

**Northern Arizona Fire District**

**Basic Financial Statements**

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**Year ended June 30, 2025**

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## **Independent Auditor's Report**

Board of Directors and Management  
Northern Arizona Fire District  
Kingman, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Northern Arizona Fire District (the "District"), as of and for the year ended June 30, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, 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 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***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 on pages 4 through 11, the budgetary comparison information on pages 40 and 41, the schedule of the District's proportionate share of net pension/OPEB liability – cost-sharing pension plans on page 42, the schedule of changes in the District's net pension/OPEB liability and related ratios – agent pension/OPEB plans on pages 43 and 44, the schedule of District pension/OPEB contributions on pages 45 and 46 and the notes to pension/OPEB plan schedules on pages 47 and 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2026, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Walker & Armstrong, LLP*

Phoenix, Arizona  
February 3, 2026

**Northern Arizona Fire District  
Management's Discussion and Analysis  
Year Ended June 30, 2025**

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As management of Northern Arizona Fire District (the "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, 2025. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 12. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the basic financial statements.

**Nature of Operations**

The District provides fire and emergency medical services to homes, property and persons residing within the District's boundaries, as well as services to locations and persons outside the District through mutual aid agreements.

**Financial Highlights**

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,645,857. Of this amount, \$3,157,749 is invested in capital assets, net of related debt.
- During the year, the District's total net position increased by \$1,690,775 or 57.2% from the previous year.
- Total revenues increased over the previous fiscal year by \$1,613,688 or 34.7% due to an increase for property taxes of \$779,899, operating grants of \$570,399, investment earnings of \$93,436, and a gain on the sale of capital assets of \$257,187; offset by a decrease in other revenue of \$140,110.
- At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$709,938.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves. The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

## Management's Discussion and Analysis - Continued

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### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the District.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

### ***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two (2) governmental funds: the general fund and debt service fund.

## Management's Discussion and Analysis - Continued

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### **Fund Financial Statements - Continued**

Information is presented separately in the governmental fund balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund (major governmental funds). The concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

The District adopts an annual appropriated budget to provide for its general fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on pages 40 and 41. The District revises the capital improvement plan annually to outline anticipated replacements and projects to be completed during the year using the general fund.

The basic governmental funds financial statements can be found on pages 14-17 of this report.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-39 of this report.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures for the general fund, as described earlier and can be found on pages 40 and 41 of this report and certain pension/other post-employment benefits (OPEB) information is reported on pages 42 through 48.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,645,857 at the close of the 2025 fiscal year. A portion of the District's net position (\$3,157,749) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings, apparatus and vehicles, equipment, dispatch center assets, right-to-use lease assets, and right-to-use subscription assets); less any related outstanding debt used to acquire those assets.

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The District also has \$778,170 in restricted net position for debt service and future pension obligations. The remaining unrestricted net position is \$709,938.

## Management's Discussion and Analysis - Continued

### Government-Wide Financial Analysis - Continued

The District's \$4,082,253 in capital assets consists of five fully staffed fire stations and two fire stations staffed with volunteers which are strategically placed throughout the District's service area. The District maintains a fleet of approximately twenty-five fire apparatus and staff vehicles. The District has also acquired state-of-the art medical and firefighting equipment which is all well-maintained in order to provide the highest level of care. The remaining assets consist mainly of cash and cash equivalents and other program revenue receivables which are used to meet the District's ongoing obligations to its citizens.

The following contains an analysis of the current and prior year government-wide statements.

### Condensed Statements of Net Position

#### GOVERNMENTAL ACTIVITIES

	2025	2024
<b>Assets</b>		
Cash and investments	\$ 5,417,776	\$ 3,804,975
Other assets	238,205	212,004
Net OPEB asset	175,678	158,911
Capital assets, net	4,082,253	4,316,564
Total assets	9,913,912	8,492,454
<b>Deferred outflows of resources related to pensions and OPEB</b>		
	280,354	515,431
<b>Liabilities</b>		
Current liabilities	271,444	234,937
Noncurrent liabilities	4,953,445	5,729,276
Total liabilities	5,224,889	5,964,213
<b>Deferred inflows of resources related to pensions and OPEB</b>		
	323,520	88,590
<b>Net position</b>		
Net investment in capital assets	3,157,749	3,401,100
Restricted	778,170	725,770
Unrestricted (deficit)	709,938	( 1,171,788)
Total net position	\$ 4,645,857	\$ 2,955,082

Governmental Activities revenues totaled \$6,263,244 for fiscal year 2025, an increase of \$1,613,688 or 34.7%. These increases can be attributed to an additional \$779,899 or 20.0% in property taxes from an increase in assessed values and an increase in the levy rate, an increase in operating and capital grants of \$570,399 or 752.6% for new grants received in the current year, an increase of \$257,187 or 100% in gain on sale of capital assets resulting from the sale of an apparatus, and an increase in investment earnings of \$93,436 or 96.2%.

## Management's Discussion and Analysis - Continued

### **Government-Wide Financial Analysis - Continued**

The cost of all governmental activities for the year ended June 30, 2025, was \$4,572,469, an increase of \$592,118 or 14.9%. The majority of expenses is salaries, wages and related expenses which overall increased due to an increase in the number of personnel, increase in wages, an increase in workers compensation for the year, and an increase in pension expense.

The following table presents a summary of the District's revenues and expenses for the current and prior fiscal year:

### **Condensed Statements of Activities**

#### **GOVERNMENTAL ACTIVITIES**

	<u>2025</u>	<u>2024</u>
<b>Revenues:</b>		
Program revenue:		
Operating and capital grants	\$ 646,185	\$ 75,786
Charges for services	5,088	16,195
General revenues:		
Property taxes	4,687,526	3,907,627
Fire district assistance tax	398,722	361,813
Firefighter relief and pension	51,916	24,841
Investment earnings	190,574	97,138
Gain on sale of capital assets	257,187	-
Other revenue	26,046	166,156
Total revenues	<u>6,263,244</u>	<u>4,649,556</u>
<b>Expenses:</b>		
Public safety	<u>4,572,469</u>	<u>3,980,351</u>
Total expenses	<u>4,572,469</u>	<u>3,980,351</u>
Change in net position	1,690,775	669,205
Net position, beginning of year	<u>2,955,082</u>	<u>2,285,877</u>
Net position, ending of year	<u>\$ 4,645,857</u>	<u>\$ 2,955,082</u>

### **Financial Analysis of the Governmental Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

## Management's Discussion and Analysis - Continued

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### **Financial Analysis of the Governmental Funds - Continued**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$5,050,258. Revenues for the year included property tax revenues, intergovernmental agreements and other revenues.

