of \$(122,452).

The following table shows the District’s Long-term Liabilities:

Tubac Fire District  
Long-term Liabilities  
As of June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Compensated absences	\$ 113,297	\$ 107,010	\$ 6,287
General obligation bonds	-	325,000	(325,000)
Direct placement refunding bonds	3,475,646	3,861,800	(386,154)
Capital leases	233,957	285,469	(51,512)
Net pension/OPEB liability	<u>2,646,365</u>	<u>2,460,182</u>	<u>186,183</u>
Total noncurrent liabilities	<u>\$ 6,469,265</u>	<u>\$ 7,039,461</u>	<u>\$ (570,196)</u>

Additional information regarding the long-term debt of the District can be found in the notes to the financial statements at pages 41 - 42 of this report.

## ECONOMIC FACTORS AND FY 2021 BUDGET/TAX RATE

The District has continued to pursue every feasible method of reducing operational costs while providing the highest level of service to the community. Despite aggressive management of expenditures, costs continue to rise, such as employee benefits and required pension contribution rates. While the District realized a 4.95% increase in property values, the assessed value of the District remains significantly below (130,131,315) its peak in fiscal year 2010. The district’s tax rate remained the same as prior year at \$2.8500. In addition, the District has identified significant capital assets that will need to be purchased over the next 5 years. To assist with funding of the capital plan the district explored other options of financial resources such as the sale of a tower. After careful analysis and direction from professional services, management and the board of directors determined the sale of this tower was in the best interest of the district. The total net proceeds from the sale was \$3,913,379 which was received in October 2020.

## FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Fire Chief of the District at Tubac Fire District at 2227 E. Frontage Rd., Tubac, AZ 85646 or at 520-761-1066.

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## **Basic Financial Statements**

TUBAC FIRE DISTRICT

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STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 1,903,291
Receivables:	
Property taxes	229,674
Ambulance, net	73,697
Other	231,463
Prepaid items	59,883
Cash and investments, restricted	236,345
Capital assets, not depreciated	257,352
Capital assets, net of accumulated depreciation	5,188,484
Net pensions/OPEB assets	<u>128,533</u>
Total assets	<u>8,308,722</u>
Deferred outflows of resources:	
Deferred outflows related to pensions/OPEB	<u>1,379,424</u>
Total deferred outflows of resources	<u>1,379,424</u>
Liabilities:	
Accounts payable	29,494
Accrued payroll and related benefits	110,929
Accrued interest	2,629
Noncurrent liabilities:	
Due within one year	501,427
Due in more than one year	<u>5,967,838</u>
Total liabilities	<u>6,612,317</u>
Deferred inflows of resources:	
Deferred inflows related to pensions/OPEB	<u>664,959</u>
Total deferred inflows of resources	<u>664,959</u>
Net position:	
Net investment in capital assets	1,736,233
Restricted:	
Debt service	236,345
Unrestricted	<u>438,292</u>
Total net position	<u>\$ 2,410,870</u>

See notes to financial statements.



**TUBAC FIRE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

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	<u>Governmental activities</u>
Program expenses:	
Public safety, fire protection and emergency services:	
Administration	\$ 203,731
Communications	82,570
Depreciation	409,547
Other	293,131
Payroll taxes and employee benefits	862,688
Salaries and wages	1,860,245
Training and related	64,666
Utilities and station	180,492
Vehicles and equipment	212,650
Interest	<u>112,199</u>
Total program expenses	<u>4,281,919</u>
Program revenues:	
Charges for services	742,292
Operating grants and contributions	327,784
Capital grants and contributions	151,978
Rental income	<u>198,786</u>
Total program revenues	<u>1,420,840</u>
Net program expenses	<u>2,861,079</u>
General revenues:	
Property taxes	2,938,734
Fire district assistance tax	134,202
Investment earnings	3,917
Gain on sale of capital assets	20,013
Other	<u>75,967</u>
Total general revenues	<u>3,172,833</u>
Change in net position	311,754
Net position, beginning of year	<u>2,099,116</u>
Net position, end of year	<u>\$ 2,410,870</u>

See notes to financial statements.

TUBAC FIRE DISTRICT

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BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	General	Debt service	Total governmental funds
<b>Assets:</b>			
Cash and investments	\$ 1,903,291	\$ -	\$ 1,903,291
Receivables:			
Property taxes	229,674	-	229,674
Ambulance, net	73,697	-	73,697
Other	231,463	-	231,463
Prepaid items	59,883	-	59,883
Cash and investments, restricted	-	236,345	236,345
Total assets	\$ 2,498,008	\$ 236,345	\$ 2,734,353
<b>Liabilities:</b>			
Accounts payable	\$ 29,494	\$ -	\$ 29,494
Accrued payroll and related benefits	110,929	-	110,929
Accrued interest	2,629	-	2,629
Total liabilities	143,052	-	143,052
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	208,893	-	208,893
Unavailable revenue - ambulance	40,223	-	40,223
Total deferred inflows of resources	249,116	-	249,116
<b>Commitments and contingencies</b>			
<b>Fund balances:</b>			
Nonspendable:			
Prepaid items	59,883	-	59,883
Restricted:			
Debt service	-	236,345	236,345
Assigned:			
Capital projects	728,604	-	728,604
Unassigned	1,317,353	-	1,317,353
Total fund balances	2,105,840	236,345	2,342,185
Total liabilities, deferred inflows of resources and fund balances	\$ 2,498,008	\$ 236,345	\$ 2,734,353

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2020**

Total fund balances - governmental funds	\$ 2,342,185
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.	5,445,836
Net pensions/OPEB assets held in trust for future benefits are not available for District operations and, therefore, are not reported in the funds.	128,533
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	249,116
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(113,297)
Obligations under capital leases	(233,957)
Direct placement obligation	(3,475,646)
Net pension liability	(2,646,365)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions/OPEB	1,379,424
Deferred inflows of resources related to pensions/OPEB	<u>(664,959)</u>
Net position of governmental activities	<u>\$ 2,410,870</u>

TUBAC FIRE DISTRICT

**DRAFT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	General	Debt service	Total governmental funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Property taxes	\$ 2,443,276	\$ 496,261	\$ 2,939,537
Fire district assistance tax	134,202	-	134,202
Charges for services	738,647	-	738,647
Grants and contributions	479,762	-	479,762
Rental income	198,786	-	198,786
Investment earnings	2,160	1,757	3,917
Other	75,967	-	75,967
	<u>4,072,800</u>	<u>498,018</u>	<u>4,570,818</u>
Total revenues			
Expenditures:			
Public safety:			
Fire protection and emergency services	3,146,874	-	3,146,874
Administration and support	438,971	-	438,971
Capital outlay:			
Fire equipment	213,909	-	213,909
Vehicles	17,417	-	17,417
Debt service:			
Principal	51,512	711,154	762,666
Interest	21,072	91,127	112,199
	<u>3,889,755</u>	<u>802,281</u>	<u>4,692,036</u>
Total expenditures			
Other financing sources:			
Proceeds from sale of capital assets	22,600	-	22,600
	<u>22,600</u>	<u>-</u>	<u>22,600</u>
Total other financing sources			
Net change in fund balances	205,645	(304,263)	(98,618)
Fund balances, beginning of year	1,900,195	540,608	2,440,803
Fund balances, end of year	<u>\$ 2,105,840</u>	<u>\$ 236,345</u>	<u>\$ 2,342,185</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2020**

