HIGHLANDS FIRE DISTRICT

Administrative Office • 3350 Old Munds Hwy • Flagstaff, AZ 86005

RESOLUTION NUMBER: 2024-11-19 (9)(D)

A RESOLUTION OF THE HIGHLANDS FIRE DISTRICT BOARD OF DIRECTORS TO REVIEW AND RECEIVE THE FISCAL YEAR 2024 AUDIT.

WHEREAS, A.R.S. §48-805.02 (G) requires the Highlands Fire District Boad of Directors to take formal action at a public hearing to review and receive the audit.

WHEREAS, the audit shall include an attestation by the auditor of the district as to all of the following:

1. That the district has not incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the district general fund except for those liabilities as prescribed in A.R.S. §48-805 (B), paragraph 2 and A.R.S. §§ 48-806 and 48-807.

2. That the district complies with A.R.S. §48-805.02 (F).

3. Whether the audit disclosed any information contrary to the certification made as prescribed by A.R.S. §48-805.02 (D) paragraph 1.

BE IT RESOLVED at a duly noticed public meeting of the Governing Board of the Highlands Fire District to review and receive the Highlands Fire District Audit for the Fiscal Year ending June 30, 2024 by majority vote of the Board Members.

APPROVED AND ADOPTED this 19th day of November, 2024 by the Highlands Fire District Board of Directors.

Chairperson of the Board

Clerk of the Board

Board Member

Board Member

Board Member

Coconino County, Arizona
Highlands Fire District District

Annual Report
Year Ended June 30, 2024

Street or PO Box: 3350 Old Munds Hwy
City: Flagstaff **Zip code:** 86005
Business telephone: (928) 525-1717
Completed by: Jayme Jones
Title: Administrative Assiatant III

Part A–Governing board members and officers of the District

Name	Occupation	Business telephone
Tom Hanecak	Coconino County	(928) 856-1618
Carl Nelson	APS	(520) 954-8468
Brad Bippus	Business Owner	(928) 606-9692
Jay Smith	Coconino County	(928) 525-4276
Dan Stoffel	NAU	(928) 380-5206

Coconino County, Arizona
Highlands Fire District District
Annual Report
Year Ended June 30, 2024

Part B–Schedule of District governing board regular meetings

Date	Time	Location of meeting	Locations of public notices
Third	5:00 PM	Highlands Fire District	Highlands Fire District, Station 23
Tuesday of		Station 23	3350 Old Munds Hwy
each month		3350 Old Munds Hwy	Flagstaff, AZ 86005
		Flagstaff, AZ 86005	
			Forest Highlands Golf Club Mailroom
			2043 Forest Highlands Drive
			Flagstaff, AZ 86001
			https://highlandsfire.specialdistrict.org/fire-board-meetings

Part C–Legal description of boundary changes occurring during the fiscal year

No annexed property this fiscal year

Coconino County, Arizona
Highlands Fire District District
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Part D–Schedule of revenues, expenditures, and changes in fund balances (for governmental fund types)

Basis of accounting: Modified accrual ☐ Cash ☐

	General Fund	Capital Projects Funds	Debt Service Funds	Funds
Revenues				
Taxes				
Special assessments				
Licenses and permits				
Intergovernmental:				
Federal				
State				
County				
Charges for services				
Fines and forfeits				
Interest on investments				
Rents				
Contributions, gifts, and donations				
Credit card incentives				
Miscellaneous				
Other revenues (itemize)				
Total revenues				
Expenditures				
Salaries and wages				
Employee benefits				
Administration				
Professional services				
Utilities and communications				
Insurance				
Repairs and maintenance				
Interest				
Capital outlay:				
Land				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Construction in progress				
Debt service:				
Principal retirement				
Interest and fiscal charges				
Miscellaneous				
Other expenditures (itemize)				
Total expenditures				

Please refer to ther audited statements prepared by Hinton Burdick Advisor & CPAs attached.

Part D–(Concl’d)

	General Fund	Capital Projects Funds	Debt Service Funds	Funds
Excess of revenues over (under) expenditures				
Other financing sources (uses)				
Transfers-in				
Transfers-out				
Proceeds from the sale of bonds				
Loan proceeds				
Lease agreements				
Subscription-based information technology arrangements				
Total other financing sources (uses)				
Excess of revenues and other sources over (under) expenditures and other uses				
Beginning fund balance— ___/___/____				
Ending fund balance— ___/___/____				

HIGHLANDS FIRE DISTRICT

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2024

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

HIGHLANDS FIRE DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report

To the Board of Directors of
Highlands Fire District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of Highlands Fire District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Highlands Fire District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HintonBurdick, PLLC
Mesa, Arizona
October 10, 2024

BOARD OF DIRECTORS

Tom Hanecak	**Chair**
Brad Bippus	**Clerk**
Carl Nelson	**Member**
Dan Stoffel	**Member**
Jay Smith	**Member**

CHIEF OFFICERS

Todd Miller	**Chief**
Josh Pond	**Battalion Chief**
Mitch Lopez	**Battalion Chief**
Chris Pond	**Battalion Chief**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Highlands Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by $5,548,594 at the close of the fiscal year.
- Total net position increased by $217,443.
- Total revenues from all sources were $6,503,794 and the total cost of all District programs was $6,286,351.
- Total revenue and other financing sources received in the General Fund were $3,021,664 more than the final budget and expenditures were $305 less than the final budget.
- Unassigned fund balance increased $235,553 during the fiscal year. The unassigned balance at June 30, 2024 was $4,833,471 compared to $4,597,918 at June 30, 2023.

USING THIS ANNUAL REPORT

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

Reporting the District as a Whole

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

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

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

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

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

- Government activities – All of the District's basic services are considered to be governmental activities. Property and fire assistance taxes, intergovernmental revenues and charges for services finance most of this activity.

- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets and deferred outflows exceed liabilities and deferred inflows by $5,548,594 as of June 30, 2024 as shown on the following condensed statement of net position.

	Governmental activities	
	6/30/2024	6/30/2023
Current and other assets	$ 5,955,730	$ 5,484,424
Non-current assets	3,009,128	1,328,298
Capital assets	9,516,514	7,298,834
Total assets	18,481,372	14,111,556
Deferred outflows	1,624,089	2,158,118
Long-term liabilities outstanding	12,833,509	9,816,120
Other liabilities	992,388	634,574
Total liabilities	13,825,897	10,450,694
Deferred inflows	730,970	487,828
Net position:		
Invested in capital assets, net of related debt	8,320,990	5,976,551
Unrestricted	(2,772,396)	(645,399)
Total net position	$ 5,548,594	$ 5,331,152

Governmental Activities

The cost of all Governmental activities this year was $6,286,351. Program revenues totaled $1,990,601 and general revenues, including taxes, investment earnings and other revenues totaled $4,513,192.

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

	Governmental activities	
	6/30/2024	6/30/2023
Revenues:		
Program revenues:		
Charges for services	$ 1,881,390	$ 1,581,118
Operating grants and contributions	38,168	196,308
Capital grants and contributions	71,043	30,000
General revenues:		
Taxes	4,246,883	4,053,260
Unrestricted interest earnings	194,440	96,085
Other revenues	71,870	25,808
Total revenues	6,503,794	5,982,579
Expenses:		
Public Safety	6,286,351	6,046,881
Total expenses	6,286,351	6,046,881
Increase/(decrease) in net position	217,443	(64,302)
Net position, beginning	5,331,152	5,395,455
Net position, ending	$ 5,548,594	$ 5,331,152

Total resources available during the year to finance governmental operations were $11,834,945 consisting of net position at July 1, 2023 of $5,331,152, program revenues of $1,990,601 and General Revenues of $4,513,192. Total Governmental Activities expenses during the year were $6,286,351; thus Governmental Net Position increased by $217,443 to $5,548,594.

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were $305 more than actual expenditures. Actual revenues and other financing sources were more than the final budget by $3,021,664 General obligation bond series 2024 debt proceeds and the associated capital outlay were not included in the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings and improvements, emergency vehicles, equipment and furniture and fixtures. At the end of fiscal year 2024, net capital assets of the government activities totaled \$9,516,514. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year end, the District had \$13,450,224 in governmental-type debt. This amount includes compensated absences, notes payable, bonds payable and net pension/OPEB liability. The significant increase in the current year is a result of the general obligation series 2024 bond issuance. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2025, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Todd Miller, Chief, 3350 Old Munds Hwy, Flagstaff, AZ 86005 or call (928) 525-1717.

BASIC FINANCIAL STATEMENTS

HIGHLANDS FIRE DISTRICT
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	$ 5,368,567
Receivables	545,314
Prepaid insurance	41,849
Non-current assets	
Restricted cash and cash equivalents	2,199,824
Net Pension/OPEB asset	809,304
Capital assets not being depreciated:	
Land	450,000
Construction in progress	2,105,904
Capital assets, net of accumulated depreciation:	
Buildings and improvements	5,538,498
Emergency vehicles	1,144,637
Equipment	277,475
Furniture and fixtures	-
Total assets	18,481,372
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,578,371
Deferred outflows related to OPEB	45,718
Total deferred outlows	1,624,089
Liabilities	
Accounts payable and other current liabilities	325,149
Accrued interest payable	50,524
Noncurrent liabilities:	
Due within one year	616,715
Due in more than one year	12,341,191
Net pension / OPEB liability	492,318
Total liabilities	13,825,897
Deferred Inflows of Resources	
Deferred inflows related to pensions	675,611
Deferred inflows related to OPEB	55,359
Total deferred inflows	730,970
Net Position	
Net investment in capital assets	8,320,990
Unrestricted	(2,772,396)
Total net position	$ 5,548,594

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

HIGHLANDS FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2024

	Governmental Activities
Expenses-Public safety	
Fire protection and emergency services	$ 5,590,991
Depreciation	369,699
Interest	325,661
Total program expenses	6,286,351
Program revenues:	
Charges for services	1,881,390
Operating grants and contributions	38,168
Capital grants and contributions	71,043
Total program revenues	1,990,601
Net program expenses	4,295,750
General revenues	
Property taxes	3,819,690
Fire District Assistance Tax (FDAT)	427,192
Unrestricted interest earnings	194,440
Other revenues	71,870
Total general revenues	4,513,192
Change in net position	217,442
Net position - beginning	5,331,152
Net position - ending	$ 5,548,594

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

HIGHLANDS FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2024

	General Fund	Total Governmental Funds
Assets:		
Cash and cash equivalents	$ 5,368,567	$ 5,368,567
Property tax receivables	105,810	105,810
Due from other governments	439,504	439,504
Prepaid insurance	41,849	41,849
Restricted cash and cash equivalents	2,199,824	2,199,824
Total Assets	8,155,554	8,155,554
Liabilities:		
Accounts payable	190,044	190,044
Accrued liabilities	135,105	135,105
Total Liabilities	325,149	325,149
Deferred Inflows of Resources		
Unavailable revenue - property taxes	81,511	81,511
Total deferred inflows of resources	81,511	81,511
Fund Balance:		
Nonspendable	41,849	41,849
Restricted	2,199,824	2,199,824
Assigned	673,750	673,750
Unassigned	4,833,471	4,833,471
Total Fund Balance	7,748,894	7,748,894
Total liabilities, deferred inflows of resources and fund balance	$ 8,155,554	$ 8,155,554

