

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

DRAFT

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Forest Lakes Fire District  
Forest Lakes, 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 Forest Lakes Fire District (the 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, 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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, 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 March 5, 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  
March 5, 2024

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**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2023**

As management of the Forest Lakes Fire District (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. This discussion and analysis is designed to focus on the significant financial issues and activities of the District as well as to identify any significant changes in the District's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative. The discussion and analysis that follows will reflect the most recent fiscal year with both current year events and comparisons to the preceding fiscal year.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$1,967,607 (net position). Of this amount, \$388,008 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens, creditors and further the purpose of the District. The remaining balance of \$1,579,599 is invested in capital assets, net of related debt.
- The District's total net position decreased by \$207,390.
- As of the close of the current fiscal year, the District's governmental fund reported a total ending fund balance of \$291,859, a decrease of \$71,235 from the prior year. Of this amount, \$291,859 or 100%, is available for spending at the government's discretion (unassigned fund balance).
- The District—
  - Has one fire station staffed with two full-time and several part-time employees and reserve firefighter/EMT/paramedics and other personnel whom are on-call paid personnel or are volunteers;
  - Received a total of \$60,730 in state and federal grant monies.
  - Maintains, and follows, a consistent program to upgrade equipment and facilities.
- During the year, \$23,214 was spent on equipment for the fire station. These capital assets will increase department efficiency and provide benefits to the fire district and community.
- The District strives to provide the best possible service while minimizing tax rates. Property tax revenues reported in the Statement of Activities increased \$63,376 or 9% from the prior year due to slight increases in property valuations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the District's financial statements which follow. The statements include:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to Financial Statements

This report also contains other supplemental information in addition to the financial statements themselves.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2023**

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

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The District maintains one major governmental fund, the General Fund (as described above). The District's major fund information is presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance. There were no non-major governmental funds.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information comparing the District's budget to actual revenues and expenditures for the General Fund.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$1,967,607 as of June 30, 2023. The District's net position decreased by \$207,390 for the fiscal year ended June 30, 2023.

However, the largest portion (\$1,579,599 or 80%) reflects the District's investment in capital assets (e.g. land, buildings, vehicles, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**FOREST LAKES FIRE DISTRICT, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2023**

**FINANCIAL ANALYSIS**

As of June 30, the District’s Net Position was:

	<u>2023</u>		<u>2022</u>
Cash and cash equivalents	\$ 310,873	\$	422,347
Other assets	561,224		583,391
Capital assets, net	2,356,673		2,458,320
Deferred outflows of resources	<u>72,054</u>		<u>137,083</u>
Total Assets and Deferred Outflows	<u>3,300,824</u>		<u>3,601,141</u>
Less: Liabilities and Deferred Inflows	<u>1,333,217</u>		<u>1,426,144</u>
Net Position	<u>\$ 1,967,607</u>	\$	<u>2,174,997</u>

**Governmental Activities** – Governmental activities decreased the District's net position by \$207,390. Factors which led to this decrease of net position, and a summary of the changes in net position, are as follows:

- Property tax revenues increased due to a slight increase in the District's assessment rate.
- County aid increased based on the increase in the District's assessment rate.
- Ambulance and other service revenue decreased about 46% from the prior year based on a decrease in the District's call volume.
- Operating grant and contribution revenue increased from the prior year.



**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2023**

The following is a comparison of the District’s Changes in Net Position:

	<u>2023</u>		<u>2022</u>
Revenues:			
Charges for services, net	\$ 113,276	\$	225,805
Operating grants and contributions	100,314		122,790
Cell tower lease revenue	11,494		12,300
General Revenues			
Property taxes	751,973		676,621
County aid	133,521		122,897
Investment income	7,851		2,179
Gain on sale of assets	-		8,000
Total Revenues	<u>1,094,959</u>		<u>1,170,592</u>
Expenses:			
Public safety – Emergency services	<u>1,302,349</u>		<u>1,164,927</u>
Total Expenses	<u>1,302,349</u>		<u>1,164,927</u>
Increase (Decrease) in Net Position	(207,390)		5,665
Net Position – Beginning	<u>2,174,997</u>		<u>2,169,332</u>
Net Position - Ending	\$ <u><u>1,967,607</u></u>	\$	\$ <u><u>2,174,997</u></u>

The cost of all governmental activities for the year ended June 30, 2023 was \$1,302,349. Fire District Assistance Taxes (County Aid) provided funding of \$133,521. Additional revenue was realized from interest in the amount of \$7,851, and \$11,494 from the lease of land for a cell tower. Ambulance and other program service revenues, and related charges, provided funding of \$113,276, net.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District’s governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the District’s financing requirements. Specifically, the unreserved fund balance can be a useful measure of a District’s net resources available for spending at the end of the fiscal year.