Net change in fund balances - governmental funds	\$	(98,618)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay		231,326
Depreciation expense		(409,547)
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources:		
Gain on sale of capital assets		20,013
Proceeds from sale of capital assets		(22,600)
Certain revenues relating to property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		2,842
District pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities:		
Pension/OPEB contributions		364,568
Pension/OPEB expense		(532,609)
Certain 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:		
Increase in compensated absences		(6,287)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current year, the amount consists of:		
Principal paid		<u>762,666</u>
Change in net position of governmental activities	\$	<u><u>311,754</u></u>

**TUBAC FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**DRAFT**

1. Description of organization and summary of significant accounting policies:

The accounting policies of Tubac Fire District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

Reporting entity:

The District, established in 1974 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries.

In accordance with GAAP, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

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

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

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

- charges to customers for services provided
- grants and contributions

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 1. Description of organization and summary of significant accounting policies (continued):

## Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

Real and personal property taxes are levied on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Santa Cruz County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources except those required to be accounted for in another fund.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

1. Description of organization and summary of significant accounting policies (continued):

Estimates:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the County Treasurer's local government investment pool and highly liquid investments. Investments are stated at fair value. Investment earnings are comprised primarily of interest earnings.

Cash and investments, restricted:

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 1. Description of organization and summary of significant accounting policies (continued):

## Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of any allowance for doubtful accounts. Accounts and property taxes receivables, which have been remitted within 60 days subsequent to year-end, are considered measurable and available and recognized as revenues in the fund financial statements. All other receivables are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property on the first day of January preceding assessment and levy.

Revenue from emergency medical transportation services are recognized as charges for services. These charges for services are reported at their estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care. The allowance for doubtful accounts, including contractual adjustments, at June 30, 2020 is approximately \$82,000. Amounts not collected by the District within 60 days subsequent to year-end are recorded as deferred inflows of resources in the fund financial statements.

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to year-end are recorded as deferred inflows of resources in the fund financial statements.

## Prepaid items:

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

## Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

1. Description of organization and summary of significant accounting policies (continued):

Capital assets (continued):

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

Land	Not depreciated	
Buildings and improvements		15 - 40 years
Fire equipment		5 - 10 years
Vehicles		5 - 10 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements. The general fund has typically been used to liquidate the liability for compensated absences in prior years.

Long-term obligations:

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

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows and inflows of resources:

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

Postemployment benefits:

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 1. Description of organization and summary of significant accounting policies (continued):

## Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board.

Unassigned – includes those fund balances within the general fund, which have not been classified within the above mentioned categories. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

1. Description of organization and summary of significant accounting policies (continued):

Budgetary information:

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end.

2. Cash and investments:

Deposits:

Operating accounts	\$ 1,853,123
--------------------	--------------

Investments:

Santa Cruz County Treasurer's investment pool	50,168
Santa Cruz County Treasurer's investment pool - restricted	<u>236,345</u>

\$ 2,139,636

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

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At June 30, 2020, deposits with financial institutions have a carrying value of \$1,853,123 and a bank balance of \$1,860,476. The difference represents deposits in transit, outstanding checks and other reconciling items at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

2. Cash and investments (continued):

Investments:

Monies levied by the District are invested with the Santa Cruz County Treasurer's Office and pooled with other local governments for investment. The District's investment in the County's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Santa Cruz County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary. The fair value of the investment pool is discussed in note 3.

The District's investments at June 30, 2020 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Santa Cruz County Treasurer's investment pool	Unrated	Not applicable	\$ 286,513

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

2. Cash and investments (continued):

Investments (continued):

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments unless the investment is denominated in the United States dollars.

3. Fair value:

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

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

At June 30, 2020, the fair value of investments measured on a recurring basis is as follows:

	<u>Fair value</u>	Other investments at fair value	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Santa Cruz County					
Treasurer	<u>\$ 286,513</u>	<u>\$ 286,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

The Santa Cruz County Treasurer's investment pool invests primarily in the State Treasurer's Local Government Investment Pool, corporate bonds, U. S. Treasury notes, and agency bonds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 4. Receivables:

Property taxes	\$ 229,674
Ambulance receivables	155,819
Other	<u>231,463</u>
	616,956
Less allowance for doubtful accounts and contractual adjustments	<u>82,123</u>
	<u>\$ 534,833</u>

## 5. Capital assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 257,352	\$ -	\$ -	\$ 257,352
Total capital assets, not depreciated	<u>257,352</u>	<u>-</u>	<u>-</u>	<u>257,352</u>
Capital assets, depreciated:				
Buildings and improvements	6,314,708	-	(8,320)	6,306,388
Fire equipment	1,520,769	213,909	(16,500)	1,718,178
Vehicles	<u>3,522,372</u>	<u>17,417</u>	<u>(478,583)</u>	<u>3,061,206</u>
Total capital assets, depreciated	<u>11,357,849</u>	<u>231,326</u>	<u>(503,403)</u>	<u>11,085,772</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,814,669)	(152,875)	6,540	(1,961,004)
Fire equipment	(1,268,363)	(93,095)	16,500	(1,344,958)
Vehicles	<u>(2,905,525)</u>	<u>(163,577)</u>	<u>477,776</u>	<u>(2,591,326)</u>
Total accumulated depreciation	<u>(5,988,557)</u>	<u>(409,547)</u>	<u>500,816</u>	<u>(5,897,288)</u>
Total capital assets, depreciated, net	<u>5,369,292</u>	<u>(178,221)</u>	<u>(2,587)</u>	<u>5,188,484</u>
Total capital assets, net	<u>\$ 5,626,644</u>	<u>\$ (178,221)</u>	<u>\$ (2,587)</u>	<u>\$ 5,445,836</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

6. Direct placement obligation:

On June 13, 2019, the District issued \$3,800,000 in private placement Series 2019 general obligation refunding bonds, with an interest rate of 2.36% to advance refund \$3,800,000 of outstanding 2009 Series A general obligation bonds with interest rates ranging from 3% to 5.5%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the applicable portion of the 2008 Series bonds, which were callable on July 1, 2019. As of June 30, 2020, there is no outstanding balance on the defeased bonds.