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

HIGHLANDS FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

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

Total governmental fund balances		$	7,748,894
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			9,516,514
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.			81,511
Some liabilities, including notes payable, bonds payable and net pension and OPEB liabilities and assets,are not due and payable in the current periodand therefore are not reported in the funds.			
Bonds payable	(12,575,000)		
Bond premium	(218,518)		
Accrued interest payable	(50,524)		
Compensated absences	(164,388)		
Net pension/opeb liability	(492,318)		
Net pension/opeb asset	809,304		
			(12,691,444)
Deferred inflows and outflows relating to pensions and OPEB do not provide or require current financial resources and are therefore not reported in the funds.			
Deferred inflows	1,624,089		
Deferred outflows	(730,970)		
			893,119
Net position of governmental activities		$	5,548,594

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

HIGHLANDS FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	General Fund	Total Governmental Funds
Revenues:		
Taxes	$ 3,818,885	$ 3,818,885
Fire district assistance tax	360,752	360,752
Smart and safe Arizona tax	66,440	66,440
Intergovernmental grant revenue	109,211	109,211
Charges for services	1,881,390	1,881,390
Interest income	194,440	194,440
Other revenues	71,870	71,870
Total Revenues	6,502,988	6,502,988
Expenditures:		
Public Safety:		
Salaries	3,264,024	3,264,024
Benefits	933,553	933,553
Administration	13,534	13,534
Professional services	171,180	171,180
Interagency expenses	275,766	275,766
Education and training	27,502	27,502
Insurance	43,716	43,716
Dues and subscriptions	2,411	2,411
Repairs and maintenance	126,810	126,810
Supplies	127,396	127,396
Utilities	78,408	78,408
Bear Jaw operating	29,482	29,482
Cooperative assignment	102,476	102,476
Miscellaneous	9,694	9,694
Debt service:		
Principal	422,283	422,283
Interest	278,982	278,982
Capital outlay	2,663,651	2,663,651
Total Expenditures	8,570,868	8,570,868
Excess of Revenues Over (Under) Expenditures	(2,067,880)	(2,067,880)
Other financing sources (uses)		
Debt proceeds	3,385,000	3,385,000
Costs of issuance	(72,520)	(72,520)
Premium on bond issuance	191,608	191,608
Total other financing sources (uses):	3,504,088	3,504,088
Net change in fund balance	1,436,208	1,436,208
Fund Balance - Beginning of Year	6,312,686	6,312,686
Fund Balance - End of Year	$ 7,748,894	$ 7,748,894

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

HIGHLANDS FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2024

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental funds	$ 1,436,208
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	2,217,680
Accrued interest for long-term debt is not recorded as an expenditure for the current year while it is recorded in the statement of activities.	(50,524)
The issuance of long-term liabilities (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,150,480)
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changed in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities.	(208,414)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	806
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(27,834)
Change in net position of governmental activities	$ 217,442

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

HIGHLANDS FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget and Actual
For the Year Ended June 30, 2024

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes	$ 3,816,699	$ 3,816,699	$ 3,818,885	$ 2,186
Fire district assistance tax	360,000	360,000	360,752	752
Smart and safe Arizona tax	60,000	60,000	66,440	6,440
Intergovernmental grant revenue	247,799	247,799	109,211	(138,588)
Charges for services	2,529,434	2,529,434	1,881,390	(648,044)
Interest income	24,000	24,000	194,440	170,440
Other revenues	20,000	20,000	71,870	51,870
Total Revenues	7,057,932	7,057,932	6,502,988	(554,944)
Expenditures:				
Public Safety:				
Salaries	3,320,957	3,320,957	3,264,024	56,933
Benefits	1,051,072	1,051,072	933,553	117,519
Administration	23,215	23,215	13,534	9,681
Professional services	239,405	239,405	171,180	68,225
Interagency expenses	1,385,000	1,385,000	275,766	1,109,234
Education and training	57,250	57,250	27,502	29,748
Insurance	44,000	44,000	43,716	284
Dues and subscriptions	2,845	2,845	2,411	434
Repairs and maintenance	132,440	132,440	126,810	5,630
Supplies	177,200	177,200	127,396	49,804
Utilities	60,300	60,300	78,408	(18,108)
Bear Jaw operating	23,500	23,500	29,482	(5,982)
Cooperative assignment	115,000	115,000	102,476	12,524
Miscellaneous	11,290	11,290	9,694	1,596
Contingencies	549,909	549,909	-	549,909
Debt service:				
Principal	423,151	423,151	422,283	868
Interest	278,982	278,982	278,982	-
Capital outlay	748,178	748,178	2,663,651	(1,915,473)
Total Expenditures	8,643,694	8,643,694	8,570,868	72,825
Excess of Revenues Over/(Under) Expenditures	(1,585,762)	(1,585,762)	(2,067,880)	(482,119)
Other Financing Sources (Uses):				
Debt proceeds	-	-	3,385,000	3,385,000
Costs of issuance	-	-	(72,520)	(72,520)
Premium on bond issuance	-	-	191,608	191,608
Total other financing sources (uses):	-	-	3,504,088	3,504,088
Net change in fund balance	(1,585,762)	(1,585,762)	1,436,208	3,021,970
Fund Balance - Beginning of Year	6,312,686	6,312,686	6,312,686	-
Fund Balance - End of Year	$ 4,726,924	$ 4,726,924	$ 7,748,894	$ 3,021,970

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

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

Highlands Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection, emergency medical services, and public education programs for the communities of Kachina Village, Forest Highlands, Mountainaire, Lower Lake Mary, Pine Del, and Flagstaff Ranch Golf Club subdivision. The District is governed by an elected five member board of directors, which appoints the chairman. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

Basis of presentation – government-wide financial statements

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

Basis of presentation – fund financial statements

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

The District reports the following major governmental funds:

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

Measurement focus and basis of accounting

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash, cash equivalents, and investments

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

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the District’s inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has two types of items which qualify for reporting in this category. They are pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are pension and OPEB related items reported on the government-wide financial statements. See footnote 7 for more information.

