**DESERT HILLS FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2023**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DESERT HILLS FIRE DISTRICT**

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HINTON BURDICK
CPAs & ADVISORS

**Independent Auditors' Report**

To the Board of Directors of
Desert Hills Fire District

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

***Opinions***

We have audited the financial statements of the governmental activities and each major fund, of Desert Hills Fire District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Desert Hills Fire District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Change in Accounting Principle***

As described in Note 1 to the financial statements, in fiscal year 2023, the District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HintonBurdick, PLLC
Gilbert, Arizona
October 11, 2023

**BOARD OF DIRECTORS**

| | |
|---|---|
| **Tom Roger** | **Chair** |
| **Curtis Schafer** | **Clerk** |
| **Char Beltran** | **Member** |
| **Richard Fountain** | **Member** |
| **Jimmy Wilson** | **Member** |

**CHIEF OFFICER**

| | |
|---|---|
| **Bryant Stanec** | **Administrative Battalion Chief** |
| **Steve Bunn** | **Operations Battalion Chief** |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Desert Hills Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. Please read it in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows exceed total liabilities and deferred inflows (net position) by $1,202,005 at the close of the fiscal year.
- Total net position increased by $565,969.
- Total revenues from all sources were $2,871,683 and the total cost of all District programs was $2,305,714.
- Total revenue and other financing sources received in the General Fund were $3,231 more than the final budget and expenditures were $124,360 more than the final budget.
- Unassigned fund balance increased $161,335 during the fiscal year. The unassigned balance at June 30, 2023 was $1,394,138 compared to $1,232,803 at June 30, 2022.

### USING THIS ANNUAL REPORT

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

#### Reporting the District as a Whole

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

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

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

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

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

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

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

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

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

- Governmental funds – All of the District's basic services are reported in governmental funds.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets and deferred outflows exceed liabilities deferred inflows by $1,202,005 as of June 30, 2023 as shown on the following condensed statement of net position.

| | Governmental activities | |
|---|---|---|
| | 6/30/2023 | 6/30/2022 |
| Current and other assets | $ 1,600,427 | $ 1,366,772 |
| Capital assets | 1,234,283 | 542,370 |
| Total assets | 2,834,710 | 1,909,142 |
| Deferred outflows related to pensions | 609,339 | 526,649 |
| Long-term liabilities outstanding | 1,299,270 | 584,755 |
| Other liabilities | 218,788 | 185,136 |
| Total liabilities | 1,518,058 | 769,891 |
| Deferred inflows related to pensions | 723,986 | 1,029,864 |
| Net position: | | |
| Invested in capital assets, net of related debt | 469,834 | 229,656 |
| Unrestricted | 732,171 | 406,380 |
| Total net position (deficit) | $ 1,202,005 | $ 636,036 |

**Governmental Activities**

The cost of all Governmental activities this year was $2,305,714. Program revenues totaled $430,268 and general revenues, including taxes, investment earnings and other revenues totaled $2,441,415.

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

| | Governmental activities | |
|---|---|---|
| | 6/30/2023 | 6/30/2022 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | $ 127,890 | $ 288,783 |
| Operating grants and contributions | 223,776 | 147,337 |
| Capital grants and contributions | 78,602 | 70,901 |
| General revenues: | | |
| Taxes | 2,408,191 | 2,085,055 |
| Unrestricted interest earnings | 23,557 | 3,414 |
| Other revenues | 9,667 | 17,313 |
| Total revenues | 2,871,683 | 2,612,803 |
| Expenses: | | |
| Public Safety | 2,305,714 | 2,067,039 |
| Total expenses | 2,305,714 | 2,067,039 |
| Increase/(decrease) in net position | 565,969 | 545,764 |
| Net position (deficit), beginning | 636,036 | 90,272 |
| Net position (deficit), ending | $ 1,202,005 | $ 636,036 |

Total resources available during the year to finance governmental operations were $3,507,719 consisting of net position at July 1, 2022 of $636,036 program revenues of $430,268 and General Revenues of $2,441,415. Total Governmental Activities expenses during the year were $2,305,714; thus Governmental Net Position at year end increased by $ 565,969 to $1,202,005.

**General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were $124,360 less than actual expenditures. Actual revenues and other financing sources were more than the final budget by $3,231. This was a result of debt proceeds (included in other financing sources) and the related capital outlay being unbudgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings and improvements, emergency vehicles, and equipment. At the end of fiscal year 2023, net capital assets of the government activities totaled $1,234,283. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

### Debt

At year end, the District had $1,422,654 in governmental-type debt. This amount includes compensated absences, notes payable and net pension liability.

## NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2024, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2023.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bryant Stanec, Administrative Battalion Chief, 3983 London Bridge Road, Lake Havasu City, AZ 86406 or call (928) 764-3333.