Future principal and interest payments are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 399,825	\$ 82,025	\$ 481,850
2022	409,260	72,589	481,849
2023	418,919	62,931	481,850
2024	428,805	53,044	481,849
2025	438,925	42,925	481,850
2026 - 2030	<u>1,379,912</u>	<u>65,638</u>	<u>1,445,550</u>
	<u>\$ 3,475,646</u>	<u>\$ 379,152</u>	<u>\$ 3,854,798</u>

7. Capital leases:

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

The assets acquired through capital leases are as follows:

Equipment	\$ 42,302
Vehicles	<u>254,492</u>
	296,794
Less accumulated depreciation	<u>50,952</u>
	<u>\$ 245,842</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

7. Capital leases (continued):

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year ending <u>June 30,</u>		
2021	\$	55,077
2022		55,077
2023		55,077
2024		38,135
2025		32,135
2026 -2030		<u>32,133</u>
Total minimum lease payments		267,634
Less amount representing interest		<u>33,677</u>
Net present value of minimum lease payments		233,957
Less current portion		<u>44,602</u>
	\$	<u><u>189,355</u></u>

8. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2020 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Compensated absences	\$ 107,010	\$ 69,446	\$ (63,159)	\$ 113,297	\$ 57,000
General obligation bonds - Series A (2009)	325,000	-	(325,000)	-	-
Direct placement obligation refunding - Series 2019	3,861,800	-	(386,154)	3,475,646	399,825
Capital leases	285,469	-	(51,512)	233,957	44,602
Net pension liability	<u>2,460,182</u>	<u>186,183</u>	<u>-</u>	<u>2,646,365</u>	<u>-</u>
	<u>\$ 7,039,461</u>	<u>\$ 255,629</u>	<u>\$ (825,825)</u>	<u>\$ 6,469,265</u>	<u>\$ 501,427</u>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEAR ENDED JUNE 30, 2020**

## 9. Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 10. Commitments and contingencies:

## Intergovernmental agreements:

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

## Legal proceedings:

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

## COVID-19:

The COVID-19 outbreak in the United States has caused business disruption. The extent of the COVID-19 impact on operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on District residents, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial statements is uncertain.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. Public Safety Personnel Retirement System (PSPRS):

The District contributes to the Public Safety Personnel Retirement System (PSPRS). This plan is a component unit of the State of Arizona.

At June 30, 2020, the District reported on the statement of net position and statement of activities the following aggregate amounts related to PSPRS:

	<u>Governmental Activities</u>
Net pension/OPEB assets	\$ 128,533
Net pension liabilities	2,646,365
Deferred outflows of resources related to pensions and OPEB	1,379,424
Deferred inflows of resources related to pensions and OPEB	664,959
Pension and OPEB expense	532,609

The District reported \$364,568 of pension and OPEB contributions as expenditures in the governmental funds related to all plans in which it contributes.

Plan descriptions - 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), which are not further disclosed because of their relative insignificance to the District's financial statements. The PSPRS issues a publicly available financial report that include financial statements and required supplementary information. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. Public Safety Personnel Retirement System (PSPRS) (continued):

	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5*, 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent:			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit:			
Retired members	80% to 100% of retired member's pension benefit		
Active member	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		

\* with actuarially reduced benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. Public Safety Personnel Retirement System (PSPRS) (continued):

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

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

Employees covered by benefit terms - At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	8	8
Inactive employees entitled to but not yet receiving benefits	4	2
Active employees	<u>20</u>	<u>20</u>
	<u><u>32</u></u>	<u><u>30</u></u>

Contributions - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates are a percentage of active members’ annual covered payroll. Contribution rates for the year ended June 30, 2020 are indicated below:

Active members - pension	7.65% - 11.65%
District:	
Pension	24.59 %
Health insurance	0.03 %

In addition, the District is required to contribute at the actuarially determined rate of 9.99% of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the PSPRS would typically fill and of employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the District’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

The District's contributions to the pension plan for the year ended June 30, 2020 were \$349,343, and contributions to the OPEB plan were \$426. During fiscal year 2020, the District paid for the pension and OPEB contributions from the general fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. Public Safety Personnel Retirement System (PSPRS) (continued):

Liability (asset) - At June 30, 2020, the District reported net pension liability of \$2,646,365 and a net OPEB (asset) of \$(122,452). The net liabilities (assets) were measured as of June 30, 2019, and the total liability used to calculate the net 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% to 7.3% 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	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pension/not applicable for OPEB
Price inflation	2.5% for pension/not applicable for OPEB
Cost-of-living adjustment	1.75% for pension/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	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 7.30% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 11. Public Safety Personnel Retirement System (PSPRS) (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. equity	16 %	4.75 %
Private credit	16 %	5.36 %
Non-U.S. equity	14 %	5.00 %
Private equity	12 %	8.40 %
GTS	12 %	4.01 %
Real estate	10 %	4.50 %
Real assets	9 %	6.75 %
Fixed income	5 %	3.00 %
Risk parity	4 %	4.01 %
Short-term investments	2 %	0.25 %
	<u>100 %</u>	

Discount rate - At June 30, 2019, the discount rate used to measure the total pension/OPEB liability was 7.30%, 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 the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

## 11. Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability -

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at June 30, 2019	\$ 8,924,776	\$ 6,464,594	\$ 2,460,182
Adjustment to beginning of year	-	(2,066)	2,066
Changes for the year:			
Service cost	286,044	-	286,044
Interest on the total pension liability	672,001	-	672,001
Differences between expected and actual experience in the measurement of the pension liability	(217,693)	-	(217,693)
Changes of assumptions or other inputs	227,826	-	227,826
Contributions - employer	-	329,177	(329,177)
Contributions - employee	-	108,791	(108,791)
Net investment income	-	353,228	(353,228)
Benefit payments, including refunds of employee contributions	(259,464)	(259,464)	-
Administrative expense	-	(7,135)	7,135
Net changes	708,714	524,597	184,117
Balances at June 30, 2020	\$ 9,633,490	\$ 6,987,125	\$ 2,646,365



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEAR ENDED JUNE 30, 2020**

## 11. Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net OPEB liability -

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
Balances at June 30, 2019	\$ 174,652	\$ 246,732	\$ (72,080)
Adjustment to beginning of year	-	2,067	(2,067)
Changes for the year:			
Service cost	5,463	-	5,463
Interest on the total OPEB liability	13,261	-	13,261
Differences between expected and actual experience in the measurement of the OPEB liability	(55,970)	-	(55,970)
Changes of assumptions or other inputs	1,804	-	1,804
Contributions - employer	-	(196)	196
Net investment income	-	13,288	(13,288)
Benefit payments, including refunds of employee contributions	(1,820)	(1,820)	-
Administrative expense	-	(229)	229
Net changes	(37,262)	11,043	(48,305)
Balances at June 30, 2020	\$ 137,390	\$ 259,842	\$ (122,452)

Sensitivity of the District's net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the District's net pension/OPEB (assets) liabilities calculated using the discount rate noted above, 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 (6.30%) or 1 percentage point higher (8.30%) than the current rate:

	1% decrease (6.30%)	Current discount rate (7.30%)	1% increase (8.30%)
District's net pension liability	\$ 4,074,148	\$ 2,646,365	\$ 1,495,164
District's net OPEB (asset)	\$ (102,701)	\$ (122,452)	\$ (138,909)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. Public Safety Personnel Retirement System (PSPRS) (continued):

Expense - For the year ended June 30, 2020, the District recognized pension expense (income) for PSPRS of \$567,214, and OPEB expense (income) of \$(16,287).