Note 1. Summary of Significant Accounting Policies (Continued)

Postemployment benefits

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

Net position flow assumption

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

Leases and Subscription-Based Information Technology Arrangements

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

Note 1. Summary of Significant Accounting Policies (Continued)

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-based information technology arrangements: The Highland Fire District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The Highland Fire District recognizes subscription liabilities with an initial, individual value of $5,000 or more. The Highland Fire District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

Fund balance flow assumptions

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

Fund balance policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance

Note 1. Summary of Significant Accounting Policies (Continued)

as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

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

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

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation, which are eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

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

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

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

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

Cost of capital assets	$ 14,559,230
Accumulated depreciation	(5,042,716)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$ 9,516,514

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

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

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

Capital outlay	$ 2,587,379
Depreciation expense	(369,699)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	$ 2,217,680

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

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

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

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

Note 3. Stewardship, Compliance and Accountability (Continued)

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2024, if any.

Note 4. Deposits and Investments

Deposits as of the District at June 30, 2024 consist of the following:

	Fair Value
Deposits:	
Cash on hand	$ 200
Restricted cash on deposit with the Coconino County Treasurer	2,199,824
Cash on deposit with the	
Coconino County Treasurer	5,263,666
Chase Bank	104,701
Total deposits	$ 7,568,391

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2024, none of the District's bank balance of $7,584,552 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2024.

Note 4. Deposits and Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no assets measured at fair value as of June 30, 2024.

Interest rate risk

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

Credit risk

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

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Note 5. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2024:

Governmental Activities:	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Capital assets, not being depreciated:				
Land and land improvements	$ 450,000	$ -	$ -	$ 450,000
Construction in progress	-	2,105,904	-	2,105,904
Total capital assets, not being depreciated	450,000	2,105,904	-	2,555,904
Capital assets, being depreciated:				
Buildings and improvements	8,109,886	15,784	-	8,125,670
Emergency vehicles	2,244,264	465,691	-	2,709,955
Equipment	1,151,505	-	-	1,151,505
Furniture and fixtures	16,196	-	-	16,196
Total capital assets, being depreciated	11,521,851	481,475	-	12,003,326
Less accumulated depreciation for:				
Buildings and improvements	(2,373,971)	(213,201)	-	(2,587,172)
Emergency vehicles	(1,473,557)	(91,761)	-	(1,565,318)
Equipment	(810,507)	(63,523)	-	(874,030)
Furniture and fixtures	(14,982)	(1,214)	-	(16,196)
Total accumulated depreciation	(4,673,017)	(369,699)	-	(5,042,716)
Total capital assets, being depreciated, net	6,848,834	111,776	-	6,960,610
Governmental activities capital assets, net	$ 7,298,834	$ 2,217,680	$ -	$ 9,516,514

Depreciation expense of $369,699 was charged to the public safety function of the District.

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Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

Governmental Activities:	Balance 6/30/2023	Additions	Retirements	Balance 6/30/2024	Current Portion
Direct borrowings:					
Notes payable	$ 37,283	$ -	$ (37,283)	$ -	$ -
Compensated absences	136,554	157,540	(129,706)	164,388	123,291
Net pension/OPEB liabilities	565,071	-	(72,753)	492,318	-
Direct placement bonds:					
Tax-exempt refunding series 2021	1,285,000	-	(140,000)	1,145,000	145,000
Taxable series 2021	8,290,000	-	(245,000)	8,045,000	280,000
General obligation series 2024	-	3,385,000	-	3,385,000	55,000
Bond premium	30,755	191,608	(3,845)	218,518	13,424
Total	$ 10,344,663	$ 3,734,148	$ (628,587)	$ 13,450,224	$ 616,715

Notes Payable

In August 2021, the District entered into a payment agreement with Zoll Medical Corporation in the amount of $109,657 to finance the purchase of three heart monitors. No interest was charged. The agreement calls for three annual payments of $36,187, $36,187 and $37,283 during fiscal years 2023, 2023 and 2024, respectively.

Bonds Payable

In July 2021, the District issued the Tax-exempt refunding series 2021 and Taxable series 2021 bonds to pay down the Districts unfunded PSPRS pension. $7,251,008 of the debt proceeds were remitted to PSPRS during the year ended June 30, 2022. Due to the one-year reporting delay by PSPRS, this was not reflected in the District's pension/OPEB liability until fiscal year 2023. The $7,251,008 was included in the deferred outflows on the statement of net position as of June 30, 2022. $1,000,000 of the proceeds are on deposit with Coconino County and are restricted as a contingency reserve. Details of the bonds are provided below.

In March 2024 the District issued general obligation bond series 2024 to finance the purchase of apparatus, vehicles and equipment, and to repair or replace District infrastructure. The portion of bond proceeds spent during the year ended June 30, 2024 for the acquisition of apparatus, vehicles, equipment and improvements is included in the General Fund capital outlay expenditures. Amounts are also reflected in the capital assets balance on the statement of net position as of June 30, 2024. Unspent bond proceeds as of June 30, 2024 are on deposit with Coconino County and are restricted for capital outlay.

