

HELLSGATE FIRE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024

**HELLSGATE FIRE DISTRICT
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JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Hellsgate Fire District
Star Valley, Arizona

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year the ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond that 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 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 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.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

ATLAS CPAs & Advisors PLLC

Phoenix, Arizona
December 4, 2024



**HELLSGATE FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,219,859
Taxes receivable	45,220
Lease receivable	217,880
Capital assets:	
Non-depreciable, land	133,777
Depreciable, net	1,524,558
SBITA assets, net	<u>10,100</u>
Total assets	<u><u>\$ 3,151,394</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>\$ 522,509</u>
LIABILITIES	
Accrued interest payable	\$ 24
Accrued expenses	50,560
Long-term liabilities:	
Due within one year	105,369
Due in more than one year	<u>2,881,565</u>
Total liabilities	<u>\$ 3,037,518</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	\$ 165,012
Deferred inflows - leases	<u>206,451</u>
Total deferred inflows of resources	<u>\$ 371,463</u>
NET POSITION	
Invested in capital assets, net of related debt	\$ 1,256,900
Unrestricted (deficit)	<u>(991,978)</u>
Total net position	<u>264,922</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 3,673,903</u></u>

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

**HELLSGATE FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR THEN ENDED JUNE 30, 2024**

	Governmental Activities
REVENUES	
Charges for services	\$ 645,830
Operating grants and contributions	443,664
	<hr/>
Total revenues	1,089,494
	<hr/>
EXPENSES	
Public safety, fire protection:	
Emergency services	1,750,388
Administrative and support services	40,626
Depreciation	123,391
Interest	68,587
	<hr/>
Total expenses	1,982,992
	<hr/>
GENERAL REVENUES	
Property taxes	1,066,041
Centrally assessed taxes	91,053
Miscellaneous revenue	5,929
Investment income	25,633
	<hr/>
Total general revenues	1,188,656
	<hr/>
Increase in net position	295,158
	<hr/>
Net position (deficit) - beginning	(30,236)
	<hr/>
Net position - ending	\$ 264,922
	<hr/> <hr/>

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

**HELLSGATE FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,219,859
Lease receivable	217,880
Taxes receivable	<u>45,220</u>
Total assets	<u><u>1,482,959</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accrued expenses	<u>50,560</u>
Total liabilities	<u>50,560</u>
Deferred inflows of resources:	
Deferred inflows - leases	206,451
Deferred inflows - property taxes	<u>41,417</u>
Total deferred inflows of resources	<u>247,868</u>
Fund balance:	
Unassigned	<u>1,184,531</u>
Total fund balance	<u>1,184,531</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,482,959</u></u>

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

HELLSGATE FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2024

Fund balance - total governmental fund	\$	1,184,531
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.		1,668,435
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Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund balance sheet.		7,341
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Deferred outflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental fund balance sheet.		522,509
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Deferred inflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental fund balance sheet.		(165,012)
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Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet, specifically:

Bond payable	(2,506,435)	
Unamortized bond premium	(23,683)	
Compensated absences	(67,310)	
Accrued interest payable	(24)	
Subscription liabilities	(10,369)	
Pension liabilities	(379,137)	
		(2,952,882)

Net position of governmental activities	\$	264,922
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HELLSGATE FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR THEN ENDED JUNE 30, 2024

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 1,048,253
Fire district assistance taxes	91,053
Intergovernmental	443,239
Charges for services	428,770
Contributions	425
Interest income	<u>25,633</u>
Total revenues	<u>2,037,373</u>
EXPENDITURES	
Current:	
Public safety, fire protection:	
Emergency services	1,344,790
Administrative and support services	40,626
Debt service:	
Principal	92,032
Interest	71,111
Capital outlay	<u>381,245</u>
Total expenditures	<u>1,929,804</u>
Excess (deficiency) of revenues over expenditures	<u>107,569</u>
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	<u>4,960</u>
Total other financing sources	<u>4,960</u>
Net change in fund balances	112,529
Fund balances - beginning	<u>1,072,002</u>
Fund balances - ending	<u><u>\$ 1,184,531</u></u>