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	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 265,938	\$ 571,371	\$ -	\$ 85,511
Changes in assumptions	631,957	-	1,582	6,580
Net difference between projected and actual earnings on plan investments	100,648	-	997	-
Contributions subsequent to the measurement date	<u>349,343</u>	<u>-</u>	<u>426</u>	<u>-</u>
	<u>\$ 1,347,886</u>	<u>\$ 571,371</u>	<u>\$ 3,005</u>	<u>\$ 92,091</u>

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 ending <u>June 30,</u>	Pension	Health
2021	\$ 127,266	\$ (15,190)
2022	53,195	(15,192)
2023	99,892	(13,449)
2024	95,200	(13,640)
2025	50,171	(14,617)
Thereafter	<u>1,448</u>	<u>(17,424)</u>
	<u>\$ 427,172</u>	<u>\$ (89,512)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

12. Deferred compensation plan:

The District sponsors two 457(b) deferred compensation plans for all full-time employees that elect to participate in a plan. The District can make discretionary contributions to the plans. Employees are immediately vested in employer contributions to the plans. During the year ended June 30, 2020, the District did not make any contributions to the plans.

13. Subsequent event:

In October 2020, the District entered into an agreement to sell a wireless communications tower to an unrelated third party for approximately \$4 million. The tower was included in capital assets at June 30, 2020 and was fully depreciated.

**DRAFT**

**Required Supplementary Information**

TUBAC FIRE DISTRICT

**DRAFT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2020**

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,475,519	\$ 2,475,519	\$ 2,443,276	\$ (32,243)
Fire district assistance tax	130,445	130,445	134,202	3,757
Charges for services	820,000	820,000	738,647	(81,353)
Grants and contributions	35,000	35,000	479,762	444,762
Rental income	187,000	187,000	198,786	11,786
Investment earnings	2,000	2,000	2,160	160
Other	-	-	75,967	75,967
Total revenues	<u>3,649,964</u>	<u>3,649,964</u>	<u>4,072,800</u>	<u>422,836</u>
Expenditures:				
Public safety:				
Fire protection and emergency services	2,708,877	2,708,877	3,146,874	437,997
Administration and support	711,936	711,936	438,971	(272,965)
Capital outlay	-	-	231,326	231,326
Debt service	-	-	72,584	72,584
Total expenditures	<u>3,420,813</u>	<u>3,420,813</u>	<u>3,889,755</u>	<u>468,942</u>
Other financing sources (uses):				
Transfers out	(229,151)	(229,151)	-	229,151
Proceeds from sale of capital assets	-	-	22,600	22,600
Total other financing sources (uses)	<u>(229,151)</u>	<u>(229,151)</u>	<u>22,600</u>	<u>251,751</u>
Net change in fund balance	-	-	205,645	205,645
Fund balance, beginning of year	<u>1,900,195</u>	<u>1,900,195</u>	<u>1,900,195</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,900,195</u>	<u>\$ 1,900,195</u>	<u>\$ 2,105,840</u>	<u>\$ 205,645</u>

TUBAC FIRE DISTRICT

DRAFT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2020

(schedule to be built prospectively from 2015; 2014 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
<b>Total pension liability</b>										
Service cost	\$ 286,044	\$ 271,951	\$ 292,872	\$ 254,855	\$ 311,700	\$ 322,328	\$ -	\$ -	\$ -	\$ -
Interest	672,001	627,973	556,027	448,526	422,807	373,252	-	-	-	-
Benefit changes	-	-	76,713	481,586	-	43,868	-	-	-	-
Difference between expected and actual experience	(217,693)	(185,263)	146,756	330,885	(276,472)	(345,760)	-	-	-	-
Assumption changes	227,826	-	245,429	300,650	-	340,993	-	-	-	-
Benefit payments, including refunds of employee contributions	(259,464)	(280,058)	(189,768)	(81,270)	(122,710)	(73,459)	-	-	-	-
<b>Net change in total pension liability</b>	<b>708,714</b>	<b>434,603</b>	<b>1,128,029</b>	<b>1,735,232</b>	<b>335,325</b>	<b>661,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total pension liability, beginning</b>	<b>8,924,776</b>	<b>8,490,173</b>	<b>7,362,144</b>	<b>5,626,912</b>	<b>5,291,587</b>	<b>4,630,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total pension liability, ending (a)</b>	<b>\$ 9,633,490</b>	<b>\$ 8,924,776</b>	<b>\$ 8,490,173</b>	<b>\$ 7,362,144</b>	<b>\$ 5,626,912</b>	<b>\$ 5,291,587</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 329,177	\$ 344,874	\$ 197,996	\$ 240,121	\$ 216,319	\$ 229,281	\$ -	\$ -	\$ -	\$ -
Contributions - employee	108,791	108,585	180,772	205,184	163,261	159,842	-	-	-	-
Pension plan net investment income	353,228	424,694	637,304	29,535	169,662	519,359	-	-	-	-
Benefit payments, including refunds of employee contributions	(259,464)	(280,058)	(189,768)	(81,270)	(122,710)	(73,459)	-	-	-	-
Hall/Parker settlement	-	(230,149)	-	-	-	-	-	-	-	-
Administrative expense	(7,135)	(7,164)	(6,039)	(4,650)	(4,524)	-	-	-	-	-
Other	-	76	(18,836)	(1,797)	(3,402)	(139,272)	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>524,597</b>	<b>360,858</b>	<b>801,429</b>	<b>387,123</b>	<b>418,606</b>	<b>695,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position, beginning</b>	<b>6,464,594</b>	<b>6,103,736</b>	<b>5,302,307</b>	<b>4,915,184</b>	<b>4,496,578</b>	<b>3,800,827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adjustment to beginning of year	(2,066)	-	-	-	-	-	-	-	-	-
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 6,987,125</b>	<b>\$ 6,464,594</b>	<b>\$ 6,103,736</b>	<b>\$ 5,302,307</b>	<b>\$ 4,915,184</b>	<b>\$ 4,496,578</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net pension liability (asset), ending (a) - (b)</b>	<b>\$ 2,646,365</b>	<b>\$ 2,460,182</b>	<b>\$ 2,386,347</b>	<b>\$ 2,059,837</b>	<b>\$ 711,728</b>	<b>\$ 795,009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>72.53 %</b>	<b>72.43 %</b>	<b>71.89 %</b>	<b>72.02 %</b>	<b>87.35 %</b>	<b>84.98 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>
<b>Covered valuation payroll</b>	<b>\$ 1,326,240</b>	<b>\$ 1,214,065</b>	<b>\$ 1,242,562</b>	<b>\$ 1,304,272</b>	<b>\$ 1,403,883</b>	<b>\$ 1,607,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net pension liability as a percentage of covered valuation payroll</b>	<b>199.54 %</b>	<b>202.64 %</b>	<b>192.05 %</b>	<b>157.93 %</b>	<b>50.70 %</b>	<b>49.45 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