## BASIC FINANCIAL STATEMENTS

**DESERT HILLS FIRE DISTRICT**
**Statement of Net Position**
**June 30, 2023**

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 1,422,866 |
| Receivables | | 118,911 |
| Net OPEB asset | | 58,650 |
| Capital assets not being depreciated: | | |
| Land | | 25,000 |
| Construction in progress | | 700,000 |
| Capital assets, net of accumulated depreciation: | | |
| Buildings and improvements | | 105,796 |
| Emergency vehicles | | 232,260 |
| Equipment, Fire | | 171,227 |
| Total assets | | 2,834,710 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows related to pensions | | 602,595 |
| Deferred outflows related to OPEB | | 6,744 |
| Total deferred outlows of resources | | 609,339 |
| **Liabilities** | | |
| Accounts payable and other current liabilities | | 75,281 |
| Accrued interest payable | | 20,123 |
| Noncurrent liabilities: | | |
| Due within one year | | 123,384 |
| Due in more than one year | | 1,299,270 |
| Total liabilities | | 1,518,058 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows related to pensions | | 678,944 |
| Deferred inflows related to OPEB | | 45,042 |
| Total deferred inflows of resources | | 723,986 |
| **Net Position** | | |
| Net investment in capital assets | | 469,834 |
| Unrestricted | | 732,171 |
| Total net position | $ | 1,202,005 |

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

# DESERT HILLS FIRE DISTRICT
## Statement of Activities
## For the Year Ended June 30, 2023

| | Governmental Activities |
|---|---|
| **Expenses-Public safety** | |
| Fire protection and emergency services | $ 2,181,946 |
| Depreciation | 97,572 |
| Interest | 26,196 |
| Total program expenses | 2,305,714 |
| **Program revenues:** | |
| Charges for services | 127,890 |
| Operating grants and contributions | 223,776 |
| Capital grants and contributions | 78,602 |
| Total program revenues | 430,268 |
| Net program expenses | 1,875,446 |
| **General revenues** | |
| Property taxes | 2,099,126 |
| Fire District Assistance Tax (FDAT) | 247,426 |
| Smart and Safe Act taxes | 61,639 |
| Unrestricted interest earnings | 23,557 |
| Other revenues | 9,667 |
| Total general revenues | 2,441,415 |
| Change in net position | 565,969 |
| Net position (deficit) - beginning | 636,036 |
| Net position (deficit)- ending | $ 1,202,005 |

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

# DESERT HILLS FIRE DISTRICT
## Balance Sheet
## Governmental Funds
## June 30, 2023

| | General Fund | Total Governmental Funds |
|---|---|---|
| **Assets:** | | |
| Cash | $ 1,422,866 | $ 1,422,866 |
| Property tax receivables | 98,435 | 98,435 |
| Accounts receivable | 20,476 | 20,476 |
| Total Assets | 1,541,777 | 1,541,777 |
| **Liabilities:** | | |
| Accounts payable | 20,748 | 20,748 |
| Accrued liabilities | 54,533 | 54,533 |
| Total Liabilities | 75,281 | 75,281 |
| **Deferred Inflows of Resources** | | |
| Unavailable revenue - property taxes | 72,358 | 72,358 |
| Total deferred inflows of resources | 72,358 | 72,358 |
| **Fund Balance:** | | |
| Unassigned | 1,394,138 | 1,394,138 |
| Total Fund Balance | 1,394,138 | 1,394,138 |
| Total liabilities, deferred inflows of resources and fund balance | $ 1,541,777 | $ 1,541,777 |

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

# DESERT HILLS FIRE DISTRICT
## Reconciliation of the Balance Sheet of Governmental Funds
## to the Statement of Net Position
## June 30, 2023

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

| | | |
|---|---|---|
| Total governmental fund balances | | $ 1,394,138 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 1,234,283 |
| Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds. | | 72,358 |
| Some assets/liabilities, including notes payable, net pension liabilities, and net OPEB assets/liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Notes payable | (744,326) | |
| Compensated absences | (103,593) | |
| Net pension/opeb liabilities | (574,735) | |
| Net pension/opeb assets | 58,650 | |
| Accrued interest | (20,123) | (1,384,127) |
| Deferred inflows and outflows relating to pensions and OPEB do not provide or require current financial resources and are therefore not reported in the funds. | | (114,647) |
| Net position (deficit) of governmental activities | | $ 1,202,005 |