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

HELLSGATE FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR THEN ENDED JUNE 30, 2024

Net change in fund balance - total governmental fund	\$ 112,529
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	381,245
Depreciation and amortization is reported in the government-wide financial statements	(136,858)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	
	17,801
Debt issued provides 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 expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid and refunded	92,032
Governmental funds report debt premiums as other financing sources or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Premium on debt issued	2,493
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.	
Compensated absences	9,041
Accrued interest payable	31
Net pension liabilities	146,216
Deferred outflows of resources related to pensions	(303,455)
Deferred inflows of resources related to pensions	(25,917)
Change in net position of governmental activities	\$ <u><u>295,158</u></u>

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

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Financial Reporting Entity

The District, established in 2008 pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District has no discrete or blended component units.

Coronavirus Disease (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The District may be adversely affected through governmental and business closures resulting in a reduction of labor demand or decrease in revenues. The District continues to monitor the situation surrounding COVID-19. Management will continue to evaluate the impact it will have on future operations.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. 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. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available to use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Fund Financial Statements

The financial statements of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District reports the following major governmental fund:

General Fund – This fund is the District’s primary operating fund. It accounts for all financial resources of the general government.

Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest in public monies in the Arizona State Treasurer’s local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

Accounts Receivable

All program service receivables are shown net of an allowance for uncollectibles, if such estimates are necessary.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Gila County, become due and payable in two equal installments; the first is due on the first day in October and the second is due on the first day of March in the subsequent year. As of June 30, 2024, there was no allowance for uncollectibles on taxes as the District has a subordinated lien on all properties subject to the tax.

Capital Assets

The District’s capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of one year.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Years</u>
Buildings and improvements	2 – 40
Improvements, other than building	2 – 40
Furniture, vehicles and equipment	5 - 20

In the fund financial statements, capital assets use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund acquisition.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Deferred Outflows and Inflows of Resources

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

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination, such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable as a result of employee termination, resignation or retirement.

All full-time employees of the District are given paid time off based on the amount stated in policy determined by their years of service. Paid time off is accrued on a bi-weekly basis for full-time employees and the maximum accrual can not exceed two times the employee's annual accrual rate. Additionally, part-time employees receive paid time off accrued on a pro-rated basis, calculated by dividing the average number of hours worked per week by forty. Any accrued paid time off hours will be paid at 50% upon termination of employment if the employees has completed six months of employment and 75% upon meeting the requirements of the department pension plan when retiring.

Long-Term Obligations

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

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Leases

Effective July 1, 2021, the District implemented GASB No. 87, *Leases*. As the lessee, the District determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as short-term leases. Lease agreements that transfer ownership of the underlying asset to the District at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right to use lease asset. An Intangible right to use lease asset represents the District's right to use an underlying asset during the lease term and the lease liability represents the District's obligation to make lease payments arising from the lease. Intangible right to use lease assets and lease liabilities are recognized at lease commencement based upon the estimate present value of unpaid lease payments over the lease term. The District uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments. As the lessor, the District applies the same criteria but recognizes a lease receivable and a deferred inflow of resources equal to the present value of the lease payments. See Note 6 of the financial statements for disclosures on District as the lessor.

Subscription-Based Information Technology Arrangements

Effective July 1, 2022 the District implemented GASB No. 96, Subscription-Based Information Technology Arrangements (SBITA). The District determines whether a contract conveys control of the right to use another party's (SBITA vendor's) IT software, infrastructure, or data warehouse, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The SBITA liability is the present value of the annual payments using the District's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. See Note 8 of the financial statements for disclosures applicable to District as of June 30, 2024.

Accounting Changes and Error Corrections

GASB Statement No. 100, Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of the Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The standard did not have an impact on the District's financial statements for the year ended June 30, 2024.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned - the residual classification for the District's General Fund that includes amounts not contained in other classifications.

Intergovernmental Grants and Aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

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 each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes.