See accompanying notes to required supplementary information

TUBAC FIRE DISTRICT

DRAFT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2020

(schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
<b>Total OPEB liability</b>										
Service cost	\$ 5,463	\$ 5,099	\$ 5,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	13,261	12,416	15,476	-	-	-	-	-	-	-
Benefit changes	-	-	92	-	-	-	-	-	-	-
Difference between expected and actual experience	(55,970)	(7,187)	(48,339)	-	-	-	-	-	-	-
Assumption changes	1,804	-	(10,171)	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,820)	(1,820)	-	-	-	-	-	-	-	-
<b>Net change in total OPEB liability (asset)</b>	<b>(37,262)</b>	<b>8,508</b>	<b>(37,475)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total OPEB liability, beginning</b>	<b>174,652</b>	<b>166,144</b>	<b>203,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total OPEB liability, ending (a)</b>	<b>\$ 137,390</b>	<b>\$ 174,652</b>	<b>\$ 166,144</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ (196)	\$ 3,392	\$ 3,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
OPEB plan net investment income	13,288	16,073	23,959	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,820)	(1,820)	-	-	-	-	-	-	-	-
Administrative expense	(229)	(245)	(211)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>11,043</b>	<b>17,400</b>	<b>27,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position, beginning</b>	<b>246,732</b>	<b>229,332</b>	<b>201,611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adjustment to beginning of year	2,067	-	-	-	-	-	-	-	-	-
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 259,842</b>	<b>\$ 246,732</b>	<b>\$ 229,332</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability (asset), ending (a) - (b)</b>	<b>\$ (122,452)</b>	<b>\$ (72,080)</b>	<b>\$ (63,188)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<b>189.13 %</b>	<b>141.27 %</b>	<b>138.03 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>
<b>Covered valuation payroll</b>	<b>\$ 1,326,240</b>	<b>\$ 1,214,065</b>	<b>\$ 1,242,562</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability as a percentage of covered valuation payroll</b>	<b>(9.23)%</b>	<b>(5.94)%</b>	<b>(5.09)%</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

See accompanying notes to required supplementary information

**TUBAC FIRE DISTRICT**  
**SCHEDULE OF PENSION/OPEB CONTRIBUTIONS**

**YEAR ENDED JUNE 30, 2020**

**PSPRS - pension (schedule to be built prospectively from 2015; 2014 - 2011 information not available)**

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 349,343	\$ 356,780	\$ 330,704	\$ 240,121	\$ 216,319	\$ 229,281	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>349,343</u>	<u>356,780</u>	<u>50,996</u>	<u>240,121</u>	<u>216,319</u>	<u>229,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,521,977	\$ 1,326,240	\$ 1,214,065	\$ 1,242,562	\$ 1,304,272	\$ 1,403,883	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	22.95 %	26.90 %	27.24 %	19.32 %	16.59 %	16.33 %	- %	- %	- %	- %

**PSPRS - health (schedule to be built prospectively from 2018; 2017 - 2011 information not available)**

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 426	\$ -	\$ 871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>426</u>	<u>-</u>	<u>871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,521,977	\$ 1,326,240	\$ 1,214,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.03 %	- %	0.07 %	- %	- %	- %	- %	- %	- %	- %



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

1. Budgetary basis of accounting:

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

2. Pension and OPEB plan schedules:

Actuarially determined contribution rates:

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017: 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%. PSPRS members with initial membership on or after July 1, 2017: 7%
Salary increase	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)****YEAR ENDED JUNE 30, 2020**

## 2. Pension and OPEB plan schedules (continued):

## Actuarially determined contribution rates (continued):

Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 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).

## Factors that affect trends:

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee 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.

# DRAFT



**STATISTICAL SECTION**

## Statistical Section

This part of the comprehensive annual financial report of the District presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health of the District.

This section contains the following tables and information:

### **Financial Trends**

These schedules contain trend information to help the reader understand how the financial performance and well-being of the District have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the most significant local revenue source of the District – the property tax.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the current levels of outstanding debt of the District and its ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the financial activities of the District take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the financial report of the District relates to the services the District provides and the activities it performs.

**TUBAC FIRE DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investments in capital assets	\$ 1,736,233	\$ 1,154,375	\$ 1,354,386	\$ 1,411,333	\$ 1,455,911	\$ 991,258	\$ 819,307	\$ 905,501	\$ 1,116,890	\$ 637,904
Restricted	236,345	552,589	200,334	128,766	144,674	526,800	539,163	520,567	499,719	440,406
Unrestricted	<u>438,292</u>	<u>392,152</u>	<u>388,375</u>	<u>462,566</u>	<u>977,506</u>	<u>768,612</u>	<u>2,059,092</u>	<u>2,349,990</u>	<u>2,411,574</u>	<u>2,790,934</u>
Total governmental activities net position	<u>\$ 2,410,870</u>	<u>\$ 2,099,116</u>	<u>\$ 1,943,095</u>	<u>\$ 2,002,665</u>	<u>\$ 2,578,091</u>	<u>\$ 2,286,670</u>	<u>\$ 3,417,562</u>	<u>\$ 3,776,058</u>	<u>\$ 4,028,183</u>	<u>\$ 3,869,244</u>

Source: District financial records.

**TUBAC FIRE DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
Public Safety	\$ 4,169,720	\$ 3,672,948	\$ 3,870,756	\$ 3,961,328	\$ 3,659,450	\$ 4,024,189	\$ 4,235,949	\$ 4,540,077	\$ 4,385,089	\$ 4,482,264
Interest	112,199	227,753	237,044	250,218	264,126	-	-	-	-	-
Total primary government expenses	<u>4,281,919</u>	<u>3,900,701</u>	<u>4,107,800</u>	<u>4,211,546</u>	<u>3,923,576</u>	<u>4,024,189</u>	<u>4,235,949</u>	<u>4,540,077</u>	<u>4,385,089</u>	<u>4,482,264</u>
Program revenues										
Governmental activities:										
Charges for services	742,292	809,463	857,483	711,880	705,670	650,606	654,790	725,257	499,876	928,631
Capital grants & contributions	151,978	-	-	-	140,648	-	37,474	81,271	205,921	88,091
Operating grants & contributions	327,784	7,188	7,485	-	-	2,116	-	-	-	-
Total primary government revenues	<u>1,222,054</u>	<u>816,651</u>	<u>864,968</u>	<u>711,880</u>	<u>846,318</u>	<u>652,722</u>	<u>692,264</u>	<u>806,528</u>	<u>705,797</u>	<u>1,016,722</u>
Total primary government net expenses	<u>(3,059,865)</u>	<u>(3,084,050)</u>	<u>(3,242,832)</u>	<u>(3,499,666)</u>	<u>(3,077,258)</u>	<u>(3,371,467)</u>	<u>(3,543,685)</u>	<u>(3,733,549)</u>	<u>(3,679,292)</u>	<u>(3,465,542)</u>
General revenues & other changes in net position										
Property taxes	2,938,734	2,807,784	2,811,672	2,793,313	2,736,669	2,779,094	2,845,911	3,083,703	3,464,760	3,719,277
Fire district assistance tax	134,202	128,442	126,469	122,643	132,289	134,609	141,548	172,823	172,793	212,984
Investment earnings	3,917	5,614	15,135	980	685	829	1,342	2,042	5,326	8,942
Other	294,766	298,231	228,021	236,171	221,985	269,503	196,388	222,855	221,550	242,124
Total primary government	<u>3,371,619</u>	<u>3,240,071</u>	<u>3,181,297</u>	<u>3,153,107</u>	<u>3,091,628</u>	<u>3,184,035</u>	<u>3,185,189</u>	<u>3,481,423</u>	<u>3,864,429</u>	<u>4,183,327</u>
Extraordinary item	-	-	(228,867)	-	-	-	-	-	-	-
Change in net position										
Total primary government	<u>\$ 311,754</u>	<u>\$ 156,021</u>	<u>\$ (290,402)</u>	<u>\$ (346,559)</u>	<u>\$ 14,370</u>	<u>\$ (187,432)</u>	<u>\$ (358,496)</u>	<u>\$ (252,126)</u>	<u>\$ 185,137</u>	<u>\$ 717,785</u>