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

**DESERT HILLS FIRE DISTRICT**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Governmental Funds**
**For the Year Ended June 30, 2023**

| | General Fund | Total Governmental Funds |
|---|---|---|
| **Revenues:** | | |
| Property taxes | $ 2,052,341 | $ 2,052,341 |
| Fire district assistance tax | 247,426 | 247,426 |
| Smart and safe act tax | 61,639 | 61,639 |
| Intergovernmental revenue | 257,371 | 257,371 |
| Charges for services | 127,890 | 127,890 |
| Donations | 45,007 | 45,007 |
| Interest income | 23,557 | 23,557 |
| Miscellaneous income | 9,667 | 9,667 |
| Total Revenues | 2,824,898 | 2,824,898 |
| **Expenditures:** | | |
| Public Safety | | |
| Personnel related costs | 1,997,994 | 1,997,994 |
| Dispatch | 17,514 | 17,514 |
| Communications | 3,600 | 3,600 |
| Administration | 5,292 | 5,292 |
| Legal and professional | 30,799 | 30,799 |
| Firefighter costs | 7,895 | 7,895 |
| Education and training | 13,511 | 13,511 |
| Insurance | 22,360 | 22,360 |
| Dues and subscriptions | 7,845 | 7,845 |
| Repairs and maintenance | 69,782 | 69,782 |
| Vehicle fuel, oil and lube | 32,875 | 32,875 |
| Supplies | 8,398 | 8,398 |
| Utilities | 20,046 | 20,046 |
| Uniforms | 13,094 | 13,094 |
| Wildland expense | 54,667 | 54,667 |
| Miscellaneous | 195 | 195 |
| Debt service: | | |
| Principal | 160,897 | 160,897 |
| Interest | 13,688 | 13,688 |
| Capital outlay | 783,111 | 783,111 |
| Total Expenditures | 3,263,563 | 3,263,563 |
| Excess of Revenues Over (Under) Expenditures | (438,665) | (438,665) |
| **Other financing sources (uses)** | | |
| Proceeds from the issuance of debt | 600,000 | 600,000 |
| Total other financing sources (uses): | 600,000 | 600,000 |
| Net change in fund balance | 161,335 | 161,335 |
| Fund Balance - Beginning of Year | 1,232,803 | 1,232,803 |
| Fund Balance - End of Year | $ 1,394,138 | $ 1,394,138 |

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

**DESERT HILLS FIRE DISTRICT**
**Reconciliation of the Statement of Revenues,**
**Expenditures, and Changes in Fund Balances of Governmental Funds**
**To the Statement of Activities**
**For the Year Ended June 30, 2023**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balance - total governmental funds | $ | 161,335 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | | 691,913 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | (439,227) |
| Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changed in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities. | | 125,521 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 46,785 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | (7,850) |
| Change in net position of governmental activities | $ | 565,969 |

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

**DESERT HILLS FIRE DISTRICT**
**Statement of Revenues, Expenditures and Changes in Fund Balance**
**General Fund – Budget and Actual**
**For the Year Ended June 30, 2023**

| | Budget Amounts Original | Budget Amounts Final | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Property taxes | $ 2,098,732 | $ 2,098,732 | $ 2,052,341 | $ (46,391) |
| Fire district assistance tax | 242,660 | 242,660 | 247,426 | 4,766 |
| Smart and safe act tax | 25,000 | 25,000 | 61,639 | 36,639 |
| Intergovernmental revenue | 601,175 | 601,175 | 257,371 | (343,804) |
| Charges for services | 425,000 | 425,000 | 127,890 | (297,110) |
| Donations | 25,000 | 25,000 | 45,007 | 20,007 |
| Interest income | 4,100 | 4,100 | 23,557 | 19,457 |
| Miscellaneous income | - | - | 9,667 | 9,667 |
| Total Revenues | 3,421,667 | 3,421,667 | 2,824,898 | (596,769) |
| **Expenditures:** | | | | |
| Public Safety | | | | |
| Personnel related costs | 2,149,088 | 2,149,088 | 1,997,994 | 151,094 |
| Dispatch | 19,000 | 19,000 | 17,514 | 1,486 |
| Communications | 4,600 | 4,600 | 3,600 | 1,000 |
| Administration | 7,650 | 7,650 | 5,292 | 2,358 |
| Legal and professional | 35,000 | 35,000 | 30,799 | 4,201 |
| Firefighter costs | 6,400 | 6,400 | 7,895 | (1,495) |
| Education and training | 40,000 | 40,000 | 13,511 | 26,489 |
| Insurance | 26,000 | 26,000 | 22,360 | 3,640 |
| Dues and subscriptions | 5,000 | 5,000 | 7,845 | (2,845) |
| Repairs and maintenance | 130,000 | 130,000 | 69,782 | 60,218 |
| Vehicle fuel, oil and lube | 25,000 | 25,000 | 32,875 | (7,875) |
| Supplies | 10,500 | 10,500 | 8,398 | 2,102 |
| Utilities | 21,500 | 21,500 | 20,046 | 1,454 |
| Uniforms | 22,000 | 22,000 | 13,094 | 8,906 |
| Grant related expense | 416,889 | 416,889 | - | 416,889 |
| Wildland expense | 63,000 | 63,000 | 54,667 | 8,333 |
| Miscellaneous | 1,900 | 1,900 | 195 | 1,705 |
| Debt service: | | | | |
| Principal | 58,877 | 58,877 | 160,897 | (102,020) |
| Interest | 13,688 | 13,688 | 13,688 | - |
| Capital outlay | 83,111 | 83,111 | 783,111 | (700,000) |
| Total Expenditures | 3,139,203 | 3,139,203 | 3,263,563 | (124,360) |
| Excess of Revenues Over/(Under) Expenditures | 282,464 | 282,464 | (438,665) | (721,129) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the issuance of debt | - | - | 600,000 | 600,000 |
| Total other financing sources (uses): | - | - | 600,000 | 600,000 |
| Net change in fund balance | 282,464 | 282,464 | 161,335 | (121,129) |
| Fund Balance - Beginning of Year | 1,232,803 | 1,232,803 | 1,232,803 | - |
| Fund Balance - End of Year | $ 1,515,267 | $ 1,515,267 | $ 1,394,138 | $ (121,129) |