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

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS

District's Cash and Cash Equivalents Deposits

As of June 30, 2023, the District had \$864,843 on deposit with the Gila County Treasurer's investment pool (GCTIP). The GCTIP is an external investment pool with no regulatory oversight. The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission. The Gila County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the GCTIP is included in the Comprehensive Annual Financial Report of Gila County. The fair value of each participant's position in the GCTIP approximates the value of the participant's shares in the pool.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits

In the case of demand and time deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2024, the District's carrying amount of demand deposits was \$558,563. The Federal Deposit Insurance Corporation protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. The remaining balance is covered by collateral held by the pledging financial institution's trust department in the District's name.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2024 for the District's general fund, including the applicable allowances for uncollectible accounts, which as of June 30, 2024 are \$0, are as follows:

		<u>General Fund</u>
Taxes	\$	45,220
Lease		<u>217,880</u>
Total Receivables	\$	<u>263,100</u>

NOTE 4 – DEFERRED REVENUE

Governmental funds report *deferred revenues* in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2024, deferred revenue consisted of the following:

General Fund		<u>Unavailable</u>
Deferred property taxes	\$	<u>41,417</u>
Total Deferred Revenues	\$	<u>41,417</u>

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Land, not depreciated	\$ 133,777	\$ -	\$ -	\$ 133,777
Buildings and improvements	982,192	26,545	-	1,008,737
Vehicles and apparatus	1,660,994	283,115	(71,474)	1,872,635
Equipment	402,403	71,585	-	473,988
Subscription based software	37,034	-	-	37,034
Total Capital Assets	3,216,400	381,245	(71,474)	3,526,171
Less: Accumulated Depreciation/Amortization	(1,792,352)	(136,858)	71,474	(1,857,736)
Total Capital assets, net	\$ 1,424,048	\$ 244,387	\$ -	\$ 1,668,435

Depreciation expense for the year ended June 30, 2024 was \$123,391 and amortization expense was \$13,467; all depreciation was expensed to the public safety – fire protection function.

NOTE 6 – LEASE INCOME

The District leases cell tower space under a non-cancelable operating lease with 1 tenant. Designated tower space was initially leased via a five-year lease term. Upon, expiration, the District and tenant intend to renew the lease for five additional five-year terms with a 3% increase each year in monthly rent beginning year two of the initial term.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2024, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation debt	\$ 2,585,000	\$ -	\$ (78,565)	\$ 2,506,435	\$ 95,000
Unamortized premium	26,176	-	(2,493)	23,683	-
Compensated absences	76,351	-	(9,041)	67,310	-
PSPRS Pension Obligation	427,614	-	(151,745)	275,869	-
ASRS Pension Obligation	97,739	5,529	-	103,268	-
Subscription-based software liability	23,849	-	(13,480)	10,369	10,369
Total Governmental Activities Long-Term Liabilities	\$ 3,236,729	\$ 5,529	\$ (255,324)	\$ 2,986,934	\$ 105,369

Governmental Activities	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2024
2021 Tax-Exempt Refunding, Series 2021, due in annual amounts of \$20,000 to \$50,000	July 1, 2033	2.00% to 3.00%	\$ 490,000	\$ 401,435
2021 Certificates of Participation, Taxable Series 2021, due in annual amounts of \$50,000 to \$165,000	July 1, 2045	1.00% to 3.35%	2,205,000	2,105,000
Total Governmental Activities – General Obligation Debt				\$ 2,506,435

Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 95,000	\$ 74,240	\$ 169,240
2026	95,000	72,105	167,105
2027	105,000	69,888	174,888
2028	110,000	65,457	175,457
2029	120,000	61,443	181,443
2030-2034	625,000	190,000	815,000
2035-2039	595,000	130,760	725,760
2040-2044	610,000	61,598	671,598
2045	151,435	2,345	153,780
	\$ 2,506,435	\$ 727,836	\$ 3,234,271

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Current Refunding

On December 13, 2021, the District issued \$490,000 in Tax-Exempt Refunding Bonds, Series 2021, with coupon rate of 2.58% to refund \$468,517 outstanding, with coupon rates ranging from 3.43% to 4.21%. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

The cash flow requirements on the refunded bonds prior to the current refunding was \$588,615, The cash flow requirements on the 2021 refunding bonds is \$569,824 from 2022 through 2034. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$19,461.