The General Fund is the operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$291,859. As a measure of the General Fund’s liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 25% of total General Fund expenditures. As of June 30, 2023, the governmental fund balance of the District reported a decrease over the prior year of \$71,235.

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2023**

**Budgetary Highlights**

During the current year, the District approved budgets for the general fund and there were no modifications to the originally adopted budget.

**Budgetary Comparison - General Fund**

Revenues were \$172,486 less than the budgeted amounts primarily because intergovernmental (grant) revenue and other revenue (donations and contributions) were less than the District originally had expected to receive. However, the budgeted revenue deficit was offset by expenditures being held in check to compensate for the lack of funding. As actual operation expenditures were \$101,251 less than budgeted expenditures, the District was able to comply with its budgetary objectives.

**Lease Receivable, Capital Assets and Debt Administration**

**Lease Receivable** - The District has a cell tower lease with an extended contract. Due to GASB Statement No. 87 implementation during the year ended June 30, 2023, the present value of the expected collections is being presented on the financial statements as a lease receivable with associated deferred inflows of resources.

**Capital Assets** - The District's investment in capital assets for its governmental type activities as of June 30, 2023, totaled \$2,356,673 (net of accumulated depreciation). These assets include land, buildings and improvements, furniture, apparatus and general equipment.

**Debt Administration** - During a prior fiscal year, the District financed the construction of a new fire station with a lease purchase agreement for \$700,000 with an interest rate of 3.46% per annum. Annual lease payments in the amount of \$48,922 end on November 1, 2037. As of June 30, 2023, all lease obligations were current.

During the year ended June 30, 2023, the District began participating in the Arizona State Retirement System (ASRS) pension plan. In accordance with GASB Statement No. 68, the District is required to include the net pension liability relating to the ASRS of \$166,669 in the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenue that vary with economic conditions. While the District has maintained a fiscally conservative approach to the tax rate, increasing service demands will require increases to the tax rates to \$3.5 per \$100 of secondary assessed valuation of properties within the District for the fiscal year ending June 30, 2024 in order to continue to provide quality public safety services for Forest Lakes Fire District and the surrounding community.

**Request for Information**

This report is designed to provide an overview of District finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Fire Chief at (928) 535-4644 or the following address: Forest Lakes Fire District, PO Box 1808, Forest Lakes, Arizona 85931, or visit the District's website: [www.flfdaz.com](http://www.flfdaz.com).

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 310,873
Accounts receivable, net	52,708
Taxes receivable	15,429
Lease receivable	493,087
Capital assets:	
Non-depreciable, land	717,362
Depreciable, net	1,639,311
Total assets	\$ 3,228,770
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	\$ 72,054
<b>LIABILITIES</b>	
Accounts payable	\$ 35,611
Accrued expenses	14,397
Long-term liabilities:	
Due within one year	29,586
Due in more than one year	747,488
Total liabilities	\$ 827,082
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	\$ 13,048
Deferred inflows - leases	493,087
Total deferred inflows of resources	\$ 506,135
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	\$ 1,579,599
Unrestricted	388,008
Total net position	1,967,607
Total liabilities, deferred inflows of resources, and net position	\$ 3,300,824

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

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR THEN ENDED JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>REVENUES</b>	
Charges for services, net	\$ 113,276
Operating grants and contributions	100,314
Cell tower lease revenue	11,494
	213,590
<b>EXPENSES</b>	
Public safety, fire protection:	
Emergency services	751,973
Community services	4,268
Administrative and support services	401,028
Depreciation	124,861
Interest	20,219
	1,302,349
<b>GENERAL REVENUES</b>	
Property taxes	739,997
County aid	133,521
Investment income	7,851
	881,369
Decrease in net position	(207,390)
Net position - beginning	2,174,997
Net position - ending	\$ 1,967,607