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

## Note 1. Summary of Significant Accounting Policies

### Description of government-wide financial statements

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

### Reporting entity

Desert Hills Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection, emergency medical services, and public education programs for the community of Desert Hills. The District is governed by an elected five member board of directors, which appoints the chairman. The day to day operations are supervised by a fire chief and his staff. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

### Basis of presentation – government-wide financial statements

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

### Basis of presentation – fund financial statements

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

The District reports the following major governmental funds:

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

### Measurement focus and basis of accounting

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

***Cash, cash equivalents, and investments***

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

***Inventories and prepaid items***

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

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

## Note 1. Summary of Significant Accounting Policies (Continued)

***Capital Assets***

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than $2,500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| | |
|---|---|
| Buildings and improvements | 5-40 years |
| Vehicles | 5-10 years |
| Equipment | 5-7 years |

***Deferred outflows/inflows of resources***

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

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

## Note 1. Summary of Significant Accounting Policies (Continued)

***Pensions***

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

***Leases and Subscription-based information technology arrangements***

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

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

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

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

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

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

Subscription-based information technology arrangements: The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of $5,000 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 had no SBITSs during the year ended June 30, 2023 that requires reporting under GASB statement No. 96.

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Net position flow assumption***

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

***Fund balance flow assumptions***

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

***Fund balance policies***

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

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

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

## Note 1. Summary of Significant Accounting Policies (Continued)

### Revenues and expenditures/expenses

#### *Program revenues*

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

#### *Property taxes*

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

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

#### *Compensated Absences*

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

### Use of Estimates

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

## Note 1. Summary of Significant Accounting Policies (Continued)

**New Pronouncements**

For the year ended June 30, 2023, the District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District had no SBITAs during the year ended June 30, 2023 that required reporting under GASB statement No. 96.

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

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

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

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

| | |
|---|---|
| Cost of capital assets | $ 2,810,376 |
| Accumulated depreciation | (1,576,093) |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | $ 1,234,283 |

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

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

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

| | | |
|---|---|---|
| Capital outlay | $ | 789,485 |
| Depreciation expense | | (97,572) |
| Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities | $ | 691,913 |

## Note 3. Stewardship, Compliance and Accountability

### Budgets and Budgetary Accounting

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

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

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

Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

### Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2023, if any.

## Note 4. Deposits and Investments

Deposits as of the District at June 30, 2023 consist of the following:

| | | Fair Value |
|---|---|---|
| Deposits: | | |
| Cash on hand | $ | 100 |
| Cash in bank | | 568,392 |
| Cash on deposit with the Mohave County Treasurer | | 854,374 |
| Total deposits | $ | 1,422,866 |

### Deposits

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2023, $70,131 of the District's bank balance of $1,414,857 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2023.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no assets measured at fair value as of June 30, 2023.

### Interest rate risk

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

## Note 4. Deposits and Investments (Continued)

### Credit risk

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

## Note 5. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2023:

| **Governmental Activities:** | Balance 6/30/2022 | Additions | Deletions | Transfers | Balance 6/30/2023 |
|---|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | | |
| Land and land improvements | $ 25,000 | $ - | $ - | $ - | $ 25,000 |
| Construction in progress | 43,612 | 783,111 | - | (126,723) | 700,000 |
| Total capital assets, not being depreciated | 68,612 | 783,111 | - | (126,723) | 725,000 |
| **Capital assets, being depreciated:** | | | | | |
| Buildings and improvements | 276,785 | - | - | - | 276,785 |
| Emergency vehicles | 1,151,102 | - | - | - | 1,151,102 |
| Equipment, Admin | 21,000 | - | - | - | 21,000 |
| Equipment, Fire | 503,392 | 6,374 | - | 126,723 | 636,489 |
| Total capital assets, being depreciated | 1,952,279 | 6,374 | - | 126,723 | 2,085,376 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (163,993) | (6,996) | - | - | (170,989) |
| Emergency vehicles | (854,076) | (64,766) | - | - | (918,842) |
| Equipment, Admin | (21,000) | - | - | - | (21,000) |
| Equipment, Fire | (439,452) | (25,810) | - | - | (465,262) |
| Total accumulated depreciation | (1,478,521) | (97,572) | - | - | (1,576,093) |
| Total capital assets, being depreciated, net | 542,370 | 691,913 | - | - | 1,234,283 |
| Governmental activities capital assets, net | $ 542,370 | $ 691,913 | $ - | $ - | $ 1,234,283 |

Depreciation expense of $97,572 was charged to the public safety function of the District.

## Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

| **Governmental Activities:** | Balance 6/30/2022 | Additions | Retirements | Balance 6/30/2023 | Current Portion |
|---|---|---|---|---|---|
| Notes payable | $ 305,099 | $ 600,000 | $ (160,773) | $ 744,326 | $ 45,689 |
| Compensated absences | 95,743 | 96,267 | (88,417) | 103,593 | 77,695 |
| Net pension liabilities | 317,532 | 257,203 | | 574,735 | - |
| Total | $ 718,374 | $ 953,470 | $ (249,190) | $ 1,422,654 | $ 123,384 |

### Notes Payable

In June 2016, the District entered into a note payable agreement with First Bankers Corporation to finance the purchase of the 2003 and 2001 Pierce Pumper vehicles. The note payable to First Bankers Corporation totaled $427,600. Under the terms of the note, annual payments of $50,822 shall be made including interest at an effective rate of 3.61 percent. The final payment is due December 1, 2025.

In October 2017, the District entered into a note payable agreement with First Bankers Corporation to finance the purchase of the 2016 Dodge Brush Truck. The note payable to First Bankers Corporation totaled $182,062. Under the terms of the note, annual payments of $21,743 shall be made including interest at an effective rate of 3.47 percent. The final payment of $101,896.89 was made early on December 12, 2022 and the note was paid off.

In September 2022, the District entered into a note payable agreement with Leasing 2, Inc. to purchase a Rosenbauer Pumper for $700,000. The note payable totaled $600,000 and the District paid $100,000 as a down payment. Under the terms of the purchase agreement, annual payments shall be made including interest at an effective rate of 3.89 percent. The final payment is due October 15, 2030.

The following is the annual requirements of the notes payable payments for the years ended June 30th:

| | Notes Payable | |
|---|---|---|
| Year | Principal | Interest |
| 2024 | $ 45,689 | $ 5,133 |
| 2025 | 103,190 | 51,061 |
| 2026 | 133,563 | 22,936 |
| 2027 | 85,465 | 17,964 |
| 2028 | 88,789 | 14,640 |
| 2029-2031 | 287,630 | 22,658 |
| Totals | $ 744,326 | $ 145,145 |

## Note 7. Pensions and Other Postemployment Benefits

The District contributes to the plan described below. The plan is a component unit of the State of Arizona.

At June 30, 2023, the District reported the following aggregate amounts related to pensions and OPEB for all to which it contributes:

| Statement of Net Position and Statement of Activities | PSPRS |
|---|---|
| Net pension and OPEB asset | $ 58,650 |
| Net pension and OPEB liability | 574,735 |
| Deferred outflows of resources | 609,339 |
| Deferred inflows of resources | 723,986 |
| Pension expense | 125,080 |

The District's accounts payable and other current liabilities includes $23,341 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2023. Also, the District reported $258,082 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description –** District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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

**Note 7. Pensions and Other Postemployment Benefits (Continued)**

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

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

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

**Note 7. Pensions and Other Postemployment Benefits (Continued)**

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

**Employees covered by benefit terms** – At June 30, 2023, the following employees were covered by the agent pension plans' benefit terms:

| | Pension | Health |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 2 | 2 |
| Inactive employees entitled to but not yet receiving benefits | 3 | 0 |
| Active employees | 18 | 18 |
| Total | 23 | 20 |

**Contributions –** State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | Active member - Pension | District - Pension | District-Health insurance premium |
|---|---|---|---|
| PSPRS | 7.65 | 19.79 | 0.16 |
| PSPRS Tier 3 risk pool | 9.94 | 9.82 | 0.12 |

In addition, statute required the District to contribute at the actuarially determined rate of 8.00 percent (8.00 percent for pension and 0.00 percent for health insurance premium benefit) of the annual covered payroll of District employees who were PSPRS Tier 3 Risk Pool members, in addition to the District's required contributions to the PSPRS Tier 3 Risk Pool for these District employees.