Note 6. Long-Term Liabilities (Continued)

Bonds from direct placements:

Certificates of participation Tax-Exempt Refunding Series 2021 due in annual principal and semiannual interest installments, bearing interest at 4%, maturing July 1, 2031. Used to refund the Wells Fargo station 23 note payable.	$ 1,145,000
Certificates of participation Taxable Series 2021 due in annual principal and semiannual interest installments, bearing interest at 0.5% to 3.3%, maturing July 1, 2046. Used to fund the unfunded net pension liability through PSPRS.	8,045,000
General Obligation Bonds Series 2024 due in annual principal and semiannual interest installments, bearing interest at 4% to 5%, maturing January 1, 2044. Used to acquire apparatus, vehicles, equipment and to repair or replace District infrastructure.	3,385,000
Total bonds payable	12,575,000
Less current portion	(480,000)
Total bonds payable net of current portion	$ 12,095,000

Bonds payable from direct placement debt service maturities are as follows:

Year ended	Bonds payable		
June 30,	Principal	Interest	Total
2025	480,000	481,997	961,997
2026	545,000	419,283	964,283
2027	560,000	403,508	963,508
2028	580,000	386,483	966,483
2029	595,000	367,983	962,983
2030-2034	2,710,000	1,544,210	4,254,210
2035-2039	2,795,000	1,077,990	3,872,990
2040-2044	3,345,000	519,003	3,864,003
2045-2046	965,000	48,012	1,013,012
Totals	$ 12,575,000	$ 5,248,469	$ 17,823,469

Note 7. Pensions and Other Postemployment Benefits

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

At June 30, 2024, the District reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension and OPEB asset	$ 809,304
Net pension and OPEB liability	492,318
Deferred outflows of resources	1,624,089
Deferred inflows of resources	730,970
Pension/OPEB expense	208,414

The District's accounts payable and other current liabilities includes $12,838 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2024. Also, the District reported $372,754 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The District participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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:

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

* With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from $150 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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll.

Note 7. Pensions and Other Postemployment Benefits (Continued)

The District's contributions to the pension, health insurance premium benefit, and long term disability plans for the year ended June 30, 2024, were $51,807, $474, and $646, respectively.

Liability – At June 30, 2024, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	$ 491,916
Health insurance premium benefit	(16,846)
Long-term disability	402

The net asset and liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

The District's proportion of the net asset or 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, 2023. The District's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022 were:

	Proportion June 30, 2022	Proportion June 30, 2023	Increase (decrease) from June 30, 2022
Pension	0.00346%	0.00304%	-0.00042%
Health insurance premium benefit	0.00355%	0.00312%	-0.00043%
Long-term disability	0.00349%	0.00307%	-0.00042%

Expense—For the year ended June 30, 2024, the District recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	$ 89,514
Health insurance premium benefit	(2,007)
Long-term disability	495

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Note 7. Pensions and Other Postemployment Benefits (Continued)

Deferred outflows/inflows of resources –At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,115	$ -	$ 711	$ 6,282	$ 363	$ 226
Changes of assumptions or other inputs	-	-	-	335	106	586
Net difference between projected and actual earnings on pension plan investments	-	17,404	-	740	-	32
Changes in proportion and differences between contributions and proportionate share of contributions	28,164	42,663	865	618	545	112
Contributions subsequent to the measurement date	51,807	-	474	-	646	-
Total	$ 91,086	$ 60,067	$ 2,050	$ 7,975	$ 1,660	$ 956

Note 7. Pensions and Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expense as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2025	$ 1,953	$ (2,808)	$ 62
2026	(39,335)	(3,082)	(5)
2027	18,757	(364)	105
2028	(2,163)	(252)	(56)
2029	-	107	(58)
Thereafter	-	-	10

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3% for pensions/not applicable for OPEB
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

Asset Class	Target Asset Allocation	Long-term expected geometric real rate of return
Public equity	44%	3.50%
Credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10%	6.70%
Interest rate sensitive	6%	1.50%
Totals	100%	

Discount Rate – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

Proportionate share of the	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	$ 736,818	$ 491,916	$ 287,711
Net insurance premium benefit liability (asset)	(11,774)	(16,846)	(21,155)
Net long-term disability liability	588	402	219

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

Note 7. Pensions and Other Postemployment Benefits (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan description – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium (OPEB) plans that covers public safety personnel who are A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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

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Note 7. Pensions and Other Postemployment Benefits (Continued)

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Note 7. Pensions and Other Postemployment Benefits (Continued)

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

Employees covered by benefit terms – At June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	11	11
Inactive employees entitled to but not yet receiving benefits	5	1
Active employees	16	16
Total	32	28

Contributions– State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	District - Pension	District-Health insurance premium
PSPRS	7.65%	12.75%	0.34%
PSPRS Tier 3 risk pool	9.56%	9.30%	0.26%

Also, statute required the District to contribute at the actuarially determined rate of 9.56 percent (9.30 percent for pension and 0.26 percent for health insurance premium benefit) of the annual covered payroll of District employees who were 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 for these District employees.

The District's contributions to the plans for the year ended June 30, 2024 were:

	Pension	Health insurance premium benefit
PSPRS	223,613	5,289
PSPRS Tier 3 risk pool	50,306	1,157

Note 7. Pensions and Other Postemployment Benefits (Continued)

Liability – At June 30, 2024, the District reported a net pension asset of $763,227 and a net OPEB asset of $29,231. The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rates	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public equity	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	100.00%	

Note 7. Pensions and Other Postemployment Benefits (Continued)

Discount Rate – At June 30, 2023 the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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Note 7. Pensions and Other Postemployment Benefits (Continued)