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

**FOREST LAKES FIRE DISTRICT, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2023**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 310,873
Accounts receivable, net	52,708
Taxes receivable	15,429
Lease receivable	493,087
Total assets	872,097
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	35,611
Accrued expenses	14,397
Total liabilities	50,008
Deferred inflows of resources:	
Deferred ambulance revenue	24,396
Deferred inflows - leases	493,087
Deferred inflows - property taxes	12,747
Total deferred inflows of resources	530,230
Fund balance:	
Unassigned	291,859
Total fund balance	291,859
Total liabilities, deferred inflows of resources, and fund balances	\$ 872,097

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

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2023**

Fund balance - total governmental fund	\$	291,859
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.		2,356,673
Receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund balance sheet.		37,143
Deferred outflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental fund balance sheet.		72,054
Deferred inflows of resources related to pensions are applicable to future reporting periods, and, therefore, are not reported in the governmental fund balance sheet.		(13,048)
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:		
Finance lease	(562,580)	
Compensated absences	(47,825)	
Pension liability	(166,669)	
	(777,074)	
Net position of governmental activities	\$	1,967,607

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

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR THEN ENDED JUNE 30, 2023**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 734,981
Fire district assistance taxes	133,521
Intergovernmental	60,730
Charges for services	112,633
Other revenue	39,584
Cell tower lease revenue	11,494
Investment income	7,851
Total revenues	1,100,794
<b>EXPENDITURES</b>	
Current:	
Public safety, fire protection:	
Emergency services	763,467
Community services	4,268
Administrative and support services	332,158
Debt service:	
Principal	28,703
Interest	20,219
Capital outlay	23,214
Total expenditures	1,172,029
Excess (deficiency) of revenues over (under) expenditures	(71,235)
Net change in fund balances	(71,235)
<b>Fund balances - beginning</b>	<b>363,094</b>
<b>Fund balances - ending</b>	<b>\$ 291,859</b>

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

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**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, 2023**

Net change in fund balance - total governmental fund	\$	(71,235)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		23,214
Depreciation and amortization is reported in the government-wide financial statements		(124,861)
<p>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.</p>		
		5,659
<p>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.</p>		
Principal repaid		28,703
<p>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.</p>		
Compensated absences		(8,397)
Pension liability		12,875
Deferred outflows of resources related to pensions		(65,029)
Deferred inflows of resources related to pensions		(8,319)
		(8,319)
Change in net position of governmental activities	\$	(207,390)

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



**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations and Financial Reporting Entity**

The District, established in 1976, 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.

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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.

**Receivables and Payables**

All program service receivables are shown net of an allowance for uncollectibles. The amount of the estimated uncollectible program service receivables at June 30, 2023, was \$12,645, which represents 19% of the current program service receivables balance.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Coconino 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, 2023, 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 land, buildings and related improvements, furniture, vehicles, equipment, and infrastructure assets (e.g. radio 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	15 – 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.

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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 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.

**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.

**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.

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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.

The District did not have any SBITA's applicable to the implementation of the new standard during the year ended June 30, 2023. Therefore, GASB No. 96 does not affect the financial statement presentation and disclosure.

**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.

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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.

**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 Coconino County Treasurer's investment pool (CCTIP). The CCTIP 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 Coconino 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 CCTIP is included in the Comprehensive Annual Financial Report of Coconino County. The fair value of each participant's position in the CCTIP 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, 2023, the District's carrying amount of demand deposits was \$310,873 and the bank balance was \$310,405. 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.

**FOREST LAKES FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2023 for the District’s General Fund, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>
Taxes	\$ 15,429
Leases	493,087
Program services	65,353
Gross receivables	573,869
Less: allowance for uncollectibles	(12,645)
Net Total Receivables	\$ 561,224

Leases - As of June 30, 2023 the District is reporting leases receivable of \$493,087 and deferred inflows of related to leases of \$493,087. For the fiscal year 2022, the District reported lease revenue of \$11,494 related to lease payments received. The District has only one lessor agreement.

On August 28, 2019, the District entered into a five-year lease as Lessor for the use of real property with DW Tower, LLC. The lessee has five extension options for an additional five years and the District is reasonably certain that the lessee will renew the lease. The lessee is required to make monthly payments of \$750 with 3% increases each year. The lease has an interest rate of 1.262%. Based on this agreement, the District is receiving payments through June 30, 2049. In accordance with GASB Statement No. 87, the lease was retroactively measured as of July 1, 2021.