The District's contributions to the plans for the year ended June 30, 2023 were:

| | Pension | Health insurance premium benefit |
|---|---|---|
| PSPRS | $ 191,441 | $ 1,552 |
| PSPRS Tier 3 risk pool | 28,553 | 232 |

## Note 7. Pensions and Other Postemployment Benefits (Continued)

**Liability** – At June 30, 2023, the District reported a net pension liability of $574,735 and a net OPEB asset of $58,650. The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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

| | |
|---|---|
| Actuarial valuation date | June 30, 2022 |
| 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 rates | Not applicable |

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

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

*This section intentionally left blank*

**Note 7. Pensions and Other Postemployment Benefits (Continued)**

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|---|---|---|
| U.S. Public Equity | 24.00% | 3.49% |
| International Public. Equity | 16.00% | 4.47% |
| Global Private Equity | 20.00% | 7.18% |
| Other Assets (capital appreciation) | 7.00% | 4.83% |
| Core Bonds | 2.00% | 0.45% |
| Private Credit | 20.00% | 5.10% |
| Diversifying Strategies | 10.00% | 2.68% |
| Cash-Mellon | 1.00% | -0.35% |
| **Total** | 100.00% | |

**Discount Rate –** At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

*This section intentionally left blank.*

## Note 7. Pensions and Other Postemployment Benefits (Continued)

### Changes in the Net Pension Liability

| | Pension Increase (decrease) | | | Health insurance premium benefit Increase (decrease) | | |
|---|---|---|---|---|---|---|
| | Total Pension Liablity (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total OPEB Liablity (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2022 | $ 4,831,391 | $ 4,513,859 | $ 317,532 | $ 83,779 | $ 148,273 | $ (64,494) |
| Changes for the year: | | - | | | - | |
| Service cost | 226,355 | - | 226,355 | 6,356 | - | 6,356 |
| Interest on total pension/OPEB liability | 366,374 | - | 366,374 | 6,580 | - | 6,580 |
| Difference between expected and actual experience in the measurement of the pension/OPEB liability | (259,173) | - | (259,173) | (9,448) | - | (9,448) |
| Changes of assumptions | 55,609 | - | 55,609 | 133 | - | 133 |
| Contributions - employer | - | 222,588 | (222,588) | - | 3,737 | (3,737) |
| Contributions - employee | - | 96,672 | (96,672) | - | - | - |
| Net investment income | - | (183,983) | 183,983 | - | (5,856) | 5,856 |
| Benefit payments, including refunds of employee contributions | (77,838) | (77,838) | - | - | - | - |
| Plan administrative expenses | - | (3,315) | 3,315 | | (104) | 104 |
| Net changes | 311,327 | 54,124 | 257,203 | 3,621 | (2,223) | 5,844 |
| Balances at June 30, 2023 | $ 5,142,718 | $ 4,567,983 | $ 574,735 | $ 87,400 | $ 146,050 | $ (58,650) |

## Note 7. Pensions and Other Postemployment Benefits (Continued)

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

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| Proportionate share of | | | |
| Net pension (asset) / liability | $ 1,514,865 | $ 574,735 | $ (173,572) |
| Net OPEB (asset)/ liability | (45,464) | (58,650) | (69,672) |

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

**Expense and deferred outflows/inflows of resources** – For the year ended June 30, 2023, the District recognized pension expense for PSPRS of $103,198 and OPEB income of $2,394. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | | Health Insurance Premium Benefit | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 64,381 | $ 676,032 | $ 1,054 | $ 40,247 |
| Changes in assumptions | 236,744 | 2,912 | 1,031 | 4,795 |
| Net difference between projected and actual earnings on pension/OPEB plan investments | 81,476 | - | 2,875 | - |
| Contributions subsequent to the measurement date | 219,994 | - | 1,784 | - |
| Total | $ 602,595 | $ 678,944 | $ 6,744 | $ 45,042 |

## Note 7. Pensions and Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year Ended June 30 | Pension | Health Insurance Premium Benefit |
|---|---|---|
| 2024 | $ (60,587) | $ (4,553) |
| 2025 | (72,099) | (4,936) |
| 2026 | (107,528) | (6,239) |
| 2027 | 68,354 | (1,717) |
| 2028 | (31,918) | (5,080) |
| Thereafter | (92,565) | (17,557) |