NOTE 8 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has only a single existing arrangement subject to the requirements of GASB 96. The agreement can be described as subscriptions for technology, specifically related to telephones, dispatch, and overall services. The District makes annual payments and the agreement is for a set term. The SBITA liability is the present value of these payments using the District's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA Asset is measured as the SBITA Liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement.

	Term in Months		Total Asset Amount		Total Accumulated Amortization
Administrative Software Programs	9	\$	37,034	\$	26,934

Outflows of Resources

There were no other outflows of resources paid for the SBITA arrangement.

The SBITA liability and associated principal and interest requirements:

	Interest Rate		Beginning Balance	Term in Months		Ending Balance
Administrative Software Programs	2.9%	\$	37,034	9	\$	10,369

The future principal and interest SBITA arrangement payments as of the fiscal year-end are as follows:

Year Ended June 30	Principal		Interest		Total
2025	\$ 10,369	\$	126	\$	10,495
Total	\$ 10,369	\$	126	\$	10,495

Commitments and Impairments

There were no additional commitments made before the commencement of the SBITA terms. There were also no impairments or modifications to be reported during this fiscal year.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreements and Indemnifications

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

Risk Management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. The District has not incurred claims in excess of insurance coverage in any of the last three fiscal years. No provision has been made in the financial statements for possible losses of this nature.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits.

As of June 30, 2024, the District reported \$91,146 of pension and other postemployment benefits (OPEB) expenditures in the governmental funds for all plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan Description: Eligible employees of the District not covered by the other pension plans described below participate in The Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long term disability (OPEB) plan. The Arizona State Retirement Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

**HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Retirement and Disability	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2022
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with an initial 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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions: In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the members' annual covered payroll.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

The District's contributions to ASRS for the years ended June 30, 2024, 2023 and 2022 were \$11,511, \$10,469, and \$9,107, respectively, which were equal to the required contributions for the years then ended. During fiscal year 2024 100% of all contributions were paid from the General Fund.

Pension Liability: As of June 30, 2024, the District reported a liability of \$103,268 for its proportionate share of the ASRS net pension/OPEB liability. The net pension/OPEB liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023 was:

<u>ASRS</u>	<u>Proportion June 30, 2023</u>
Pension	0.00066%
Health insurance premium benefit	0.00067%
Long-term disability	0.00067%

Deferred outflows/inflows of resources: As of June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to ASRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,645	\$ 1,398
Changes in assumptions	23	200
Difference between projected and actual earnings on pension plan investments	-	3,945
Changes in proportionate share	4,153	124
Contributions subsequent to measurement date	11,511	-
	<u>\$ 18,332</u>	<u>\$ 5,667</u>

The \$11,511 reported as deferred outflows of resources relates to ASRS pensions resulting from the District's contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ 1,689
2026	(2,624)
2027	4,072
2028	(470)
2029	4,154
	<u>\$ 6,821</u>

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Discount rate	7.0%
Projected salary increases	2.9% - 8.4%
Inflation	2.3%
Permanent benefit increases	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions related to funding were selected on the basis of an experience study which was performed for the 5-year period ended June 30, 2016. The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 and real rates of return by the target asset allocation percentage. The ASRS' estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation Effective October 2022	Real Return Geometric Basis	Long-Term Contribution to Expected Real Rate of Return
Equity	54%	10.20%	2.21%
Credit	23%	5.90%	1.36%
Interest rate sensitive bonds	6%	1.50%	0.09%
Real estate	17%	5.90%	1.00%
	<u>100%</u>		

Discount Rate: The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the 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 Retirement Fund's fiduciary net position was projected to be available to make all the projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 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 as of June 30, 2024.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 157,567	\$ 103,268	\$ 57,969

Pension fiduciary plan net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

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

Plan Description: District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS), as well as employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans, and agent and cost-sharing, multiple-employer, defined benefit health insurance premium benefit (OPEB) plans. A nine-member board, known as the Board of Trustees, and the participating local boards govern the PSPRS, according to the provisions of ARS Title 38, Chapter 5, Article 4.

