

Sonoita-Elgin Fire District

**Statement of Cash Receipts,
Disbursements and Changes in Cash
and Investment Balances – Governmental Fund**

Year ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors and Management
of Sonoita-Elgin Fire District
Sonoita-Elgin, Arizona

We have audited the accompanying modified cash basis financial statement of cash receipts, disbursements and changes in cash and investment balances – governmental fund of Sonoita-Elgin Fire District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the District's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and changes in cash and investment balances of the governmental fund of Sonoita-Elgin Fire District as of and for the year ended June 30, 2020, in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 on our consideration of Sonoita-Elgin 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 Sonoita-Elgin Fire District's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of members of the governing board and management of the District, Santa Cruz and Pima Counties, and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Armstrong, LLP

Phoenix, Arizona
November 13, 2020

Sonoita-Elgin Fire District
Statement of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances - Governmental Fund
Year Ended June 30, 2020

	General Fund
Cash Receipts:	
Taxes:	
Property taxes	\$ 1,010,786
Fire district assistance tax	75,072
Charges for services	304,904
Intergovernmental	126,061
Expense reimbursement from other district	95,875
Contributions	6,079
Interest income	3,627
Other	14,057
Total cash receipts	1,636,461
Cash Disbursements:	
<i>Public safety-fire protection and emergency medical services:</i>	
Current:	
Salaries and wages	792,201
Employee benefits	224,934
Repairs and maintenance	137,608
Training and related	68,785
Administration expense	68,519
Fuels treatment	43,010
Utilities and communications	37,332
Insurance	30,248
Professional services	37,235
Other	5,574
Wildland related	470
Capital outlay	70,401
Debt service - principal	108,153
Debt service - interest	11,613
Total cash disbursements	1,636,083
Excess of cash receipts over disbursements	378
Cash and investments, beginning of year	755,177
Cash and investments, end of year	\$ 755,555

The accompanying notes are an integral
part of this financial statement.

**Sonoita-Elgin Fire District
Notes to Financial Statement
Year ended June 30, 2020**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Sonoita-Elgin Fire District (the “District”), was established in September 2006 pursuant to Arizona Revised Statute Title 48 and is a special-purpose government governed by a separately elected governing body and is legally separate and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, nor is the District combined with another reporting entity.

Basis of Presentation

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The *general fund* is the District’s primary operating fund which accounts for all financial resources except those required to be accounted for in another fund. The District reports the general fund as its only major governmental fund.

As required under Arizona Revised Statute, Title 48 § 251.A(1), the District has prepared this financial statement in a manner sufficient to report beginning and ending fund balance and all revenue and expenditures for the year ended June 30, 2020, presented on a modified cash basis. Fund balance is equal to the cash and investment balances as reported on the statement of cash receipts, disbursements and changes in cash and investment balances – governmental fund.

The financial statement is presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all items including the acquisition of capital assets are expensed as paid and receivables, prepaid expenses, payables and accrued expenses are not reported. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Furthermore, this financial statement does not include government-wide financial statements which are required by accounting principles generally accepted in the United States of America. Additionally, the District has elected not to present management's discussion and analysis or the budgetary comparison schedule of the general fund that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of, the basic financial statements.

Notes to Financial Statement - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Cash and Investments

Cash includes cash on hand, amounts in demand deposits and short-term investments with an original maturity date within three months of the acquisition date. Investments are carried at fair value. Changes in fair value and amortization of premiums/discounts relating to investments held by the District are reported as interest income.

Property Tax Calendar

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

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the Santa Cruz and Pima Counties Arizona's Board of Supervisors no later than the first day of August each year. The adopted budget is on the modified cash basis of accounting, which is a legally acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes which do not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash.

Estimates

The preparation of the basic financial statement may require management to make estimates and assumptions that affect certain disclosures in the notes to the financial statement. Actual results could differ from those estimates.

Note 2 – Cash and Investments

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices. 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. State statute requires collateral for deposits at 102 percent of deposits not federally insured.

Notes to Financial Statement - Continued

Note 2 – Cash and Investments - Continued

Cash on hand and deposits – At June 30, 2020, total cash on hand was \$700, the carrying amount of the total cash in bank was \$739,173 and the bank balances were \$774,290. At June 30, 2020, uninsured balances that were collateralized by securities held by the pledging institution were \$146,607 and uninsured and uncollateralized balances were \$13,300.

Investments

As of June 30, 2020, the District's investments consisted of amounts held with the Santa Cruz County Treasurer's Local Government Investment Pool totaling \$11,570 and amounts held with Pima County Treasurer's Local Government Investment Pool totaling \$4,112.

Santa Cruz and Pima County Treasurer's investment pools are not required to register (and are not registered) with the Securities and Exchange Commission and there is no regulatory oversight of their operations. Santa Cruz County is processing property tax receipts and disbursements to the District as an agency transaction.

The fair value of each participant's position in the Treasurers' investment pools approximate the value of the participant's share in the pool and the participant's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Credit risk – At June 30, 2020, all of the District's investments were invested in the Santa Cruz and Pima County investment pools which are not rated by rating agencies.

Custodial credit risk – For all investments, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest rate risk – At June 30, 2020, the District's investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

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

Note 3 – 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.