Of the \$5,050,258 total governmental fund balance, \$16,779 represents nonspendable for prepaid items, the amount restricted for debt service is \$602,492, and the amount committed by the Board for future capital projects totaled \$3,500,000. The remaining amount of \$930,987 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. The general fund balance increased \$1,559,476 or 54.0%. The increase was primarily attributed to an increase in revenues of \$1,278,127 or 27.3%. This increase was comprised of an increase in property taxes of \$738,165 or 18.7% due to an increase in assessed property values and levy rates, and intergovernmental revenues of \$550,295 or 726.0% from new grants received by the District; offset by a decrease in other revenues of \$140,110 or 84.3%. General fund expenditures increased \$969,839 or 27.2%, primarily due to an increase in salaries from an increase of personnel and an increase in capital outlay.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$930,987. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 20.5% of total general fund expenditures of \$4,538,703.

The debt service fund accounts for the issuance and repayment of the certificates of participation and financed purchases of the District. As of June 30, 2025, the ending fund balance in the debt service fund was \$602,492. Due to investment earnings and transfers in greater than the principal and interest payments, the balance increased by \$35,633.

### **General Fund Budgetary Highlights**

Total revenues were \$81,227 less than budgeted revenues while total expenditures were \$1,248,863 less than budgeted expenditures. The budgeted revenues variance was primarily due to intergovernmental revenues less than budgeted amounts by \$105,831 and property taxes less than budgeted by \$131,354; offset by investment earnings exceeding budgeted amounts by \$102,686, and firefighter relief and pension exceeding budget by \$51,916. The expenditure variance resulted primarily from personnel costs being \$534,501 under budget, operations being \$525,246 less than budgeted, and capital outlay being \$288,530 less than budgeted, offset by principal and interest on debt service being \$95,188 and \$4,226, respectively, more than budgeted.

## Management's Discussion and Analysis - Continued

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### **Capital Asset and Debt Administration**

**Capital Assets** - The District's investment in capital assets as of June 30, 2025, totaled \$4,082,253 (net of accumulated depreciation/amortization). These assets include land and improvements, buildings, apparatus and vehicles, equipment, dispatch center assets, right-to-use lease assets, and right-to-use subscription assets.

Major capital asset transactions during the year included \$285,667 in capital asset acquisitions and \$341,238 in capital asset disposals, as of June 30, 2025. Capital asset acquisitions include \$196,490 for right-of-use subscription assets and capital asset disposals include \$341,238 for engine 6118.

The District depreciates/amortizes capital assets, except for land and construction-in-progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation/amortization method. The cost of the asset is divided by the expected useful life in years and the result is charged to expense each year until the asset is fully depreciated/amortized. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. The District's threshold for capitalization was maintained at \$2,500. Additional information on the District's capital assets can be found in Note 3 in the basic financial statements on pages 25 and 26.

**Long-Term Liabilities** - At the end of the current year, the District had long-term liabilities outstanding of \$4,953,445 which included compensated absences of \$162,160, certificates of participation of \$3,560,000, net pension/OPEB liability of \$306,781, financed purchases of \$733,636, and subscription-based information technology arrangements of \$190,868. The unfunded pension and OPEB debt decreased substantially from the prior year using funding from the certificates of participation, issued in fiscal year 2022.

Additional information on the District's long-term liabilities can be found in Note 4 in the basic financial statements on pages 26 and 27.

### **Economic Factors Affecting Future Results**

The District had an increase in assessed valuation and an increase in the tax rate for fiscal year ending June 30, 2026. This will result in an increase in revenue of \$420,522. It is projected the District will continue to experience an increase in assessed value for the year ending June 30, 2026, as well as a continuing increase in collection rates.

The District currently does anticipate the ability to replace future vacancies as the District has identified the financial balance with the current staffing level. The District experienced a significant increase in health insurance and liability and worker's compensation insurance, and a reduction in PSPRS costs.

The District is subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions.

## Management's Discussion and Analysis - Continued

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### **Contacting the District**

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Northern Arizona Fire District at 2600 East Northern Avenue, Kingman, Arizona 86409.

**Northern Arizona Fire District**  
**Statement of Net Position**  
**June 30, 2025**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 5,153,408
Cash and investments held by trustee	264,368
Prepaid items	16,779
Receivables, net:	
Taxes receivable	207,949
Due from other governments	13,477
Net other post-employment benefits asset	175,678
Capital assets, not being depreciated	714,480
Capital assets, being depreciated, net	3,367,773
Total assets	9,913,912
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions and other post-employment benefits	280,354
Total deferred outflows of resources	280,354
<b>Liabilities</b>	
Accounts payable	64,435
Accrued payroll and related	139,515
Interest payable	67,494
Noncurrent liabilities:	
Due within one year	495,220
Due in more than one year	4,458,225
Total liabilities	5,224,889
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions and other post-employment benefits	323,520
Total deferred inflows of resources	323,520
<b>Net position</b>	
Net investment in capital assets	3,157,749
Restricted:	
Debt service	602,492
Net other post-employment benefits asset	175,678
Unrestricted	709,938
Total net position	\$ 4,645,857

The accompanying notes are an  
integral part of these basic financial statements.

**Northern Arizona Fire District  
Statement of Activities  
Year Ended June 30, 2025**

	<b>Governmental Activities</b>
<b>Program expenses</b>	
<i>Public safety-fire protection and emergency medical services</i>	
Personnel costs	\$ 2,761,390
Operations	1,142,016
Interest expense	149,085
Depreciation/amortization expense	519,978
Total program expenses	4,572,469
<b>Program revenues</b>	
Operating and capital grants	646,185
Charges for services	5,088
Total program revenues	651,273
Net program expense	3,921,196
<b>General revenues</b>	
Taxes:	
Real and personal property taxes	4,687,526
Fire district assistance tax	398,722
Firefighter relief and pension	51,916
Investment earnings	190,574
Gain on sale of capital assets	257,187
Other revenue	26,046
Total general revenues	5,611,971
Change in net position	1,690,775
Net position, July 1, 2024	2,955,082
Net position, June 30, 2025	\$ 4,645,857

The accompanying notes are an  
integral part of these basic financial statements.

**Northern Arizona Fire District  
Balance Sheet  
Governmental Funds  
June 30, 2025**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and investments	\$ 4,550,919	\$ 602,489	\$ 5,153,408
Cash and investments held by trustee	-	264,368	264,368
Prepaid items	16,779	-	16,779
Receivables, net:			
Taxes receivable	207,949	-	207,949
Due from other governments	13,477	-	13,477
<b>Total assets</b>	<b>\$ 4,789,124</b>	<b>\$ 866,857</b>	<b>\$ 5,655,981</b>
<b>Liabilities</b>			
Accounts payable	\$ 64,435	\$ -	\$ 64,435
Accrued payroll and related	139,515	-	139,515
Certificates of participation payable	-	215,000	215,000
Interest payable	-	49,365	49,365
<b>Total liabilities</b>	<b>203,950</b>	<b>264,365</b>	<b>468,315</b>
<b>Deferred inflows of resources</b>			
Unavailable revenues	137,408	-	137,408
<b>Total deferred inflows of resources</b>	<b>137,408</b>	<b>-</b>	<b>137,408</b>
<b>Fund balances</b>			
Nonspendable	16,779	-	16,779
Restricted	-	602,492	602,492
Committed	3,500,000	-	3,500,000
Unassigned	930,987	-	930,987
<b>Total fund balances</b>	<b>4,447,766</b>	<b>602,492</b>	<b>5,050,258</b>
<b>Total liabilities, deferred inflows of     resources and fund balances</b>	<b>\$ 4,789,124</b>	<b>\$ 866,857</b>	<b>\$ 5,655,981</b>

The accompanying notes are an  
integral part of these basic financial statements.