District public safety employees who became PSPRS members before July 1, 2017 participate in the agent plans; and those who became members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Benefits Provided: The Public Safety Personnel Retirement System 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:

Retirement and Disability	Initial Membership Date: Before January 1, 2012	On or After Jan. 1, 2012 and before July 1, 2017	On or After July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age, 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 55
Final average salary is based on benefit percent	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months, then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor Benefit			
Retired Members	80% to 100% of retired member's pension benefit		
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job.		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides 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 \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms: As of June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	Pension
Inactive employees or beneficiaries currently receiving benefits	4
Active employees	5
	<u>9</u>

**HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

Contribution Rates: 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 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. Contribution rates for the year ended June 30, 2024 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	District Pension	Health Insurance Premium Benefit
Active members – pension	7.65% - 11.65%		
District:			
Pension	7.65% - 11.65%	38.76%	0.78%
Tier 3 Risk Pool	9.94%	9.94%	0.14%

For this agent plan, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2024 were:

Pension	
Contributions made	\$ 67,417
Health Insurance Premium Benefit	
Annual OPEB cost contributions made	\$ 11,511

During the year ended June 30, 2024, the District paid all PSPRS pension and OPEB contributions from the General Fund.

Pension/OPEB Liability: At June 30, 2023, the District had a net pension/OPEB liability of \$275,869.

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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

Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Value of Assets
Payroll growth	3.50% for pensions/3.50% for OPEB
Price inflation	2.50% for pensions/2.50% for OPEB
Salary increases	2.75% to 15.00% including inflation
Investment rate of return	7.20%, net of investment and administrative expenses
Retirement age	Experienced-based table of rates that is specific to the type of eligible condition. Last updated for the 2017 valuation pursuant to an experience study, the period July 1, 2011 – June 30, 2016.
Mortality	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	24 %	3.98 %
International Public Equity	16 %	4.49 %
Global Private Equity	20 %	7.28 %
Other Assets (Capital Appreciation)	7 %	4.49 %
Core Bonds	6 %	1.90 %
Private Credit	20 %	6.19 %
Diversifying Strategies	5 %	3.68 %
Cash - Mellon	5 %	0.69 %
	<u>100 %</u>	

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial reports.

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Single Discount Rate: A Single Discount Rate of 7.20% was used to measure the pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.20%. 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 the actuarially determined contribution rates 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.

The projection of cash flows used to determine the PSPRS discount rates 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability/OPEB Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension/OPEB Liability (a) – (b)
Balances at June 30, 2023	\$ 4,750,193	\$ 4,322,579	\$ 427,614
Changes for the current year:			
Service cost	122,050	-	122,050
Interest on the total pension liability	339,797	-	339,797
Changes in OPEB	(20,070)	5,688	(25,758)
Differences between expected and actual experience of the total pension liability	(64,691)	-	(64,691)
Contributions – Employer	-	162,367	(162,367)
Contributions – Employee	-	40,832	(40,832)
Net investment income	-	322,895	(322,895)
Benefit payments, including refunds of employee contributions	(196,892)	(196,892)	-
Administrative expense and other changes	-	(2,951)	2,951
Net changes	180,194	331,939	(151,745)
Balances at June 30, 2024	\$ 4,930,387	\$ 4,654,518	\$ 275,869

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Sensitivity of the District's Net pension liability to the Single Discount Rate Assumption: The following table presents the District's net pension liability calculated using the single discount rate of 7.20%, as well as what the District's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's net pension/OPEB liability	\$ 1,043,788	\$ 275,869	\$ (342,129)

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Deferred outflows/inflows of resources: For the year ended June 30, 2024 the District reported deferred outflows of resources and deferred inflows of resources related to PSPRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,431	\$ 158,908
Changes in assumptions	114,865	437
Difference between projected and actual earnings on pension plan investments	71,464	-
Contributions subsequent to measurement date	78,928	-
	<u>\$ 515,688</u>	<u>\$ 159,345</u>

The \$85,749 reported as deferred outflows of resources relates to PSPRS pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ 92,623
2026	53,363
2027	106,120
2028	29,475
2029	(4,166)
	<u>\$ 277,415</u>

HELLSGATE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

Pension funding status: The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2024	\$ 4,560,847	\$ 4,896,065	\$ 335,218	93 %	\$ 471,776	71 %
2023	4,234,596	4,695,801	461,205	90 %	511,046	90 %
2022	2,872,002	4,387,477	1,515,475	65 %	353,013	429 %

The information presented above represents PSPRS information under GASB Statement No. 68, which is measured as of June 30, 2023, for the reporting period ending June 30, 2024.