Source: District financial records.

**TUBAC FIRE DISTRICT**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund										
Nonspendable	\$ 59,883	\$ 53,523	\$ 34,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	728,604	728,023	-	-	-	-	-	-	-	-
Unassigned	<u>1,317,353</u>	<u>1,118,649</u>	<u>1,794,308</u>	<u>1,536,556</u>	<u>1,599,072</u>	<u>1,844,527</u>	<u>2,165,990</u>	<u>2,468,937</u>	<u>2,532,388</u>	<u>2,611,628</u>
Total general fund	<u>\$ 2,105,840</u>	<u>\$ 1,900,195</u>	<u>\$ 1,828,588</u>	<u>\$ 1,536,556</u>	<u>\$ 1,599,072</u>	<u>\$ 1,844,527</u>	<u>\$ 2,165,990</u>	<u>\$ 2,468,937</u>	<u>\$ 2,532,388</u>	<u>\$ 2,611,628</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	236,345	540,608	200,334	128,766	144,674	526,800	539,163	520,567	499,718	440,406
Committed	-	-	-	-	-	-	-	-	-	312,553
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 236,345</u>	<u>\$ 540,608</u>	<u>\$ 200,334</u>	<u>\$ 128,766</u>	<u>\$ 144,674</u>	<u>\$ 526,800</u>	<u>\$ 539,163</u>	<u>\$ 520,567</u>	<u>\$ 499,718</u>	<u>\$ 752,959</u>

Source: District financial records.

## TUBAC FIRE DISTRICT

### CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS AND DEBT SERVICE RATIO

#### LAST TEN FISCAL YEARS

#### (Accrual Basis of Accounting)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues</b>										
Taxes	\$ 2,939,537	\$ 2,807,518	\$ 2,821,929	\$ 2,711,483	\$ 2,795,589	\$ 2,779,094	\$ 2,845,911	\$ 3,083,703	\$ 3,464,760	\$ 3,719,276
Fire district assistance tax	134,202	128,442	126,469	122,643	132,289	134,609	141,548	172,823	172,793	212,984
Charges for services	738,647	849,091	811,105	759,506	725,056	650,606	654,790	725,257	499,876	928,631
Grants and contributions	479,762	7,188	7,485	-	-	2,116	37,474	81,271	205,921	88,091
Investment earnings	3,917	5,614	15,135	980	685	829	1,342	2,042	5,326	8,943
Other	274,753	268,921	228,021	236,171	-	269,503	196,387	222,855	221,550	242,124
<b>Total revenues</b>	<b>4,570,818</b>	<b>4,066,774</b>	<b>4,010,144</b>	<b>3,830,783</b>	<b>3,653,619</b>	<b>3,836,757</b>	<b>3,877,452</b>	<b>4,287,951</b>	<b>4,570,226</b>	<b>5,200,049</b>
<b>Expenditures</b>										
Public Safety	3,585,845	3,216,005	3,089,151	3,104,519	3,308,972	3,351,731	3,522,343	3,699,233	3,555,359	3,745,034
Capital outlay	231,326	525,914	10,349	13,889	53,646	234,887	52,419	58,582	489,618	1,102,715
Debt service:										
Principal	762,666	9,646	310,000	337,714	368,556	346,121	337,381	329,160	709,502	626,584
Interest	112,199	227,753	237,044	250,218	264,126	256,130	249,662	243,578	525,031	340,059
Debt issuance costs	-	61,800	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,692,036</b>	<b>4,041,118</b>	<b>3,646,544</b>	<b>3,706,340</b>	<b>3,995,300</b>	<b>4,188,869</b>	<b>4,161,805</b>	<b>4,330,553</b>	<b>5,279,510</b>	<b>5,814,392</b>
Excess (deficiency) of revenues	(121,218)	25,656	363,600	124,443	(341,681)	(352,112)	(284,353)	(42,602)	(709,284)	(614,343)
<b>Other financing sources (uses)</b>										
Proceeds from sale of capital assets	22,600	29,310	-	-	-	-	-	-	-	-
Issuance of capital lease obligations	-	295,115	-	-	-	-	-	-	400,000	-
Proceeds from refunding direct placement obligation	-	3,861,800	-	-	-	-	-	-	-	-
Payments to refunded debt escrow account	-	(3,800,000)	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>22,600</b>	<b>386,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (98,618)</b>	<b>\$ 411,881</b>	<b>\$ 363,600</b>	<b>\$ 124,443</b>	<b>\$ (341,681)</b>	<b>\$ (352,112)</b>	<b>\$ (284,353)</b>	<b>\$ (42,602)</b>	<b>\$ (309,284)</b>	<b>\$ (614,343)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>19.61 %</b>	<b>6.75 %</b>	<b>15.04 %</b>	<b>15.92 %</b>	<b>16.05 %</b>	<b>15.23 %</b>	<b>14.29 %</b>	<b>13.41 %</b>	<b>25.77 %</b>	<b>20.52 %</b>

Source: District financial records.