**Northern Arizona Fire District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-wide Statement of Net Position**  
**June 30, 2025**

<b>Total fund balances</b>	\$	5,050,258
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Capital assets	\$ 10,273,302	
Less: accumulated depreciation/amortization	<u>(6,191,049)</u>	4,082,253
<p>Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds.</p>		
		137,408
<p>Net other post-employment benefits assets held in trust for future benefits are not available for operations and therefore, are not reported in the funds.</p>		
		175,678
<p>Accrued interest for long-term debt is not recorded as an expenditure for the current year but it is recorded in the statement of activities</p>		
		(18,129)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows:</p>		
Compensated absences	(162,160)	
Certificates of participation	(3,345,000)	
Finance purchase obligation	(733,636)	
Subscription-based information technology arrangements	(190,868)	
Net pension obligation	<u>(306,781)</u>	(4,738,445)
<p>Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future reporting periods and therefore, are not reported in the funds.</p>		
Deferred outflows of resources	280,354	
Deferred inflows of resources	<u>(323,520)</u>	(43,166)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>4,645,857</u></u></b>

The accompanying notes are an integral part of these basic financial statements.

**Northern Arizona Fire District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2025**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
<i>Taxes:</i>			
Property taxes	\$ 4,677,011	\$ -	\$ 4,677,011
Fire district assistance tax	398,722	-	398,722
Firefighter relief and pension	51,916	-	51,916
Charges for services	5,088	-	5,088
Intergovernmental	646,185	-	646,185
Investment earnings	152,686	37,888	190,574
Other revenue	26,046	-	26,046
Total revenues	<u>5,957,654</u>	<u>37,888</u>	<u>5,995,542</u>
<b>Expenditures</b>			
<i>Public safety-fire protection and emergency medical services</i>			
<i>Current:</i>			
Personnel costs	2,893,023	-	2,893,023
Operations	1,142,014	-	1,142,014
<i>Debt service:</i>			
Principal portion	187,450	215,000	402,450
Interest portion	30,549	100,407	130,956
Capital outlay	285,667	-	285,667
Total expenditures	<u>4,538,703</u>	<u>315,407</u>	<u>4,854,110</u>
Excess of revenues over (under) expenditures	1,418,951	(277,519)	1,141,432
<b>Other financing sources (uses)</b>			
<i>Subscription-based information technology arrangements</i>			
	196,490	-	196,490
<i>Sale of capital assets</i>			
	257,187	-	257,187
<i>Transfers in</i>			
	-	313,152	313,152
<i>Transfers out</i>			
	(313,152)	-	(313,152)
Total other financing sources (uses)	<u>140,525</u>	<u>313,152</u>	<u>453,677</u>
Net change in fund balances	1,559,476	35,633	1,595,109
Fund balances, July 1, 2024	2,888,290	566,859	3,455,149
Fund balances, June 30, 2025	<u>\$ 4,447,766</u>	<u>\$ 602,492</u>	<u>\$ 5,050,258</u>

The accompanying notes are an  
integral part of these basic financial statements.

**Northern Arizona Fire District**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the**  
**Government-wide Statement of Activities**  
**Year Ended June 30, 2025**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,595,109</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Expenditures for capital outlays	285,667
Depreciation/amortization expense	(519,978)
Property tax revenues and certain charges for services reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.	10,515
District 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 reported net pension liability is measured a year before the District's report. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities:	
District pension contributions	261,302
Pension expense	(114,483)
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.	(18,129)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Certificates of participation	215,000
Subscription-based information technology arrangements principal	94,934
Financed purchases	92,263
Lease principal	253
Subscription-based information technology arrangements incurred	(196,490)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	(15,188)
<b>Change in net position of governmental activities</b>	<b>\$ 1,690,775</b>

The accompanying notes are an integral part of these basic financial statements.

**Northern Arizona Fire District  
Notes to Financial Statements  
Year Ended June 30, 2025**

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**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Northern Arizona Fire District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (“GASB”).

Effective for the fiscal year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101 (“GASB 101”), *Compensated Absences*. This statement establishes recognition and measurement guidance for leave that has not yet been used and enhances the consistency of financial reporting among governments. Under GASB 101, the District recognizes a liability for compensated absences when (1) the leave is attributable to services already rendered, (2) the leave accumulates and carries forward to future periods, and (3) it is probable that the leave will be used for time off or otherwise paid upon termination or retirement. The implementation of GASB 101 did not have a material impact on the District’s financial statements or related note disclosures.

During the fiscal year ended June 30, 2025, the District also implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to disclose certain risks that could affect the provision of services or the ability to meet obligations as they come due, including vulnerabilities due to concentrations or constraints. The implementation of GASB 102 did not have a material impact on the District’s financial statements or related note disclosures.

**A. Reporting Entity**

The District is a local governmental unit formed and is operated pursuant to the provisions of Title 48 of the Arizona Revised Statutes. The District operates under the oversight of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day-to-day operations are supervised by the fire chief and the chief’s staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. In addition, the District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

**B. Basis of Presentation**

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

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

**Government-wide Financial Statements** – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall District.

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

Program revenues include charges to customers for fire services provided and capital grants for the purchase of new equipment.

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

**Fund Financial Statements** – provide information about the District's funds. The emphasis of fund financial statements is on the major governmental funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *debt service fund* accounts for the issuance and repayment of the certificates of participation and financed purchases of the District.

### **C. Basis of Accounting**

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied.

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

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under lease agreements and subscription-based information technology arrangements are reported as other financing sources.

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

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

**Fund Balance Classifications** – Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

The nonspendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form, such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources.

Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board of Directors.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**Cash and Investments** – Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Investment earnings are composed of interest and net changes in the fair value of applicable investments.

**Cash held by Trustee** – Money market investments with a remaining maturity of one year or less at time of purchase are stated at amortized costs.

## Notes to Financial Statements - Continued

### Note 1 – Summary of Significant Accounting Policies - Continued

**Prepaid Items** – Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Under this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute “available spendable resources.”

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and are expensed over the period consumed.

**Receivables** – Receivables outstanding at year-end consist of amounts due for property taxes and intergovernmental grants. Management periodically evaluates the collectability of receivables based on their age and collection efforts and an allowance is established for estimated uncollectible accounts. Uncollectible accounts are written off after all efforts for collection have been exhausted. As of June 30, 2025, there is no allowance for uncollectible accounts.