Changes in the Net Pension/OPEB Liability

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liablity (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liablity (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	$ 16,243,109	$ 16,487,816	$ (244,707)	$ 204,807	$ 253,588	$ (48,781)
Changes for the year:						
Service cost	375,731	-	375,731	6,446	-	6,446
Interest on total pension/OPEB liability	1,175,407	-	1,175,407	14,970	-	14,970
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(395,258)	-	(395,258)	18,820	-	18,820
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	277,415	(277,415)	-	1,692	(1,692)
Contributions - employee	-	143,848	(143,848)	-	-	-
Net investment income	-	1,261,231	(1,261,231)	-	19,105	(19,105)
Benefit payments, including refunds of employee contributions	(587,492)	(587,492)	-	(6,680)	(6,680)	-
Plan administrative expenses	-	(6,954)	6,954	-	(111)	111
Tiers 1 & 2 Adjustment	-	(1,140)	1,140	-	-	-
Other changes	-	-	-	-	-	-
Net changes	568,388	1,086,908	(518,520)	33,556	14,006	19,550
Balances at June 30, 2024	$ 16,811,497	$ 17,574,724	$ (763,227)	$ 238,363	$ 267,594	$ (29,231)

Note 7. Pensions and Other Postemployment Benefits (Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the District's net pension/OPEB (asset) liability calculated using the discount rate of 7.2 percent, as well as what the District's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of			
Net pension (asset) / liability	$ 1,787,019	$ (763,227)	$ (2,829,471)
Net OPEB (asset)/ liability	(884)	(29,231)	(53,154)

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

Expense and deferred outflows/inflows of resources – For the year ended June 30, 2024, the District recognized pension expense for PSPRS of $453,883 and OPEB income of $676. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 446,401	$ 615,544	$ 27,553	$ 45,225
Changes in assumptions	386,285	-	5,146	1,203
Net difference between projected and actual earnings on pension/OPEB plan investments	380,680	-	2,863	-
Contributions subsequent to the measurement date	273,919	-	6,446	-
Total	$ 1,487,285	$ 615,544	$ 42,008	$ 46,428

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit
2025	$ 178,377	$ (4,892)
2026	56,728	(7,371)
2027	315,356	4,156
2028	47,361	(2,335)
2029	-	(424)
Thereafter	-	-

Note 8. Risk Management

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

Note 9. Intergovernmental Agreements

On April 25, 2012, the District entered into an agreement with Flagstaff Ranch Fire District (Flagstaff Ranch) for around the clock fire and emergency medical services provided by the District for the residents and property owners of the Flagstaff Ranch Golf Club subdivision beginning on July 1, 2012. The agreement calls for an annual fee of $110,000 (base contract amount), which is receivable in twelve monthly installments and expired on June 30, 2015 with the option to renew for two additional years. This agreement was renewed for the fiscal year ending June 30, 2024. The base contract amount will increase on an annual basis by the amount equal to the Consumer Price Index for all Urban Consumers using the US city average (CPI-U) for the term of the contract. For the fiscal year ended June 30, 2024, the base contract amount plus CPI-U was $152,640. Flagstaff Ranch further agrees to pay the District at the rate of $1,000 per hour for any emergency incident which exceeds three hours in duration retroactive to the time the initial call for service was received.

On August 23, 2010, the District entered into an agreement with Pinewood Fire District (Pinewood) and Summit Fire District (Summit) for the purpose of establishing, operating and managing the interagency fire crew known as the Bear Jaw Fire and Fuels Module (Module). The purpose of the Module is to perform all aspects of hazard fuel mitigation, primarily thinning and burning, public education and wildfire suppression across the partner agency's jurisdictions. Per the agreement, the District is assigned with the tasks of maintaining the annual budget, performing needed invoicing, collecting funds, reporting grant reimbursements and distributing funds to Pinewood and Summit. The District, Pinewood and Summit shall equally share the cost of operating supplies in the event that insufficient revenue is generated to cover these costs. The agreement may be terminated by any party upon thirty days written notice to the other parties. In December 2019, Summit Fire District terminated its participation in the agreement. The District and Pinewood continue to operate within the agreement.

Required Supplementary Information

HIGHLANDS FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2024

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	**2023 (2022)**	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)** #	**2015 (2014)**
Proportion of the net pension liability (asset)	0.003040%	0.003460%	0.002870%	0.002520%	0.002370%	0.001590%	0.001330%	0.001300%	0.001490%	0.001245%
Proportionate share of the net pension liability (asset)	$ 491,916	$ 564,749	$ 377,105	$ 436,638	$ 344,863	$ 221,749	$ 207,118	$ 209,833	$ 232,583	$ 184,220
Covered payroll	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301	$ 121,456	$ 127,328	$ 120,346
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	110.64%	95.69%	99.97%	162.66%	137.24%	151.16%	166.63%	172.76%	182.66%	153.08%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

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

HIGHLANDS FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2024

ASRS - Health insurance premium be

	Reporting Fiscal Year (Measurement Date)						
	2024 (2023)	**2023 (2022)**	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**
Proportion of the net OPEB (asset)	0.003120%	0.003550%	0.002940%	0.002590%	0.002430%	0.00162%	0.001350%
Proportionate share of the net OPEB (asset)	$ (16,846)	$ (19,812)	$ (14,324)	$ (1,834)	$ (672)	$ (583)	$ (735)
Covered payroll	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-3.79%	-3.36%	-3.80%	-0.68%	-0.27%	-0.40%	-0.59%
Plan fiduciary net position as a percentage of the total OPEB liability	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%

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

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)						
	2024 (2023)	**2023 (2022)**	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**
Proportion of the net OPEB (asset)	0.00307%	0.00349%	0.00294%	0.00252%	0.00241%	0.00159%	0.001340%
Proportionate share of the net OPEB (asset)	$ 402	$ 322	$ 607	$ 1,912	$ 1,570	$ 831	$ 486
Covered payroll	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.09%	0.05%	0.16%	0.71%	0.62%	0.57%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%

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

HIGHLANDS FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2024

PSPRS - Pension

Reporting Fiscal Year (Measurement Date)