## TUBAC FIRE DISTRICT

### ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

#### LAST TEN FISCAL YEARS

Fiscal year	Real property	Personal property	Public utility property	Total				Assessed value as a % of actual value
	Residential & commercial property	Assessed value	Assessed value	Less: Tax exempt real property	Taxable assessed value	Direct tax rate	Estimated real market value	
2011	\$ 110,590,820	\$ 1,293,886	\$ 6,184,811	\$ 6,487,588	\$ 111,581,929	2.64	\$ 971,311,247	11.5 %
2012	101,526,771	1,248,480	8,868,548	7,007,748	104,636,051	2.64	910,614,226	11.5 %
2013	96,110,556	1,032,525	6,620,170	6,729,523	97,033,728	2.64	837,429,695	11.6 %
2014	87,179,944	894,850	6,643,726	6,304,559	88,413,961	2.64	763,728,974	11.6 %
2015	82,104,241	834,559	7,090,624	6,782,585	83,246,839	2.75	723,828,355	11.5 %
2016	79,930,070	1,254,066	8,003,476	6,889,155	82,298,457	2.75	721,433,809	11.4 %
2017	75,923,477	913,595	8,161,178	5,539,027	79,459,223	2.75	713,127,465	11.1 %
2018	77,686,702	1,274,547	8,284,935	5,489,043	81,757,141	2.75	732,443,779	11.2 %
2019	80,060,226	1,245,065	7,591,474	5,722,524	83,174,241	2.75	752,672,938	11.1 %
2020	83,729,532	738,560	8,381,292	5,989,053	86,860,331	2.85	788,549,051	11.0 %

Source: Santa Cruz County Tax Assessor

## TUBAC FIRE DISTRICT

### PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

#### LAST TEN FISCAL YEARS

Fiscal year	Tubac Fire District	Debt Service	Total District	Overlapping Rates		Total direct and overlapping rates
				Santa Cruz County	Santa Cruz County Unified School District	
2011	\$ 2.6400	\$ 0.5000	\$ 3.1400	\$ 3.4858	\$ 6.7557	\$ 13.3815
2012	2.6400	0.5700	3.2100	3.4858	6.7550	13.4508
2013	2.6400	0.6200	3.2600	3.4858	6.7238	13.4696
2014	2.6400	0.6500	3.2900	4.2058	6.2765	13.7723
2015	2.7500	0.6500	3.4000	4.4765	5.7221	13.5986
2016	2.7500	0.6800	3.4300	4.6703	5.7194	13.8197
2017	2.7500	0.7600	3.5100	4.6703	3.8639	12.0442
2018	2.7500	0.7500	3.5000	4.6978	4.4163	12.6141
2019	2.7500	0.6702	3.4202	4.7578	4.7844	12.9624
2020	2.8500	0.5714	3.4214	4.8778	4.3045	12.6037

Source: Santa Cruz County Tax Assessor

TUBAC FIRE DISTRICT

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PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

		June 30, 2020	
Taxpayer	Type of business	Assessed value	Percent of total assessed valuation
Crisantes Properties, LLC	Real Estate	\$ 2,146,815	2.47 %
Tubac Management Co LLC	Real Estate	1,387,687	1.60 %
Windward Partners XIII LLC	Real Estate	676,942	0.78 %
Amado Management LLC	Real Estate	553,392	0.64 %
Rio Rico Pacific LLC	Real Estate	463,012	0.53 %
Global Community Communications Alliance	Recreation	415,867	0.48 %
MR Investments #6 LLLP	Real Estate	357,833	0.41 %
Plaza De Anza LLC	Real Estate	349,909	0.40 %
De Anza Resort LLC	Hospitality	328,729	0.38 %
RN Limited Liability Company	Real Estate	281,094	0.32 %
		<u>\$ 6,961,280</u>	<u>8.01 %</u>
Total assessed value		<u>\$ 86,860,331</u>	

		June 30, 2011	
Taxpayer	Type of business	Assessed value	Percent of total assessed valuation
Santa Cruz Valley Dist #35 MT View Elem	Government	\$ 2,464,437	2.82 %
Lawyers Title Agency of Arizona LLC	Real Estate	2,101,437	2.41 %
Tubac Management Co LLC	Real Estate	1,901,376	2.18 %
Santa Cruz Valley Dist #3	Government	1,457,534	1.67 %
Vatere LLC	Real Estate	1,128,769	1.29 %
Windward Partners XIII LLC	Real Estate	997,394	1.14 %
Rio Rico Properties Inc	Real Estate	927,184	1.06 %
Vatere LLC	Real Estate	673,606	0.77 %
H/7 Corporation	Recreation	532,367	0.61 %
Rio Rico Properties	Real Estate	467,307	0.54 %
		<u>\$ 12,651,411</u>	<u>14.49 %</u>
Total assessed value		<u>\$ 87,299,400</u>	

Source: Santa Cruz County Assessor

**TUBAC FIRE DISTRICT**  
**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

Fiscal year	Operating property tax levy	Tax roll corrections*	Property tax levy (adjusted)	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
				Amount	% of levy		Amount	% of levy
2011	\$ 3,941,035	\$ -	\$ 3,941,035	\$ 3,719,276	94.4 %	\$ 221,072	\$ 3,940,348	100.0 %
2012	3,536,285	-	3,536,285	3,464,760	98.0 %	70,187	3,534,947	100.0 %
2013	3,208,806	-	3,208,806	3,083,703	96.1 %	123,586	3,207,289	100.0 %
2014	2,917,505	-	2,917,505	2,845,911	97.6 %	69,842	2,915,753	99.9 %
2015	2,845,135	-	2,845,135	2,779,094	97.7 %	63,594	2,842,688	99.9 %
2016	2,822,837	-	2,822,837	2,795,589	99.0 %	24,693	2,820,282	99.9 %
2017	2,789,019	-	2,789,019	2,711,483	97.2 %	73,150	2,784,633	99.8 %
2018	2,861,500	-	2,861,500	2,821,929	98.6 %	34,571	2,856,500	99.8 %
2019	2,844,725	-	2,844,725	2,710,972	95.3 %	55,561	2,766,533	97.3 %
2020	2,968,441	-	2,968,441	2,825,209	95.2 %	-	2,825,209	95.2 %

Source: Santa Cruz County Treasurer  
 \* This information could not be obtained

TUBAC FIRE DISTRICT

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RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal year	General obligation bonds		Capital lease debt	Total outstanding debt		
	Outstanding	Legal limit		Amount	Debt per capita	Percentage of personal income
2011	\$ 6,310,000	\$ 5,237,964	\$ 428,434	\$ 6,738,434	141.75	0.58 %
2012	6,060,000	6,278,163	368,933	6,428,933	131.95	0.53 %
2013	5,810,000	5,822,024	289,772	6,099,772	123.98	0.50 %
2014	5,555,000	5,304,838	207,392	5,762,392	115.67	0.45 %
2015	5,290,000	4,994,810	126,270	5,416,270	107.26	0.40 %
2016	4,730,000	4,937,907	42,714	4,772,714	93.58	0.34 %
2017	4,435,000	4,767,553	-	4,435,000	85.74	0.30 %
2018	4,125,000	4,905,428	-	4,125,000	78.74	0.24 %
2019	4,186,800	4,990,454	285,469	4,472,269	84.17	0.25 %
2020	3,475,646	5,211,620	233,957	3,709,603	69.78	0.18 %

Source: Personal income and population information can be found in the Demographic and Economic Statistics.