**Capital Assets** – Capital assets are reported in the government-wide financial statements at actual cost or estimated historical cost if historical records are not available. Donated capital assets are reported at estimated fair value when received. Capital assets are assets with an initial, individual cost of \$2,500 or more and an estimated useful life exceeding one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are expensed as incurred.

Capital assets are depreciated using the straight-line method as follows:

<u>Capital asset class</u>	<u>Estimated useful life</u>
Land and improvements	Non-depreciable
Construction in progress	Non-depreciable
Buildings	40 years
Apparatus and vehicles	5 to 10 years
Equipment	5 to 10 years
Dispatch center assets	25 years
Intangibles:	
Right-to-use lease assets	3 to 5 years
Right-to-use subscription assets	3 to 5 years

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

**Leases** – As lessee, the District recognizes lease liabilities with an initial, individual value of \$10,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The incremental borrowing rate of the District is 5%.

**Subscription-Based Information Technology Arrangements** – The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The District's estimated incremental borrowing rate is 5%.

**Compensated Absences** – The District allows employees to accumulate earned but unused vacation based on services already rendered. A liability is reported for paid time-off that is payable upon termination or retirement as well as estimated leave to be used as future time-off. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

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

**Estimates** – The preparation of the basic 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, liabilities, and deferred outflows/inflows of resources and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the tax calendar reporting period. Actual results may differ from those estimates.

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

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

## Notes to Financial Statements - Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

### **Note 2 – Cash and Investments**

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

The District utilizes Mohave County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

A.R.S. §48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety percent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District. Any surplus remaining in the District's general fund for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

**Cash on Hand and Deposits** – At June 30, 2025, the District had \$6,110 on hand, and carrying amount of the total cash in bank was \$394,368 and the bank balance was \$394,368 of which all are insured or collateralized.

## Notes to Financial Statements - Continued

### Note 2 – Cash and Investments - Continued

**Investments** – The District’s investments at June 30, 2025, are categorized 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.

The District’s investments at June 30, 2025, are comprised of the amount held by the Mohave County Treasurer totaling \$5,017,298.

The Mohave County Treasurer’s investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of its operations. However, the majority of Mohave County’s investment pool is invested in the State of Arizona’s local government investment pool which is regulated by the State Board of Investment. The pool’s structure does not provide for shares, and Mohave County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

**Credit Risk** – At June 30, 2025, all of the District's investments were invested in the Mohave County investment pool which is not rated by rating agencies.

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

**Interest Rate Risk** – At June 30, 2025, the District’s investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

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

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash on hand	\$ 6,110
Amount of deposits	394,368
Amounts of investments	<u>5,017,298</u>
Total	<u>\$ 5,417,776</u>
Cash and investments	\$ 5,153,408
Cash and investments held by trustee	<u>264,368</u>
Total	<u>\$ 5,417,776</u>

## Notes to Financial Statements - Continued

### Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Balance, July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2025</u>
<b>Capital assets not being depreciated/amortized:</b>				
Land and improvements	\$ 714,480	\$ -	\$ -	\$ 714,480
Total capital assets not being depreciated/amortized	714,480	-	-	714,480
<b>Capital assets being depreciated/amortized:</b>				
Buildings	2,827,546	36,257	-	2,863,803
Apparatus and vehicles	4,494,410	50,113	( 341,238)	4,203,285
Equipment	2,039,594	2,807	-	2,042,401
Dispatch center assets	100,052	-	-	100,052
Intangibles:				
Right-to-use lease asset	6,018	-	-	6,018
Right-to-use subscription assets	146,773	196,490	-	343,263
Total capital assets being depreciated/amortized	9,614,393	285,667	( 341,238)	9,558,822
<b>Less accumulated depreciation/amortization for:</b>				
Buildings	( 1,001,783)	( 60,466)	-	( 1,062,249)
Apparatus and vehicles	( 3,074,580)	( 322,462)	341,238	( 3,055,804)
Equipment	( 1,826,255)	( 59,583)	-	( 1,885,838)
Dispatch center assets	( 49,025)	( 4,002)	-	( 53,027)
Intangibles:				
Right-to-use lease asset	( 5,572)	( 446)	-	( 6,018)
Right-to-use subscription assets	( 55,094)	( 73,019)	-	( 128,113)
Total accumulated depreciation/amortization	( 6,012,309)	( 519,978)	341,238	( 6,191,049)
Total capital assets being depreciated/amortized, net	3,602,084	( 234,311)	-	3,367,773
Total capital assets, net	<u>\$ 4,316,564</u>	<u>\$ ( 234,311)</u>	<u>\$ -</u>	<u>\$ 4,082,253</u>

## Notes to Financial Statements - Continued

### **Note 3 – Capital Assets - Continued**

Governmental activities depreciation/amortization expense, excluding infrastructure, in the amount of \$519,978 was charged to the public safety function of the District.

### **Note 4 – Long-Term Liabilities**

A summary of the changes in long-term liabilities for the year ended June 30, 2025, follows:

	<b>Balance July 1, 2024</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2025</b>	<b>Due Within 1 Year</b>
Certificates of participation	\$ 3,760,000	\$ -	\$ ( 200,000)	\$ 3,560,000	\$ 215,000
Financed purchases	825,899	-	( 92,263)	733,636	95,203
Net pension/OPEB liability	906,840	-	( 600,059)	306,781	-
Compensated absences	146,972	*15,188	-	162,160	93,109
Subscription-based information technology arrangements	89,312	196,490	( 94,934)	190,868	91,908
Lease obligation	253	-	( 253)	-	-
	<b>\$ 5,729,276</b>	<b>\$ 211,678</b>	<b>\$ ( 987,509)</b>	<b>\$ 4,953,445</b>	<b>\$ 495,220</b>

\*The change in compensated absences is reported at net.

**Certificates of participation** – The District issued certificates of participation totaling \$3,995,000 to contribute the proceeds to the Public Safety Personnel Retirement System to fund the net pension liability, utilizing all nine stations of the District as collateral. The certificates of participation have interest rates ranging from 0.9% - 3.25% payable semi-annually and maturity dates ranging from July 2022 through July 2038.