## Note 8. Risk Management

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

## Note 9. Contingencies

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

**Required Supplementary Information**

# DESERT HILLS FIRE DISTRICT
## Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
## June 30, 2023

**PSPRS - Pension**

| | Reporting Fiscal Year (Measurement Date) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023 (2022)** | **2022 (2021)** | **2021 (2020)** | **2020 (2019)** | **2019 (2018)** | **2018 (2017)** | **2017 (2016)** | **2016 (2015)** | **2015 (2014)** |
| **Total pension liability** | | | | | | | | | |
| Service cost | $ 226,355 | $ 219,097 | $ 235,501 | $ 280,579 | $ 279,803 | $ 254,188 | $ 220,878 | $ 224,745 | $ 227,443 |
| Interest on total pension liability | 366,374 | 328,909 | 304,065 | 277,314 | 249,039 | 215,790 | 214,025 | 198,314 | 172,774 |
| Changes of benefit terms* | - | - | - | - | - | 23,197 | 140,399 | - | 22,845 |
| Difference between expected and actual experience of the total net pension liability | (259,173) | 35,039 | (66,674) | (120,013) | (192,672) | 69,823 | (465,946) | (90,930) | (173,481) |
| Changes of assumptions | 55,609 | - | - | 157,517 | - | (5,588) | 131,631 | - | 174,586 |
| Benefit payments, including refunds of employee contributions | (77,838) | (76,312) | (156,009) | (109,048) | (80,470) | (83,586) | (130,167) | (129,925) | (65,032) |
| **Net change in total pension liability** | 311,327 | 506,733 | 316,883 | 486,349 | 255,700 | 473,824 | 110,820 | 202,204 | 359,135 |
| **Total pension liability - beginning** | 4,831,391 | 4,324,658 | 4,007,775 | 3,521,426 | 3,265,726 | 2,791,902 | 2,681,082 | 2,478,878 | 2,119,743 |
| **Total pension liability - ending (a)** | $ 5,142,718 | $ 4,831,391 | $ 4,324,658 | $ 4,007,775 | $ 3,521,426 | $ 3,265,726 | $ 2,791,902 | $ 2,681,082 | $ 2,478,878 |
| **Plan fiduciary net position** | | | | | | | | | |
| Contributions - employer | $ 222,588 | $ 222,290 | $ 205,724 | $ 216,345 | $ 217,258 | $ 198,571 | $ 182,837 | $ 147,088 | $ 202,882 |
| Contributions - employee | 96,672 | 97,831 | 101,975 | 92,828 | 101,144 | 136,238 | 132,346 | 112,663 | 120,773 |
| Net investment income | (183,983) | 958,896 | 40,915 | 155,137 | 175,724 | 252,324 | 11,177 | 64,434 | 188,086 |
| Benefit payments, including refunds of employee contributions | (77,838) | (76,312) | (156,009) | (109,048) | (80,470) | (83,586) | (130,167) | (129,925) | (65,032) |
| Hall/Parker settlement | - | - | - | - | (127,576) | - | - | - | - |
| Pension plan administrative expense | (3,315) | (4,447) | (3,336) | (3,691) | (3,374) | - | - | - | - |
| Other (net transfer) | - | - | - | (1,177) | (9,449) | (9,140) | (49,864) | (10,461) | (94,998) |
| **Net change in plan fiduciary net position** | 54,124 | 1,198,258 | 189,269 | 350,394 | 273,257 | 494,407 | 146,329 | 183,799 | 351,711 |
| **Plan fiduciary net position - beginning** | 4,513,859 | 3,315,601 | 3,126,493 | 2,776,099 | 2,502,842 | 2,008,435 | 1,862,106 | 1,678,307 | 1,326,596 |
| **Adjustement to beginning of Year** | | | (161) | | | | | | |
| **Plan fiduciary net position - ending (b)** | $ 4,567,983 | $ 4,513,859 | $ 3,315,601 | $ 3,126,493 | $ 2,776,099 | $ 2,502,842 | $ 2,008,435 | $ 1,862,106 | $ 1,678,307 |
| **Net pension liability - ending (a) - (b)** | $ 574,735 | $ 317,532 | $ 1,009,057 | $ 881,282 | $ 745,327 | $ 762,884 | $ 783,467 | $ 818,976 | $ 800,571 |
| Plan fiduciary net position as a percentage of the total pension liability | 88.82% | 93.43% | 76.67% | 78.01% | 78.83% | 76.64% | 71.94% | 69.45% | 67.70% |
| Covered employee payroll | $ 1,071,596 | $ 1,035,466 | $ 999,311 | $ 1,065,544 | $ 1,214,424 | $ 1,175,709 | $ 1,151,007 | $ 841,837 | $ 1,172,801 |
| Net pension liability as a percentage of covered-employee payroll | 53.63% | 30.67% | 100.98% | 82.71% | 61.37% | 64.89% | 68.07% | 97.28% | 68.26% |