Notes to Financial Statement - Continued

Note 4 – Long-Term Liabilities

On August 15, 2016, the District entered into a lease purchase agreement for a new fire engine in the amount of \$518,067. The lease requires annual payments of \$80,973, including interest at 2.3% due annually commencing on August 15, 2017 and continuing through August 2023. The lease liability is secured by the underlying asset.

On October 15, 2016, the District entered into a lease purchase agreement for an ambulance in the amount of \$165,000. The lease requires annual payments of \$22,816, including interest at 2.3% due annually commencing on October 15, 2017 and continuing through October 2024. The lease liability is secured by the underlying asset.

The future principal and interest payments on long-term liabilities are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 94,297	\$ 9,492	\$ 103,789
2022	96,466	7,323	103,789
2023	98,685	5,104	103,789
2024	100,955	2,835	103,790
2025	22,303	513	22,816
Total	<u>\$ 412,706</u>	<u>\$ 25,267</u>	<u>\$ 437,973</u>

Note 5 – Capital Leases

During fiscal year 2018, the District acquired equipment under provisions of a long-term lease agreement classified as a capital lease. The agreement requires an advance payment of \$43,000 and monthly payments of \$3,065, including interest, commencing June 2018 and continuing through November 2019.

The remaining balance owed under the capital lease was paid in full during fiscal year 2020 and the District took ownership of the assets.

Note 6 – Retirement Plans

The District contributes to two retirement plans as described below. The plans are component units of the State of Arizona and benefits are established by State statute. The plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

Retirement Plan – Arizona State Retirement System

Plan description – The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit other postemployment benefit (OPEB) plan and a cost sharing multiple-employer defined benefit long-term disability (OPEB) plan that covers general employees of the District. OPEB information is not further disclosed because of its relative insignificance to the District’s financial statements. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

	Retirement initial membership date:	
	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

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

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

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

Contributions – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the plans for the year ended June 30, 2020, were \$15,850 which were paid from the general fund.

Liability – At June 30, 2020, the District's proportionate share of the ASRS net pension liability reported was \$160,063.

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

The District’s proportion measured as of June 30, 2019, was 0.00110 % and the change from its proportion measured as of June 30, 2018 was an increase of 0.00057 %.

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

ASRS

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

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS	<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected geometric real rate of return</u>
	Equity	50%	6.09%
	Credit	20%	5.36%
	Interest rate sensitive bonds	10%	1.62%
	Real estate	<u>20%</u>	5.85%
	Total	<u>100%</u>	

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

Discount rate – The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute.

Based on those assumptions, the 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 liability.

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability	\$ 227,806	\$ 160,063	\$ 103,447

Retirement Plan – Public Safety Personnel Retirement System

Plan description – The District has entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS) to cover all full-time personnel engaged in fire suppression activities and/or fire support under an agent multiple-employer defined benefit pension plan 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.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

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

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

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

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - 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	-	-
Inactive employees entitled to but not yet receiving benefits	10	-
Active employees	6	6
Total	16	6

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, active PSPRS members were required to contribute 7.65% of the members’ annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2020, was 13.25% for the pension plan, and 0.13% for the health insurance premium benefit. The District’s contributions to the plans for the year ended June 30, 2020, were \$74,957 which were paid out of the general fund.

Liability – At June 30, 2020, the District reported the following assets:

	<u>Net pension asset</u>	<u>Net OPEB asset</u>
PSPRS	\$ 625	\$ 28,719

The net assets were measured as of June 30, 2019, and the total liability used to calculate the net asset was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

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

PSPRS

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

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

Discount rate – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018.

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

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.

Changes in the net pension/OPEB liability:

PSPRS	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) – (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) – (b)
Balances at June 30, 2019	\$ 1,250,894	\$ 1,176,770	\$ 74,124	\$ 31,510	\$ 44,653	\$ (13,143)
Changes for the year:						
Service cost	120,998	-	120,998	2,704	-	2,704
Interest on the total liability	101,215	-	101,215	2,532	-	2,532
Differences between expected and actual experience in the measurement of the liability	(149,574)	-	(149,574)	(18,264)	-	(18,264)
Changes of assumptions or other inputs	13,388	-	13,388	268	-	268
Contributions—employer	-	55,725	(55,725)	-	476	(476)
Contributions—employee	-	43,039	(43,039)	-	-	-
Net investment income	-	64,119	(64,119)	-	2,381	(2,381)
Benefit payments, including refunds of employee contributions	(8,245)	(8,245)	-	-	-	-
Administrative expense	-	(2,107)	2,107	-	(41)	41
Net changes	77,782	152,531	(74,749)	(12,760)	2,816	(15,576)
Balances at June 30, 2020	\$ 1,328,676	\$ 1,329,301	\$ (625)	\$ 18,750	\$ 47,469	\$ (28,719)

Sensitivity of the District's net pension/OPEB liability (asset) to changes in the discount rate –

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

Notes to Financial Statement - Continued

Note 6 – Retirement Plans - Continued

	1% Decrease 6.3%	Current Discount Rate 7.3%	1% Increase 8.3%
Net pension liability (asset)	\$ 196,848	\$ (625)	\$ (159,857)
Net OPEB asset	\$ (25,848)	\$ (28,719)	\$ (31,103)

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