The following schedule details debt service requirements to maturity for the District’s certificates of participation:

<b><u>Year ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2026	\$ 215,000	\$ 98,730
2027	220,000	95,075
2028	225,000	90,785
2029	230,000	86,060
2030	235,000	80,885
2031 – 2035	1,270,000	304,887
2036 – 2039	1,165,000	96,039
Total	<b>\$ 3,560,000</b>	<b>\$ 852,461</b>

## Notes to Financial Statements - Continued

### **Note 4 – Long-Term Liabilities – Continued**

**Financed Purchases** – The District has acquired two apparatus under contract agreements at a total price of \$905,585. The following schedule details debt service requirements to maturity for the District’s financed purchases:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 95,203	\$ 23,382
2027	98,237	20,348
2028	101,368	17,217
2029	104,599	13,986
2030	107,933	10,653
2031 – 2032	226,296	10,875
Total	<u>\$ 733,636</u>	<u>\$ 96,461</u>

**Subscription-Based Information Technology Arrangements (SBITAs)** – The District has obtained the right to use various software under the provisions of various subscription-based information technology arrangements at a total price of \$343,263 with accumulated amortization of \$128,113. The following schedule details debt service requirements to maturity for the District’s subscription liability:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 91,908	\$ 9,765
2027	97,122	5,063
2028	1,838	94
Total	<u>\$ 190,868</u>	<u>\$ 14,922</u>

**Leases** – The District has obtained the right to use equipment under the provision of a lease agreement at a total price of \$6,018, which has been fully amortized at the conclusion of fiscal year ended June 30, 2025.

### **Note 5 – Line of Credit**

The District maintains a credit line in the amount of \$250,000 through the Mohave County Treasurer. As of June 30, 2025, the District had not utilized the credit line. The interest rate, if used, is prime plus a percentage to be determined when the credit line is used.

### **Note 6 – Risk Management**

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

## Notes to Financial Statements - Continued

### **Note 7 – Commitments**

In September 2023, the District entered into an intergovernmental agreement with the Golden Valley Fire District (GVFD) to provide shared administrative services, including the Fire Chief, Fire Marshal, and controller, to the District. As part of the agreement, The District will provide an Assistant Fire Chief to oversee operations of both Districts. The agreement will be reviewed and renewed by mutual agreement annually unless terminated by either party pursuant to the termination provisions. During the fiscal year ended June 30, 2025, the District paid a total of \$217,881 for these services, and received \$86,352 from GVFD for the services provided.

In August 2025, the District provided a 30 day notice to GVFD to terminate the agreement effectively immediately as allowed in the agreement.

### **Note 8 – Employee Retirement Systems and Post Employment Plans**

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

At June 30, 2025, the District reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) to which it contributes:

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total</u>
Net pension and OPEB liability	\$ 78,420	\$ 228,361	\$ 306,781
Net pension and OPEB asset	-	175,678	175,678
Deferred outflows of resources	22,316	258,038	280,354
Deferred inflows of resources	10,773	312,747	323,520
Pension and OPEB expense	7,023	107,460	114,483

The District's accrued payroll and employee benefits includes \$329 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2025.

### **Arizona State Retirement System**

**Plan Description:** The District contributes to 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 administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute 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. Reports may be obtained online at [www.azasrs.gov](http://www.azasrs.gov).

## Notes to Financial Statements - Continued

### **Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

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

	<b>Retirement initial membership date</b>	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
Years of service and age required to receive benefits	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 earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement 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 contribution and employer's contributions, plus interest earned.

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

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.27% (12.05% retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension, health insurance premium benefit and long-term disability plans for the year ended June 30, 2025, were \$6,473, \$38 and \$81 respectively. During fiscal year 2025, the District paid for ASRS pension and OPEB contributions from the general fund.

***Pension Liability*** – At June 30, 2025, the District reported the following asset and liabilities for its proportionate share of the ASRS net pension/OPEB asset or liability.

	<b>Net pension/OPEB (asset) liability</b>
Pension	\$ 81,608
Health insurance premium benefit	( 3,202)
Long-term disability	14

The net asset and liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. District's proportions measured as of June 30, 2024, and the change from its proportions measure as of June 30, 2023, were:

<b>ASRS</b>	<b>Proportion June 30, 2024</b>	<b>Increase (Decrease) from June 30, 2023</b>
Pension	.00051%	(0.00010%)
Health insurance premium benefit	.00053%	(0.00011%)
Long-term disability	.00052%	(0.00010%)

***Expense*** – For the year ended June 30, 2025, the District recognized the following pension and OPEB expense.

<b>ASRS</b>	<b>Pension/ OPEB Expense</b>
Pension	\$ 7,442
Health insurance premium benefit	( 493)
Long-term disability	74

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

**Deferred Outflows/Inflows of Resources** – At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,555	\$ -	\$ 93	\$ 773	\$ 50	\$ 36
Changes of assumptions or other inputs	-	-	-	33	10	81
Net difference between projected and actual earnings on plan investments	-	5,212	-	220	-	15
Changes in proportion and differences between District contributions and proportionate share of contributions	10,765	4,056	144	307	107	40
District contributions subsequent to the measurement date	6,473	-	38	-	81	-
<b>Total</b>	<b>\$ 21,793</b>	<b>\$ 9,268</b>	<b>\$ 275</b>	<b>\$ 1,333</b>	<b>\$ 248</b>	<b>\$ 172</b>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from the District’s 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-term Disability</u>
2026	\$ ( 763)	\$ ( 627)	\$ ( 11)
2027	9,090	( 158)	14
2028	( 1,319)	( 159)	1
2029	( 956)	( 115)	( 10)
2030	-	( 37)	( 7)
Thereafter	-	-	8

## Notes to Financial Statements - Continued

### **Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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%
Permanent benefit increase	Included for pensions/ not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	(0.45)%
Total	<u>100%</u>	

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

**Discount Rate** – At June 30, 2024, 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 District’s Proportionate Share of the ASRS 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 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.

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
District’s proportionate share of the net pension liability	\$ 124,958	\$ 81,608	\$ 45,479
Net insurance premium benefit liability (asset)	( 2,328)	( 3,202)	( 3,946)
Net long-term disability liability	47	14	( 19)

**Plan Fiduciary Net Position** – Detailed information about the plan’s fiduciary net position is available in the separately issued ASRS financial report.

**Public Safety Personnel Retirement System**

**Plan Description** – The District has entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP), an agent and cost sharing multiple-employer defined benefit pension plan and an agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which is not further disclosed because of their relative insignificance to the District’s financial statements.

## Notes to Financial Statements - Continued

### **Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The reports are available on the PSPRS web site at [www.psprs.com](http://www.psprs.com).

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

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

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

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

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

**Employees Covered by Benefit Terms** – At June 30, 2025, the following employees were covered by the agent plan’s benefit terms:

	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	11	11
Inactive employees entitled to but not yet receiving benefits	16	-
Active employees	6	6
Total	33	17

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute at an actuarially determined rate. Contribution rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

For the year ended June 30, 2025, the rate was 16.78% for the pension plan and 0.00% for the health insurance premium benefit plans. Employees were required to contribute 7.65%-10.65% for the pension plan. Total pension contributions made during the year were \$252,327, and the total health insurance premium benefit contributions were \$2,383. During fiscal year 2025, the District paid for PSPRS and OPEB contributions from the general fund.

**Liability** – At June 30, 2025, the District reported liability/(assets) of \$228,361 and \$(175,678) for pension and health insurance premium benefit, respectively.