Future payments due to the District are as follows for the years ending June 30:

<b>Year ended June 30,</b>	<b>Payment</b>
2024	\$ 13,052
2025	13,444
2026	13,847
2027	14,262
2028	14,690
2029 – 2049	433,909
Total future minimum payments	503,204
Less: amount representing interest	(10,117)
Present value of purchase lease agreement	\$ 493,087

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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, 2023, deferred revenue consisted of the following:

General Fund	Unavailable	Unearned	Total
Deferred ambulance revenues	\$ 24,396	\$ -	\$ 24,396
Deferred tax revenues	12,747	-	12,747
Deferred inflows of resources - leases	-	493,087	493,087
Total Deferred Revenues	\$ 37,143	\$ 493,087	\$ 530,230

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Land, not depreciated	\$ 717,362	\$ -	\$ -	\$ 717,362
Buildings and improvements	1,527,923	-	-	1,527,923
Vehicles	882,921	-	-	882,921
Equipment	769,209	23,214	-	792,423
Total Capital Assets	3,897,415	23,214	-	3,920,629
Less: Accumulated Depreciation	(1,439,095)	(124,861)	-	(1,563,956)
Total Capital assets, net	\$ 2,458,320	\$ (101,647)	\$ -	\$ 2,356,673

Depreciation expense for the year ended June 30, 2023 was \$124,861; all depreciation was expensed to the public safety function.

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2023, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Finance lease purchase agreement - building	\$ 591,283	\$ -	\$ (28,703)	\$ 562,580	\$ 29,586
Compensated absences	39,428	8,397	-	47,825	-
ASRS Pension Obligation	179,544	-	(12,875)	166,669	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,289,515</u>	<u>\$ 8,397</u>	<u>\$ (41,578)</u>	<u>\$ 777,074</u>	<u>\$ 29,586</u>

**Finance Lease**

Purchase Lease: The District has entered into a lease purchase agreement for the purchase of a building with interest rates ranging from 3.07% to 3.58% per annum. The District granted leasehold interests in the underlying assets to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under this agreement, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligations to the Bank is satisfied. Once the obligation to the Bank is satisfied, all rights, title, and interest in the property are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligation is considered in default. If the default is not cured, the District has agreed that the Bank may terminate the lease, take possession of, and liquidate, the assets pledged under the agreement.

Future minimum payments under the purchase lease agreement are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 29,586	\$ 19,336	\$ 48,922
2025	30,494	18,428	48,922
2026	31,430	17,492	48,922
2027	32,395	16,527	48,922
2028	33,390	15,532	48,922
2029-2033	184,843	59,766	244,609
2034-2038	220,442	24,224	244,666
	<u>\$ 562,580</u>	<u>\$ 171,305</u>	<u>\$ 733,885</u>

The asset capitalized and acquired through the capital lease is as follows:

Asset acquired under capital lease	\$ 1,255,180
Less: accumulated depreciation	<u>(164,742)</u>
Net book value	<u>\$ 1,090,438</u>



**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 – NET REVENUE**

The District provides emergency medical and transportation services within the same geographic region as it provides fire prevention and suppression services. Charges for such emergency medical and transportation services are recognized as service revenues. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care.

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these third-party payers not cover the entire amount of the services rendered, any remaining amounts are adjusted as uncompensated services with the remaining amounts necessary to support the program funded through tax revenues.

**NOTE 8 – 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 9 – 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.

**FOREST LAKES FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Deferred Compensation Plan**

The District has established an eligible deferred compensation plan, as defined in Code Section 457 (b) of the Internal Revenue Code, for all paid employees in order to provide for other employee benefits. Contributions to the plan are administered by a third-party, Nationwide. The minimum salary reduction contribution provided under the plan is 7.5% of all wages paid to a firefighter or employee. The District was not required to and did not make any contributions to the plan for the year ended June 30, 2023. During the fiscal year the District terminated its relationship with Innes, the former third-party administrator for the plan and established the plan with Nationwide. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets are not included as a fund of the District.

**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](http://www.azasrs.gov). The OPEB plans as they relate to ASRS are insignificant to the District as a whole and are excluded from the financial statements.

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

<b>Retirement and Disability</b>	<b>Initial Membership Date:</b>	
	<b>Before July 1, 2011</b>	<b>On or After July 1, 2011</b>
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.