	2024 (2023)	**2023 (2022)**	**2022 (2021)**	**2021 (2020)**	**2020 (2019)**	**2019 (2018)**	**2018 (2017)**	**2017 (2016)**	**2016 (2015)** #	**2015 (2014)**
Total pension liability										
Service cost	$ 375,731	$ 406,972	$ 424,859	$ 440,883	$ 421,321	$ 400,686	$ 418,880	$ 312,968	$ 314,198	$ 328,448
Interest on total pension liability	1,175,407	1,108,044	1,065,782	946,551	901,310	831,205	743,367	642,018	583,499	481,542
Changes of benefit terms*	-	-	-	-	-	-	103,189	710,209	-	70,500
Difference between expected and actual experience of the total net pension liability	(395,258)	37,989	(275,740)	765,853	(365,407)	(84,659)	150,687	17,067	145,243	121,018
Changes of assumptions	-	242,510	-	-	235,379	-	358,271	395,135	-	526,588
Benefit payments, including refunds of employee contributions	(587,492)	(648,226)	(587,950)	(419,970)	(431,202)	(410,476)	(478,242)	(316,476)	(277,260)	(167,054)
Net change in total pension liability	568,388	1,147,289	626,951	1,733,317	761,401	736,756	1,296,152	1,760,921	765,680	1,361,042
Total pension liability - beginning	16,243,109	15,095,820	14,468,869	12,735,552	11,974,151	11,237,395	9,941,243	8,180,322	7,414,642	6,053,600
Total pension liability - ending (a)	$ 16,811,497	$ 16,243,109	$ 15,095,820	$ 14,468,869	$ 12,735,552	$ 11,974,151	$ 11,237,395	$ 9,941,243	$ 8,180,322	$ 7,414,642
Plan fiduciary net position										
Contributions - employer	$ 277,415	$ 7,562,487	$ 607,090	$ 640,933	$ 619,266	$ 600,020	$ 475,456	$ 402,273	$ 321,219	$ 334,388
Contributions - employee	143,848	148,127	155,367	166,232	161,078	161,396	197,023	200,751	181,869	180,991
Net investment income	1,261,231	(674,586)	2,190,275	95,098	363,642	419,927	627,952	29,530	171,340	522,968
Benefit payments, including refunds of employee contributions	(587,492)	(648,226)	(587,950)	(419,970)	(431,202)	(410,476)	(478,242)	(316,476)	(277,260)	(167,054)
Tiers 1 & 2 Adjustment	(1,140)	-	-	-	-	-	-	-	-	-
Other (net transfer)	(6,954)	(12,104)	(10,248)	(7,755)	(7,317)	(244,949)	(23,226)	(4,617)	(8,118)	(115,292)
Net change in plan fiduciary net position	1,086,908	6,375,698	2,354,534	474,538	705,467	525,918	798,963	311,461	389,050	756,001
Plan fiduciary net position - beginning	16,487,816	10,112,118	7,757,584	7,283,045	6,580,925	6,055,007	5,256,044	4,944,583	4,555,533	3,799,532
Adjustment to beginning of year	-	-	-	1	(3,347)					
Plan fiduciary net position - ending (b)	$ 17,574,724	$ 16,487,816	$ 10,112,118	$ 7,757,584	$ 7,283,045	$ 6,580,925	$ 6,055,007	$ 5,256,044	$ 4,944,583	$ 4,555,533
Net pension liability - ending (a) - (b)	$ (763,227)	$ (244,707)	$ 4,983,702	$ 6,711,285	$ 5,452,507	$ 5,393,226	$ 5,182,388	$ 4,685,199	$ 3,235,739	$ 2,859,109
Plan fiduciary net position as a percentage of the total pension liability	104.54%	101.51%	66.99%	53.62%	57.19%	54.96%	53.88%	52.87%	60.44%	61.44%
Covered employee payroll	$ 1,573,101	$ 1,716,680	$ 1,736,510	$ 1,817,368	$ 1,903,334	$ 1,843,084	$ 1,826,776	$ 1,695,389	$ 1,769,169	$ 1,800,163
Net pension liability as a percentage of covered-employee payroll	-48.52%	-14.25%	287.00%	369.29%	286.47%	292.62%	283.69%	276.35%	182.90%	158.83%

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

HIGHLANDS FIRE DISTRICT
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2024

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)						
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability							
Service cost	$ 6,446	$ 6,721	$ 7,283	$ 7,855	$ 5,345	$ 5,529	$ 6,211
Interest on total OPEB liability	14,970	13,286	15,267	14,166	14,177	11,696	14,099
Changes of benefit terms	-	-	-	-	-	-	61
Difference between expected and actual experience of the total net OPEB liability	18,820	6,180	(44,139)	1,902	(17,222)	19,490	(40,350)
Changes of assumptions or other inputs	-	6,033	-	-	1,881	-	(4,850)
Benefit payments	(6,680)	(5,383)	(4,580)	(6,715)	(6,960)	(4,595)	(4,920)
Net change in total OPEB liability	33,556	26,837	(26,169)	17,208	(2,779)	32,120	(29,749)
Total OPEB liability - beginning	204,807	177,970	204,139	186,931	189,710	157,590	187,339
Total OPEB liability - ending (a)	$ 238,363	$ 204,807	$ 177,970	$ 204,139	$ 186,931	$ 189,710	$ 157,590
Plan fiduciary net position							
Contributions - employer	$ 1,692	$ 4,965	$ 5,911	$ 5,693	$ 3,270	$ 3,300	$ 4,121
Net investment income	-	-	-	-	-	-	19,476
Benefit payments	19,105	(10,339)	56,565	2,566	10,498	12,825	(4,920)
Administrative expense	(6,680)	(5,383)	(4,580)	(6,715)	(6,960)	(4,595)	(172)
Other changes	(111)	(184)	(233)	(209)	(181)	(195)	-
Net change in plan fiduciary net position	14,006	(10,941)	57,663	1,335	6,627	11,335	18,505
Plan fiduciary net position - beginning	253,588	264,529	206,866	205,531	195,557	184,222	165,717
Adjustment to beginning of year	-	-	-	-	3,347		
Plan fiduciary net position - ending (b)	$ 267,594	$ 253,588	$ 264,529	$ 206,866	$ 205,531	$ 195,557	$ 184,222
Net OPEB liability - ending (a) - (b)	$ (29,231)	$ (48,781)	$ (86,559)	$ (2,727)	$ (18,600)	$ (5,847)	$ (26,632)
Plan fiduciary net position as a percentage of the total OPEB liability	112.26%	123.82%	148.64%	101.34%	109.95%	103.08%	116.90%
Covered employee payroll	$ 1,573,101	$ 1,716,680	$ 1,736,510	$ 1,817,368	$ 1,903,334	$ 1,843,084	$ 1,826,776
Net OPEB liability as a percentage of covered-employee payroll	-1.86%	-2.84%	-4.98%	-0.15%	-0.98%	-0.32%	-1.46%