## Notes to Financial Statements - Continued

### **Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

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

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0%-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/ not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/ not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. public equity	24%	3.62%
International public equity	16%	4.47%
Global private equity	27%	7.05%
Core bonds	6%	2.44%
Private credit	20%	6.24%
Diversifying strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	<u>100%</u>	

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

**Discount Rates** – At June 30, 2024, 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 PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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.

**Changes in the Net Pension/OPEB Liability**

<b>Pension</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balances at June 30, 2024</b>	\$ 11,089,561	\$ 10,246,852	\$ 842,709
Changes for the current year:			
Service cost	100,508	-	100,508
Interest on the total pension liability	785,478	-	785,478
Differences between expected and actual experience in the measurement of the pension liability	( 325,143)	-	( 325,143)
Net investment income	-	1,020,046	(1,020,046)
Contributions - employer	-	135,334	( 135,334)
Contributions - employee	-	30,541	( 30,541)
Benefit payments	( 561,313)	( 561,313)	-
Pension plan administrative expense	-	( 10,730)	10,730
Net changes	( 470)	613,878	( 614,348)
<b>Balances at June 30, 2025</b>	\$ 11,089,091	\$ 10,860,730	\$ 228,361

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

<b>OPEB</b>	<b>Increase (Decrease)</b>		<b>Net OPEB (Asset) Liability (a) – (b)</b>
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	
<b>Balances at June 30, 2024</b>	\$ 103,570	\$ 262,481	\$ ( 158,911)
Changes for the current year:			
Service cost	1,579	-	1,579
Interest on the total OPEB liability	7,288	-	7,288
Differences between expected and actual experience in the measurement of the OPEB liability	31	-	31
Net investment income	-	25,909	( 25,909)
Benefit payments	( 7,862)	( 7,862)	-
OPEB plan administrative expense	-	( 244)	244
<b>Net changes</b>	<b>1,036</b>	<b>17,803</b>	<b>( 16,767)</b>
<b>Balances at June 30, 2025</b>	<b>\$ 104,606</b>	<b>\$ 280,284</b>	<b>\$ ( 175,678)</b>

**Sensitivity of the District’s Net Pension/OPEB Liability to Changes in the Discount Rate –**

The following table presents the District’s net pension/OPEB (assets) liabilities calculated using the discount rates of 7.2%, 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%) or 1 percentage point higher, (8.2%) than the current rate:

	<b>1% Decrease 6.2%</b>	<b>Current Discount Rate 7.2%</b>	<b>1% Increase 8.2%</b>
Net pension liability	\$ 1,800,076	\$ 228,361	\$ (1,038,546)
Net OPEB (asset) liability	( 164,350)	( 175,678)	( 185,238)

**Notes to Financial Statements - Continued**

**Note 8 – Employee Retirement Systems and Post Employment Plans – Continued**

**Plan Fiduciary Net Position** – Detailed information about the plan’s fiduciary net position is available in the separately issued PSPRS financial report.

**Expense** – For the year ended June 30, 2025, the District recognized pension expense of \$145,138 and OPEB revenues of (\$37,678).

**Deferred Outflows/Inflows of Resources** - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ -	\$ 162,572	\$ 3,118	\$ 43,979
Changes of assumptions or other inputs	-	-	210	1,036
Net difference between projected and actual earnings on plan investments	-	102,137	-	-
District contributions subsequent to the measurement date	252,327	-	2,383	3,023
<b>Total</b>	<b>\$ 252,237</b>	<b>\$ 264,709</b>	<b>\$ 5,711</b>	<b>\$ 48,038</b>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Pension	Health
2026	\$ ( 268,515)	\$ ( 32,756)
2027	131,365	( 9,658)
2028	( 68,180)	( 842)
2029	( 59,379)	( 1,454)

**Note 9 – Subsequent Events**

In August 2025, the District board approved the purchase of equipment from various vendors totaling \$582,936, which were purchased and received in December 2025, by the District.

**Northern Arizona Fire District  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2025**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
<i>Taxes:</i>			
Property taxes	\$ 4,808,365	\$ 4,677,011	\$ (131,354)
Fire district assistance tax	400,000	398,722	(1,278)
Firefighter relief and pension	-	51,916	51,916
Charges for service	8,000	5,088	(2,912)
Intergovernmental	752,016	646,185	(105,831)
Investment earnings	50,000	152,686	102,686
Other revenue	20,500	26,046	5,546
Total revenues	<u>6,038,881</u>	<u>5,957,654</u>	<u>(81,227)</u>
<b>Expenditures:</b>			
<i>Public safety-fire protection and emergency medical services:</i>			
Current:			
Personnel costs	3,427,524	2,893,023	534,501
Operations	1,667,260	1,142,014	525,246
Debt service:			
Principal portion	92,262	187,450	(95,188)
Interest portion	26,323	30,549	(4,226)
Capital outlay	574,197	285,667	288,530
Total expenditures	<u>5,787,566</u>	<u>4,538,703</u>	<u>1,248,863</u>
Excess of revenues over expenditures	251,315	1,418,951	1,167,636
<b>Other financing sources (uses)</b>			
Subscription-based information technology arrangements	-	196,490	196,490
Sale of capital assets	-	257,187	257,187
Transfers out	(251,315)	(313,152)	(61,837)
Total other financing sources (uses)	<u>(251,315)</u>	<u>140,525</u>	<u>391,840</u>
Net change in fund balances	-	1,559,476	1,559,476
Fund balance, July 1, 2024	3,500,000	2,888,290	(611,710)
Fund balance, June 30, 2025	<u>\$ 3,500,000</u>	<u>\$ 4,447,766</u>	<u>\$ 947,766</u>

See accompanying notes to the  
budgetary comparison schedule.

**Northern Arizona Fire District  
Notes to Budgetary Comparison Schedule  
Year ended June 30, 2025**

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**Note 1 – Budgeting and Budgetary Control**

A.R.S. requires the District to prepare and adopt a balanced budget annually for its fund. The Board of Directors must approve such operating budget on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amount budgeted.

A.R.S. requires the District to prepare an annual budget that clearly shows salaries payable to the employees of the District, therefore expenditures cannot legally exceed appropriations at certain expenditure classification levels.

**Note 2 – Budgetary Requirements and Basis of Accounting**

The District’s budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget. The Board is responsible for approving the budget on an annual basis.

**Note 3 – Expenditures in Excess of Appropriations**

For the year ended June 30, 2025, expenditures exceeded final budget amounts in the general fund for the following line items:

Debt service principal portion	\$ 95,188
Debt service interest portion	4,226

The excesses for the debt service interest variances resulted primarily from SBITA’s, leases, and financed purchase payments that were budgeted in other categories, however reported as a reduction of the liabilities for financial reporting. The excesses for the remaining items above expenditures were primarily the result of incurring unexpected expenditures.