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

# DESERT HILLS FIRE DISTRICT
## Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
## June 30, 2023

**PSPRS-Health Insurance Premium Benefit**

| | Reporting Fiscal Year (Measurement Date) | | | | | |
|---|---|---|---|---|---|---|
| | **2023 (2022)** | **2022 (2021)** | **2021 (2020)** | **2020 (2019)** | **2019 (2018)** | **2018 (2017)** |
| **Total OPEB liability** | | | | | | |
| Service cost | $ 6,356 | $ 6,923 | $ 7,708 | $ 6,922 | $ 6,315 | $ 5,173 |
| Interest on total OPEB liability | 6,580 | 6,754 | 6,604 | 6,702 | 5,604 | 5,171 |
| Changes of benefit terms* | - | - | - | - | - | 2,429 |
| Difference between expected and actual experience of the total net OPEB liability | (9,448) | (15,496) | (10,245) | (17,167) | (849) | 1,846 |
| Changes of assumptions or other inputs | 133 | - | - | 1,431 | - | (8,407) |
| Benefit payments | - | - | - | - | - | - |
| **Net change in total OPEB liability** | 3,621 | (1,819) | 4,067 | (2,112) | 11,070 | 6,212 |
| **Total OPEB liability - beginning** | 83,779 | 85,598 | 81,531 | 83,643 | 72,573 | 66,361 |
| **Total OPEB liability - ending (a)** | $ 87,400 | $ 83,779 | $ 85,598 | $ 81,531 | $ 83,643 | $ 72,573 |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 3,737 | $ 5,771 | $ 5,825 | $ 4,294 | $ 3,822 | $ 5,850 |
| Net investment income | (5,856) | 30,965 | 1,329 | 5,199 | 5,981 | 8,591 |
| Benefit payments | - | - | - | - | - | - |
| Administrative expense | (104) | (127) | (108) | (90) | (91) | (76) |
| Other changes | - | - | - | 1,177 | - | - |
| **Net change in plan fiduciary net position** | (2,223) | 36,609 | 7,046 | 10,580 | 9,712 | 14,365 |
| **Plan fiduciary net position - beginning** | 148,273 | 111,664 | 104,618 | 94,038 | 84,326 | 69,961 |
| **Plan fiduciary net position - ending (b)** | $ 146,050 | $ 148,273 | $ 111,664 | $ 104,618 | $ 94,038 | $ 84,326 |
| **Net OPEB liability - ending (a) - (b)** | $ (58,650) | $ (64,494) | $ (26,066) | $ (23,087) | $ (10,395) | $ (11,753) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 167.11% | 176.98% | 130.45% | 128.32% | 112.43% | 116.19% |
| Covered employee payroll | $ 1,071,596 | $ 1,035,466 | $ 999,311 | $ 1,065,544 | $ 1,214,424 | $ 1,175,709 |
| Net OPEB liability as a percentage of covered-employee payroll | -5.47% | -6.23% | -2.61% | -2.17% | -0.86% | -1.00% |

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

# DESERT HILLS FIRE DISTRICT
## Schedule of Contributions
## June 30, 2023

**PSPRS-Pension**

| | Reporting Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Actuarially determined contribution | $ 219,994 | $ 222,588 | $ 222,290 | $ 205,724 | $ 216,345 | $ 217,258 | $ 198,571 | $ 182,837 | $ 147,088 | $ 202,882 |
| Contributions in relation to the actuarially determined contribution | $ (219,994) | $ (222,588) | $ (222,290) | $ (205,724) | $ (216,345) | $ (217,258) | $ (198,571) | $ (182,837) | $ (147,088) | $ (202,882) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 1,112,411 | $ 1,071,596 | $ 1,035,466 | $ 999,311 | $ 1,065,544 | $ 1,214,424 | $ 1,175,709 | $ 1,151,007 | $ 841,837 | $ 1,172,801 |
| Contributions as a percentage of covered-employee payroll | 19.78% | 20.77% | 21.47% | 20.59% | 20.30% | 17.89% | 16.89% | 15.88% | 17.47% | 17.30% |

**PSPRS-Health Insurance Premium Benefit**

| | Reporting Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
| Actuarially determined contribution | $ 1,784 | $ 3,737 | $ 5,771 | $ 5,825 | $ 4,294 | $ 3,822 | $ 5,850 |
| Contributions in relation to the actuarially determined contribution | $ (1,784) | $ (3,737) | $ (5,771) | $ (5,825) | $ (4,294) | $ (3,822) | $ (5,850) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 1,112,411 | $ 1,071,596 | $ 1,035,466 | $ 999,311 | $ 1,065,544 | $ 1,214,424 | $ 1,175,709 |
| Contributions as a percentage of covered-employee payroll | 0.16% | 0.35% | 0.56% | 0.58% | 0.40% | 0.31% | 0.50% |

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

## Note 1. Actuarially Determined Contribution Rates

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

| | |
|---|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Pay, Closed |
| Remaining amortization period as of the 2021 actuarial valuation | 17 years |
| Asset valuation method | 7-Year smoothed market; 80%/120% market corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2020 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% for PSPRS In the 2014 actuarial valuation, the 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%. |
| Retirement age | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011. |
| Mortality | In the 2020 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 projected to 2015 using projection scale AA (adjusted by 105% for both males and females) |

## Note 2. Factors That Affect Trends

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

**Other Communications from Independent Auditors**

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

To the Board of Directors of
Desert Hills Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Desert Hills Fire District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Desert Hills Fire District's basic financial statements, and have issued our report thereon dated October 11, 2023.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*HintonBurdick, PLLC*
Gilbert, Arizona
October 11, 2023

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

Desert Hills Fire District
Lake Havasu City, Arizona

We have audited the basic financial statements of Desert Hills District (the District) for the year ended June 30, 2023, and have issued our report thereon dated October 11, 2023. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

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

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

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

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

In our opinion, the Desert Hills Fire District complied, in all material respects, with the requirements identified above for the year ended June 30, 2023.

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

Sincerely,

*HintonBurdick, PLLC*
Gilbert, Arizona
October 11, 2023