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

HIGHLANDS FIRE DISTRICT
Schedule of Contributions
June 30, 2024

ASRS - Pension

	Reporting Fiscal Year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 51,807	$ 47,331	$ 49,474	$ 37,532	$ 31,599	$ 27,940	$ 17,192	$ 13,178	$ 14,977	$ 12,009
Contributions in relation to the contractually required contribution	(51,807)	(47,331)	(49,474)	(37,532)	(31,599)	(27,940)	(17,192)	(13,178)	(14,977)	(12,009)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 577,047	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301	$ 121,456	$ 127,328
Contributions as a percentage of covered payroll	8.98%	10.65%	8.38%	9.95%	11.77%	11.12%	11.72%	10.60%	12.33%	9.43%

PSPRS-Pension

	Reporting Fiscal Year									
	2024	**2023**	**2022**	**# 2021**	**# 2020**	**# 2019**	**# 2018**	**# 2017**	**# 2016**	**# 2015**
Actuarially determined contribution	$ 273,919	$ 277,415	$ 7,562,487	$ 607,090	$ 640,933	$ 619,266	$ 600,020	$ 475,456	$ 402,273	$ 321,219
Contributions in relation to the actuarially determined contribution	$ (273,919)	$ (277,415)	$ (7,562,487)	$ (607,090)	$ (640,933)	$ (619,266)	$ (600,020)	$ (475,456)	$ (402,273)	$ (321,219)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,757,516	$ 1,573,101	$ 1,716,680	$ 1,736,510	$ 1,817,368	$ 1,903,334	$ 1,843,084	$ 1,826,776	$ 1,695,389	$ 1,769,169
Contributions as a percentage of covered-employee payroll	15.59%	17.63%	440.53%	34.96%	35.27%	32.54%	32.56%	26.03%	23.73%	18.16%

HIGHLANDS FIRE DISTRICT
Schedule of Contributions
June 30, 2024

ASRS - Health insurance premium be	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018 #	2017
Contractually required contribution	$ 474	$ 437	$ 865	$ 1,256	$ 1,352	$ 1,150	$ 727	$ 696
Contributions in relation to the contractually required contribution	(474)	(437)	(865)	(1,256)	(1,352)	(1,150)	(727)	(696)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 577,047	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301
Contributions as a percentage of covered payroll	0.08%	0.10%	0.15%	0.33%	0.50%	0.46%	0.50%	0.56%

ASRS - Long-term disability	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018 #	2017
Contractually required contribution	$ 646	$ 556	$ 783	$ 587	$ 462	$ 400	$ 182	$ 174
Contributions in relation to the contractually required contribution	(646)	(556)	(783)	(587)	(462)	(400)	(182)	(174)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 577,047	$ 444,592	$ 590,172	$ 377,226	$ 268,437	$ 251,284	$ 146,703	$ 124,301
Contributions as a percentage of covered payroll	0.11%	0.13%	0.13%	0.16%	0.17%	0.16%	0.12%	0.14%

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year							
	2024	2023	2022	2021	2020	2019	2018 #	2017
Actuarially determined contribution	$ 6,446	$ 1,867	$ 5,512	$ 5,911	$ 5,693	$ 3,270	$ 3,300	$ 4,121
Contributions in relation to the actuarially determined contribution	$ (6,446)	$ (1,867)	$ (5,512)	$ (5,911)	$ (5,693)	$ (3,270)	$ (3,300)	$ (4,121)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,757,516	$ 1,573,101	$ 1,716,680	$ 1,736,510	$ 1,817,368	$ 1,903,334	$ 1,843,084	$ 1,826,776
Contributions as a percentage of covered-employee payroll	0.37%	0.12%	0.32%	0.34%	0.31%	0.17%	0.18%	0.23%

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

Note 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization Method	Level percent –of-pay, closed
Remaining Amortization Period as of the 2023 actuarial valuation	16 years
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5%. In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25%. 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%.

Note 1. Actuarially Determined Contribution Rates (Continued)

Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales.

Note 2. Factors that Affect the Identification of Trends

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

Other Communications from Independent Auditors

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Highlands Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Highlands Fire District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Highlands Fire District's basic financial statements, and have issued our report thereon dated October 10, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HintonBurdick, PLLC
Mesa, Arizona
October 10, 2024

Independent Auditors' Report on
State Legal Compliance

Highlands Fire District
Flagstaff, Arizona

We have audited the basic financial statements of Highlands Fire District (the District) for the year ended June 30, 2024, and have issued our report thereon dated October 10, 2024. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

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

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

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

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

In our opinion, the Highlands Fire District complied, in all material respects, with the requirements identified above for the year ended June 30, 2024.

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

Sincerely,

HintonBurdick, PLLC
Mesa, Arizona
October 10, 2024