**Northern Arizona Fire District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2025**

**ASRS - Pension**

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	0.00051%	0.00041%	0.00050%	0.00051%	0.00038%	0.00013%	0.00032%	0.00035%	0.00035%	0.00035%
District's proportionate share of the net pension liability	\$ 81,608	\$ 66,344	\$ 81,611	\$ 67,012	\$ 65,841	\$ 18,917	\$ 44,629	\$ 54,523	\$ 56,494	\$ 27,114
District's covered payroll	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	\$ 31,922	\$ 32,315
District's proportionate share of the net pension liability as a percentage of its covered payroll	112.81%	120.62%	145.52%	116.60%	157.98%	135.66%	142.45%	195.50%	176.98%	83.91%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

**ASRS - Health insurance premium benefit**

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2016
District's proportion of the net OPEB liability (asset)	0.00053%	0.00042%	0.00051%	0.00052%	0.00038%	0.00014%	0.00032%	0.00035%	Information not available
District's proportionate share of the net OPEB liability (asset)	\$ (3,202)	\$ (2,268)	\$ (2,846)	\$ (2,533)	\$ (269)	\$ (39)	\$ (115)	\$ (191)	Information not available
District's covered payroll	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.43%	-4.12%	-5.07%	-4.41%	-0.65%	-0.28%	-0.37%	-0.68%	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	137.51%	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

**ASRS - Long-term disability**

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2016
District's proportion of the net OPEB liability (asset)	0.00052%	0.00042%	0.00050%	0.00051%	0.00038%	0.00013%	0.00032%	0.00035%	Information not available
District's proportionate share of the net OPEB liability (asset)	\$ 14	\$ 55	\$ 46	\$ 105	\$ 288	\$ 85	\$ 167	\$ 127	Information not available
District's covered payroll	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.02%	0.10%	0.08%	0.18%	0.69%	0.61%	0.53%	0.46%	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	98.77%	93.70%	95.40%	90.38%	68.01%	77.85%	77.83%	84.44%	

**Northern Arizona Fire District**  
**Required Supplementary Information**  
**Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension/OPEB Plans**  
**June 30, 2025**

PSPRS - Pension	Reporting fiscal year (measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
<b>Total pension liability</b>										
Service cost	\$ 100,508	\$ 110,346	\$ 137,401	\$ 176,277	\$ 195,854	\$ 249,890	\$ 235,229	\$ 314,666	\$ 238,984	\$ 263,987
Interest on total pension liability	785,478	749,987	720,882	714,700	709,132	662,935	659,417	589,929	550,371	542,515
Changes of benefit terms	-	-	-	-	-	-	-	33,183	478,288	-
Difference between expected and actual experience in the measurement of the pension liability	(325,143)	230,641	18,763	(303,996)	(441,083)	64,213	(590,860)	327,839	(203,320)	(146,858)
Changes of assumptions or other inputs	-	-	272,494	-	-	194,284	-	220,555	318,661	-
Benefit payments, including refunds of employee contributions	(561,313)	(615,117)	(547,053)	(381,852)	(352,341)	(371,123)	(405,914)	(396,346)	(736,064)	(358,051)
Net change in pension liability	(470)	475,857	602,487	205,129	111,562	800,199	(102,128)	1,089,826	646,920	301,593
Total pension liability - beginning	11,089,561	10,613,704	10,011,217	9,806,018	9,694,456	8,894,257	8,996,385	7,906,559	7,259,639	6,958,046
Total pension liability - ending (a)	\$ 11,089,091	\$ 11,089,561	\$ 10,613,704	\$ 10,011,147	\$ 9,806,018	\$ 9,694,456	\$ 8,894,257	\$ 8,996,385	\$ 7,906,559	\$ 7,259,639
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 135,334	\$ 93,179	\$ 3,499,867	\$ 374,049	\$ 427,825	\$ 480,341	\$ 503,419	\$ 346,086	\$ 321,853	\$ 262,897
Contributions - employee	30,541	38,120	38,294	101,155	19,716	78,263	111,536	139,063	144,970	139,297
Net investment income (loss)	1,020,046	745,784	(351,548)	1,603,576	70,680	276,917	324,463	494,019	23,739	158,727
Benefit payments, including refunds of employee contributions	(561,313)	(615,117)	(547,053)	(381,852)	(352,341)	(371,123)	(405,914)	(396,346)	(736,064)	(358,051)
Administrative expenses	(10,730)	(7,449)	(6,328)	(7,494)	(5,763)	(5,800)	(5,638)	(4,771)	(3,816)	(4,260)
Other changes	-	(219)	-	-	-	(5,372)	(200,930)	12,260	(70,374)	(3,288)
Net change in plan fiduciary net position	613,878	254,298	2,633,232	1,689,434	160,117	453,226	326,936	590,311	(319,692)	195,322
Plan fiduciary net position - beginning	10,246,852	9,992,554	7,359,322	5,669,888	5,509,771	5,056,545	4,729,495	4,139,184	4,458,876	4,263,584
Plan fiduciary net position - ending (b)	\$ 10,860,730	\$ 10,246,852	\$ 9,992,554	\$ 7,359,322	\$ 5,669,888	\$ 5,509,771	\$ 5,056,431	\$ 4,729,495	\$ 4,139,184	\$ 4,458,906
District's net pension liability - ending (a) - (b)	\$ 228,361	\$ 842,709	\$ 621,150	\$ 2,651,825	\$ 4,136,130	\$ 4,184,685	\$ 3,837,826	\$ 4,266,890	\$ 3,767,375	\$ 2,800,733
Plan fiduciary net position as a percentage of the total pension liability	97.94%	92.40%	94.15%	73.51%	57.82%	56.83%	56.85%	52.57%	52.35%	61.42%
Covered-employee payroll	\$ 2,004,409	\$ 1,490,723	\$ 944,712	\$ 964,316	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	\$ 1,186,026	\$ 1,184,882
District's net pension liability as a percentage of covered-employee payroll	11.39%	56.53%	65.75%	275.00%	337.78%	322.02%	361.87%	325.71%	317.65%	236.37%

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District**  
**Required Supplementary Information**  
**Schedule of Changes in the District's Net Pension/OPEB Liability and Related Ratios**  
**Agent Pension/OPEB Plans - Continued**  
**June 30, 2025**