TUBAC FIRE DISTRICT

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DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

<u>Governmental Unit</u>	<u>Debt outstanding at June 30, 2019 *</u>	<u>Estimated percentage applicable</u>	<u>Estimated share of overlapping debt</u>
Debt repaid with property taxes:			
Santa Cruz County	\$ 104,160,036	30.44 %	\$ 31,704,752
Santa Cruz County Unified District	3,205,000	26.86 %	<u>860,895</u>
Subtotal, overlapping debt			32,565,647
Tubac Fire District direct debt			<u>3,709,603</u>
Total direct and overlapping debt			<u>\$ 36,275,250</u>

**Note: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the District. This Schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. The process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.**

Source: Arizona Department of Administration

\* Outstanding debt as of June 30, 2019 is the most recent information available.

**TUBAC FIRE DISTRICT**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net assessed value	\$ 86,860,331	\$ 83,174,241	\$ 81,757,141	\$ 79,459,223	\$ 82,298,457	\$ 83,246,837	\$ 88,413,961	\$ 97,033,728	\$ 104,636,051	\$ 87,299,400
Debt limit rate	6 %	6 %	6 %	6 %	6 %	6 %	6 %	6 %	6 %	6 %
Debt limit	5,211,620	4,990,454	4,905,428	4,767,553	4,937,907	4,994,810	5,304,838	5,822,024	6,278,163	5,237,964
Less bond and lease obligations	<u>(3,709,603)</u>	<u>(4,472,269)</u>	<u>(4,125,000)</u>	<u>(4,435,000)</u>	<u>(4,772,714)</u>	<u>(5,416,270)</u>	<u>(5,762,392)</u>	<u>(6,099,772)</u>	<u>(6,428,933)</u>	<u>(6,738,434)</u>
Legal debt margin	<u>\$ 1,502,017</u>	<u>\$ 518,185</u>	<u>\$ 780,428</u>	<u>\$ 332,553</u>	<u>\$ 165,498</u>	<u>\$ (395,444)</u>	<u>\$ (654,060)</u>	<u>\$ (779,095)</u>	<u>\$ (1,837,595)</u>	<u>\$ (1,500,470)</u>
Total net debt applicable to the limit as a percentage of debt limit	71.18 %	89.62 %	84.09 %	93.02 %	96.65 %	108.44 %	108.63 %	104.77 %	102.40 %	128.65 %

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

<u>Fiscal year</u>	<u>Population (Santa Cruz County)</u>	<u>Personal income (thousands of dollars)</u>	<u>Per capita income (Santa Cruz County)</u>	<u>Unemployment rate (Santa Cruz County)</u>
2011	47,539	1,159,970	24,400	16.5 %
2012	48,724	1,201,845	24,666	18.3 %
2013	49,200	1,220,160	24,800	17.3 %
2014	49,819	1,289,709	25,888	15.2 %
2015	50,495	1,358,316	26,900	11.0 %
2016	50,999	1,418,082	27,806	10.5 %
2017	51,728	1,500,331	29,004	9.7 %
2018	52,390	1,743,936	33,288	8.6 %
2019	53,136	1,816,567	31,213	8.4 %
2020	53,161	2,076,309	39,057	13.0 %

Sources: Santa Cruz County Finance Department and Office of Economic Opportunity - Arizona Labor Statistics



TUBAC FIRE DISTRICT

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PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	June 30, 2019		
	Employees	Rank	Percent of total employment
Nogales Unified School District #1	556	1	2.9 %
Santa Cruz County	400	2	2.1 %
Santa Cruz Valley Unified School District #35	396	3	2.1 %
Super Wal-Mart	357	4	1.8 %
Mariposa Community Health Center, Inc.	322	5	1.7 %
City of Nogales	280	6	1.4 %
Carondelet Health Network - Holy Cross Hospital	174	7	0.9 %
Tubac Golf Resort	169	8	0.9 %
US Customs and Border Protection*	N/A	-	- %
US Border Patrol*	N/A	-	- %
<b>Total</b>	<b>2,654</b>		<b>13.8 %</b>

Employer	June 30, 2011		
	Employees	Rank	Percent of total employment
Nogales Unified School District #1	591	1	3.1 %
US Customs and Border Protection	440	2	2.3 %
Santa Cruz Valley Unified School District #35	430	3	2.3 %
Super Wal-Mart	412	4	2.2 %
Santa Cruz County	373	5	2.0 %
City of Nogales	280	6	1.5 %
Mariposa Community Health Center, Inc.	233	7	1.2 %
Carondelet Health Network - Holy Cross Hospital	206	8	1.1 %
Tubac Golf Resort	170	9	0.9 %
US Border Patrol*	N/A	-	- %
<b>Total</b>	<b>3,135</b>		<b>16.6 %</b>

Source: Cochise College Center for Economic Research

\* Organization(s) did not disclose information requested due to employee safety concerns

Note: The most recent available information is for the year ended June 30, 2019.

Note: Information was not available for principal employers within only the District boundaries. Information presented is for the entire Santa Cruz County.

**TUBAC FIRE DISTRICT**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Emergency medical service calls	735	699	867	878	834	702	940	899	884	882
Fire responses	20	30	50	48	34	41	455	468	461	464
Other responses - including hazardous materials, mutual aid, public service	44	15	17	25	13	16	-	-	-	-
Miscellaneous - including false alarms, good intent	554	522	697	723	570	680	-	-	-	-

Source: various District departments

Note: Information from 2011 - 2014 for calls other than emergency medical service calls were not tracked by function. Therefore amounts reported for these years as fire responses also include other and miscellaneous responses.

**TUBAC FIRE DISTRICT**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Fire and rescue service	24	22	24	22	22	21	24	26	26	23
Administrative and support	5	5	7	7	8	9	9	10	11	11
Total	29	27	31	29	30	30	33	36	37	34

Source: District HR records

**TUBAC FIRE DISTRICT**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Number of Stations	4	4	4	4	4	4	4	4	4	4
Trailers (Modular/FEMA)	1	1	1	3	3	3	3	3	3	3
Equipment:										
Engines	5	5	5	5	5	5	5	5	5	5
Brush rigs	4	4	5	5	5	5	5	5	2	3
Rescue units	6	8	7	7	8	8	8	8	8	8
Tenders	2	2	3	3	3	3	3	3	3	2
Hazmat squad	1	1	1	1	1	1	1	1	1	1
Squad/support units	3	3	7	8	8	8	8	8	8	8
UTV/ATV	2	2	2	2	2	2	2	2	2	2

Source: District capital asset records

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**Report on Internal Control and on Compliance**

**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* and Report on Compliance with State  
of Arizona Regulatory Requirements**

Governing Board and Management  
Tubac Fire District  
Tubac, Arizona

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 Tubac 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 and have issued our report thereon dated December 16, 2020.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Report on Compliance with State of Arizona Regulatory Requirements**

In connection with our audit, nothing contrary came to our attention that caused us to believe that Tubac Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's general fund, except for those liabilities as prescribed in Arizona Revised Statutes section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with Arizona Revised Statutes section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tucson, Arizona  
December 16, 2020