**FOREST LAKES FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

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, 2023, 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.

The District's contributions to ASRS for the years ended June 30, 2023, and 2022 were \$15,750, and \$16,731, respectively, which were equal to the required contributions for the years then ended. During fiscal year 2023 100% of all contributions were paid from the General Fund.

Pension Liability: As of June 30, 2023, the District reported a liability of \$166,669 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2023, to the measurement date of June 30, 2022. 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 0.00103%.

Deferred outflows/inflows of resources: As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to ASRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,766	\$ -
Difference between projected and actual earnings on pension plan investments	-	5,897
Changes in proportionate share	52,538	7,151
Contributions subsequent to measurement date	15,750	-
	\$ 72,054	\$ 13,048

**FOREST LAKES FIRE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

The \$15,750 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, 2024. 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>		
2024	\$	47,716
2025		(10,082)
2026		6,355
2027		(733)
	<u>\$</u>	<u>43,256</u>

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, 2020. 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Contribution to Expected Real Rate of Return</u>
Public equity	44%	3.50%	1.54%
Credit	23%	5.90%	1.36%
Private equity	10%	6.70%	0.67%
Interest rate sensitive bonds	6%	1.50%	0.09%
Real estate	17%	5.90%	1.00%
	<u>100%</u>		

**FOREST LAKES FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

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.

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, 2023.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 249,646	\$ 166,669	\$ 97,481

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

**NOTE 10 - SUBSEQUENT EVENTS**

In preparing the financial statements, the District has evaluated events and transactions for potential disclosure through March 5, 2024, the date the financial statements are available to be issued. Management is not aware of any events that have occurred subsequent to June 30, 2023 that would require disclosure.

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Property taxes	\$ 740,110	\$ 734,981	\$ (5,129)
Fire district assistance taxes	133,220	133,521	301
Intergovernmental	62,000	60,730	(1,270)
Charges for services	177,070	112,633	(64,437)
Other revenue	134,380	39,584	(94,796)
Cell tower lease revenue	24,000	11,494	(12,506)
Investment income	2,500	7,851	5,351
<b>TOTAL REVENUES</b>	<u>1,273,280</u>	<u>1,100,794</u>	<u>(172,486)</u>
<b>EXPENDITURES</b>			
Current:			
Wages and benefits	711,019	674,882	36,137
Operations	469,864	425,011	44,853
Debt service:			
Principal	28,703	28,703	-
Interest	20,219	20,219	-
Capital outlay	43,475	23,214	20,261
<b>TOTAL EXPENDITURES</b>	<u>1,273,280</u>	<u>1,172,029</u>	<u>101,251</u>
<b>(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES</b>	-	(71,235)	(273,737)
<b>NET CHANGE IN FUND BALANCE</b>	-	(71,235)	(273,737)
<b>FUND BALANCE - BEGINNING</b>	364,499	363,094	(1,405)
<b>FUND BALANCE - ENDING</b>	<u>\$ 364,499</u>	<u>\$ 291,859</u>	<u>\$ (275,142)</u>

**Note 1 - Budgetary Basis of Accounting**

The District prepares its annual budget on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. A budgetary comparison schedule for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to the budget on a budgetary basis.

**FOREST LAKES FIRE DISTRICT, ARIZONA**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2023**

Year Ended June 30	District's Proportion of Net Pension Liability	District's Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Total Pension Liability
2023	0.00103%	\$ 166,669	\$ 129,740	128.46%	75.47%
2022	0.00110%	\$ 179,544	\$ 123,194	145.74%	74.26%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**FOREST LAKES FIRE DISTRICT, ARIZONA  
SCHEDULE OF PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2023	\$ 15,971	\$ 15,971	\$ 129,740	12.31%
2022	15,727	15,727	123,194	12.77%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.





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  
Forest Lakes Fire District  
Forest Lakes, 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 Forest Lakes Fire District (the "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, and have issued our report thereon dated March 5, 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  
March 5, 2024



## INDEPENDENT ACCOUNTANTS' REPORT ON STATE LEGAL COMPLIANCE

To the Governing Board of the  
Forest Lakes Fire District  
Forest Lakes, 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 March 5, 2024, Forest Lakes 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, 2023.

**Purpose of this Report**

This report is intended solely for the information of and use of management, the Governing Board, Coconino 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  
March 5, 2024

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