PSPRS - OPEB	Reporting fiscal year (measurement date)								2017 through 2016
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
<b>Total OPEB liability</b>									
Service cost	\$ 1,579	\$ 1,454	\$ 2,878	\$ 5,651	\$ 5,792	\$ 5,303	\$ 5,409	\$ 6,943	Information not available
Interest on total OPEB liability	7,288	6,956	8,372	12,099	11,903	15,722	17,431	16,070	
Changes of benefit terms	-	-	-	-	-	-	-	2,123	
Difference between expected and actual experience in the measurement of the OPEB liability	31	3,916	(18,631)	(58,742)	(6,269)	(68,565)	(41,961)	9,025	
Changes of assumptions or other inputs	-	-	(1,444)	-	-	1,467	-	(5,618)	
Benefit payments, including refunds of employee contributions	(7,862)	(7,821)	(7,821)	(6,772)	(6,024)	(6,024)	(7,127)	(5,833)	
Net change in OPEB liability	1,036	4,505	(16,646)	(47,764)	5,402	(52,097)	(26,248)	22,710	
Total OPEB liability - beginning	103,570	99,065	115,711	163,475	158,073	210,170	236,418	213,708	
Total OPEB liability - ending (a)	<u>\$ 104,606</u>	<u>\$ 103,570</u>	<u>\$ 99,065</u>	<u>\$ 115,711</u>	<u>\$ 163,475</u>	<u>\$ 158,073</u>	<u>\$ 210,170</u>	<u>\$ 236,418</u>	
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ -	\$ -	\$ 1,028	\$ 2,350	\$ 5,202	\$ 8,184	\$ 4,123	\$ 9,579	
Net investment income	25,909	18,696	(10,909)	58,510	1,770	10,712	12,967	19,628	
Benefit payments, including refunds of employee contributions	(7,862)	(7,821)	(7,821)	(6,772)	(6,024)	(6,024)	(7,127)	(5,833)	
Administrative expenses	(244)	(199)	(186)	(241)	(218)	(185)	(197)	(173)	
Other changes	-	-	-	-	-	4,794	(1)	-	
Net change in plan fiduciary net position	17,803	10,676	(17,888)	53,847	730	17,481	9,765	23,201	
Plan fiduciary net position - beginning	262,481	251,805	269,693	215,846	215,116	197,635	187,870	164,669	
Plan fiduciary net position - ending (b)	<u>\$ 280,284</u>	<u>\$ 262,481</u>	<u>\$ 251,805</u>	<u>\$ 269,693</u>	<u>\$ 215,846</u>	<u>\$ 215,116</u>	<u>\$ 197,635</u>	<u>\$ 187,870</u>	
District's net OPEB liability - ending (a) - (b)	<u>\$ (175,678)</u>	<u>\$ (158,911)</u>	<u>\$ (152,740)</u>	<u>\$ (153,982)</u>	<u>\$ (52,371)</u>	<u>\$ (57,043)</u>	<u>\$ 12,535</u>	<u>\$ 48,548</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	267.94%	253.43%	254.18%	233.07%	132.04%	136.09%	94.04%	79.47%	
Covered-employee payroll	\$ 2,004,409	\$ 1,490,723	\$ 944,712	\$ 964,316	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	
District's net OPEB liability as a percentage of covered-employee payroll	-8.76%	-10.66%	-16.17%	-15.97%	-4.28%	-4.39%	1.18%	3.71%	

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District**  
**Required Supplementary Information**  
**Schedule of District Pension/OPEB Contributions**  
**Year Ended June 30, 2025**

**ASRS - Pension**

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 6,473	\$ 8,703	\$ 6,556	\$ 6,736	\$ 6,695	\$ 4,772	\$ 1,559	\$ 3,415	\$ 3,631	\$ 4,168
District's contributions in relation to the statutorily required contribution	6,473	8,703	6,556	6,736	6,695	4,772	1,559	3,415	3,631	4,168
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 53,722	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	\$ 31,922
District's contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	13.02%	13.06%

**ASRS - Health insurance  
premium benefit**

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 38	\$ 80	\$ 61	\$ 118	\$ 224	\$ 204	\$ 64	\$ 138	\$ 189	Information not available
District's contributions in relation to the statutorily required contribution	38	80	61	118	224	204	64	138	189	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 53,722	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's contributions as a percentage of covered payroll	0.07%	0.11%	0.11%	0.21%	0.39%	0.49%	0.46%	0.44%	0.68%	

**ASRS - Long-term disability**

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 81	\$ 108	\$ 77	\$ 106	\$ 104	\$ 71	\$ 22	\$ 51	\$ 47	Information not available
District's contributions in relation to the statutorily required contribution	81	108	77	106	104	71	22	51	47	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 53,722	\$ 72,344	\$ 55,001	\$ 56,084	\$ 57,471	\$ 41,676	\$ 13,945	\$ 31,330	\$ 27,889	
District's contributions as a percentage of covered payroll	0.15%	0.15%	0.14%	0.19%	0.18%	0.17%	0.16%	0.16%	0.17%	

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District**  
**Required Supplementary Information**  
**Schedule of District Pension/OPEB Contributions - Continued**  
**Year Ended June 30, 2025**

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>PSPRS - Pension</b>										
Actuarially determined contribution	\$ 252,327	\$ 233,681	\$ 191,331	\$ 368,523	\$ 374,049	\$ 427,825	\$ 480,341	\$ 503,419	\$ 346,086	\$ 321,853
District's contributions in relation to the actuarially determined contribution	252,327	233,681	191,331	3,532,941	374,049	427,825	480,341	503,419	346,086	321,853
District's contribution deficiency	\$ -	\$ -	\$ -	\$ (3,164,418)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,468,485	\$ 2,004,409	\$ 1,490,723	\$ 944,712	\$ 964,316	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	\$ 1,186,026
District's contributions as a percentage of covered payroll	10.22%	11.66%	12.83%	373.97%	38.79%	34.94%	36.96%	47.47%	26.42%	27.14%
<b>PSPRS - OPEB</b>										
Actuarially determined contribution	\$ 2,383	\$ 1,881	\$ 1,609	\$ 1,028	\$ 2,350	\$ 5,202	\$ 8,184	\$ 4,123	\$ 9,579	Information not available
District's contributions in relation to the actuarially determined contribution	2,383	1,881	1,609	1,028	2,350	5,202	8,184	4,123	9,579	
District's contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered payroll	\$ 2,468,485	\$ 2,004,409	\$ 1,490,723	\$ 944,712	\$ 964,316	\$ 1,224,503	\$ 1,299,527	\$ 1,060,547	\$ 1,310,017	
District's contributions as a percentage of covered payroll	0.10%	0.09%	0.11%	0.11%	0.24%	0.42%	0.63%	0.39%	0.73%	

See accompanying notes to pension plan/OPEB schedules.

**Northern Arizona Fire District  
Notes to Pension Plan Schedules  
Year Ended June 30, 2025**

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**Note 1 – Actuarially Determined Contribution Rates**

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period as of the 2023 actuarial valuation	15 years
Asset valuation method	7-year smoothed market value; 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, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
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%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.

## Notes to Pension Plan Schedules - Continued

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### **Note 1 – Actuarially Determined Contribution Rates - Continued**

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. RP-2000 mortality table (adjusted by 105% for both males and females)
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### **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 increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the District refunded excess employee contributions to PSPRS members. PSPRS allowed the District to reduce its actual employer contributions for the refund amounts. As a result, the District's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

During 2022, the District issued certificates of participation to fund its net pension liability. The additional contribution during 2022 totaled \$3,164,418.