Agent plan OPEB funded status: The information for the analysis of OPEB funding progress was obtained from the three most recent actuarial valuations.

Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (AL)	Funded Ratio	Annual Covered Payroll	AL as a % of Covered Payroll
2024	\$ 93,671	\$ 34,322	\$ (59,349)	273 %	\$ 471,776	(13) %
2023	87,983	54,392	(33,591)	162 %	511,046	(7) %
2022	92,237	22,949	(69,288)	402 %	353,013	(20) %

Deferred Compensation Plan

The District has established a defined contribution deferred compensation plan for all fulltime employees in order to provide for supplementary retirement benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions. Employer contributions to the plan for the year ended June 30, 2023 totaled \$22,113. The District provides neither administrative services nor investment advice. Accordingly, no fiduciary relationship exists between the District and the compensation plan.

NOTE 11 - SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential disclosure through December 4, 2024, the date the financial statements are available to be issued. Management has no events that have occurred subsequent to June 30, 2024 that would require disclosure.



**INDEPENDENT AUDITOR'S 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 Governing Board
Hellsgate Fire District
Star Valley, Arizona

We have audited, 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, the governmental activities, each major fund, and the aggregate remaining fund information of Hellsgate Fire District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

ATLAS CPAs & Advisors PLLC

Phoenix, Arizona
December 4, 2024



INDEPENDENT ACCOUNTANTS' REPORT ON STATE LEGAL COMPLIANCE

To the Governing Board of the
Hellsgate Fire District
Star Valley, Arizona

Arizona Revised Statute, Title 48 § 805.02 relates to the budgetary and financial requirements for fire districts. This statute concerns the specific compliance requirements regarding budget adoption, issuance of warrants, expenditure limitation, line of credit, and debt and liability limits. The governing board and management are responsible for the District's compliance with such requirements.

Our responsibility, under A.R.S. § 805.02, is to attest to the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated December 4, 2024, Hellsgate Fire District (the District) complied with those requirements. The following is our opinion, based on the relevant attestation standards, as to the Districts' compliance.

Opinion, Compliance and Other Matters

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, attestation standards established by the American Institute of Certified Public Accountants, and Arizona Revised Statute, Title 48 § 805.02. Our examination of evidence relating to the compliance of the District with the statutory provisions, cited below, was based on the aforementioned standards and was conducted on a test basis. We have performed such actions, using such procedures as we considered necessary under the circumstances so that our examination provides a reasonable basis for our opinion. We hereby attest as follows:

1. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has not incurred any debts or liability in excess of taxes levied and to be collected and that the monies were actually available and unencumbered at the time in the district general fund except for those liabilities as prescribed in A.R.S. § 48-805(B)(2), and A.R.S. §§ 48-806 & 48-807.
2. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has failed to comply with A.R.S. § 48-805(F).
3. And that, based on the information obtained during our engagement, and to extent that we have information relating to such matters, that there is no information to contradict the certification made by the Chairman and Clerk, under A.R.S. § 48-805(D)(1).



Our opinion is not based on a thorough or exhaustive investigation, and to the extent that we may have formed an opinion on these matters, our opinion does not constitute a legal determination of the District's compliance with the specified requirements.

Our opinion is based only on the evidence that was obtained during the course of our audit engagement; and, in our opinion, the District has complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2024.

Purpose of this Report

This report is intended solely for the information of and use of management, the Governing Board, Gila County and the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

ATLAS CPAs & Advisors PLLC

Phoenix, Arizona
December 4, 2024