

Mescal-J6 Fire District

Financial Statement

Year ended June 30, 2023

Table of Contents

	<u>Page</u>
Independent Accountant’s Review Report	1-2
Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances – Governmental Funds	3
Notes to Financial Statement	4-7

Independent Accountant's Review Report

To the Governing Board
and Management
Mescal-J6 Fire District
Benson, Arizona

We have reviewed the accompanying modified cash basis financial statement of cash receipts, disbursements and changes in cash and investment balances – governmental funds of Mescal-J6 Fire District as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Mescal-J6 Fire District's financial statement as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Mescal-J6 Fire District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and the standards applicable to financial reviews contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for it to be in accordance with the modified cash basis of accounting described in Note 1 to the financial statement. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Mescal-J6 Fire District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. As described in Note 1, the financial statement is prepared by Mescal-J6 Fire District on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of Mescal-J6 Fire District's internal control over financial reporting and on our review of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters as it came to our attention in the course of our review. The purpose of that report is solely to describe the scope of our procedures on internal control over financial reporting and compliance and the results thereof, and not to provide an opinion on the effectiveness of Mescal-J6 Fire District's internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* in considering Mescal-J6 Fire District's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the governing board and management of the District, Cochise County, Pima County, and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Armstrong, LLP

Phoenix, Arizona
December 14, 2023

Mescal-J6 Fire District
Statement of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances - Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Cash Receipts:			
Taxes:			
Property taxes	\$ 367,994	\$ -	\$ 367,994
Fire district assistance tax	67,796	-	67,796
Charges for services	5,435	-	5,435
Interest income	836	1,869	2,705
Other	12,265	-	12,265
Total cash receipts	454,326	1,869	456,195
Cash Disbursements:			
<i>Public safety-fire protection and emergency medical services:</i>			
Salaries and wages	157,632	-	157,632
Taxes and employee benefits	11,955	-	11,955
Professional services	26,413	-	26,413
Utilities and communications	35,051	-	35,051
Repairs and maintenance	28,910	-	28,910
Administration	36,054	-	36,054
Insurance	26,326	-	26,326
Equipment and supplies	594	-	594
Fuel	7,402	-	7,402
Training and related	2,556	-	2,556
Travel	5,990	-	5,990
Capital outlay	-	32,881	32,881
Debt service:			
Line of credit	49,374	-	49,374
Principal	22,678	-	22,678
Interest	1,628	-	1,628
Total cash disbursements	412,563	32,881	445,444
Other financing (uses) sources:			
Proceeds from line of credit	49,374	-	49,374
Transfers in	(77,275)	-	(77,275)
Transfers out	-	77,275	77,275
Total other financing (uses) sources	(27,901)	77,275	49,374
Change in cash and investment balances	13,862	46,263	60,125
Cash and investments, beginning of year	43,399	229,006	272,405
Cash and investments, end of year	<u>\$ 57,261</u>	<u>\$ 275,269</u>	<u>\$ 332,530</u>

See accompanying notes and
independent accountant's review report.

Mescal-J6 Fire District
Notes to Financial Statement
Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The District is a local governmental unit formed as a political subdivision of Cochise County which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide protection, emergency medical and related services to the residents and guests of the District and surrounding area. The day-to-day operations are supervised by a fire chief and the chief's staff.

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

Basis of Presentation

The accounts 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. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent. The *general fund* is the District's primary operating fund which accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *capital projects fund* is used to account for monies received, assigned or committed for construction or purchase of buildings, apparatus and major equipment.

As required under Arizona Revised Statute, Title 48 § 251.A(1), the District has prepared this financial statement in a manner sufficient to report beginning and ending fund balance and all revenue and expenditures for the year ended June 30, 2023, presented on a modified cash basis. Fund balance is equal to the cash and investment balances as reported on the statement of cash receipts, disbursements and changes in cash and investment balances – governmental funds.

The financial statement is presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all items including the acquisition of capital assets are expended as paid and receivables, prepaid expenses, payables, accrued expenses and long-term liabilities are not reported. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Notes to Financial Statement – Continued

Note 1 – Summary of Significant Accounting Policies – Continued

Cash and Investments

Cash and cash equivalents consist of amounts in demand deposits and cash on deposit with the Cochise and Pima County Treasurers. Amounts designated by the board for capital reserves are held in a separate account with the Cochise County Treasurer and requires board authorization for transfer or use of the designated funds.

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the Cochise County Arizona's Board of Supervisors no later than the first day of August of each year. The adopted budget is on the modified cash basis of accounting, which is a legally acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes which do not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash.

Property Taxes

The District levies property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March and becomes delinquent after the first business day of May.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that may affect certain disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 – Cash and Investments

Arizona Revised Statutes allow special districts to invest 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 quoted market prices. The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

Notes to Financial Statement – Continued

Note 2 – Cash and Investments – Continued

Cash on hand and deposits - As of June 30, 2023, the District's carrying amount of deposits held with the Pima County Treasurer is \$1,301. The District has deposits held with a financial institution of \$39,647 and cash on hand of \$285. Deposits held with the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, all balances were federally insured.

Investments

As of June 30, 2023, the District's investments consisted of amounts held with the Cochise County Local Government Investment Pool totaling \$291,297.

The Cochise County Treasurer's investment pool is not required to register (and is not registered) with the Securities and Exchange Commission and there is no regulatory oversight of its operations.

The fair value of each participant's position in the Treasurer's investment pool approximates the value of the participant's share in the pool and the participant's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Credit risk – At June 30, 2023, all of the District's investments were in the Cochise County Investment Pool which is not rated by rating agencies.

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

Interest rate risk – At June 30, 2023, all of the District's investments can be withdrawn from the pool at will and therefore, are not subject to a significant amount of interest rate risk.

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

Note 3 – Interfund Transfers

Transfers from the capital projects fund to the general fund were the result of board approval to payoff one of the District's financed purchase agreements offset by board designations of funds for future capital outlays.

Notes to Financial Statement – Continued

Note 4 – Long-Term Liabilities

On July 27, 2009, the District entered into a financed purchase agreement for a tender truck in the amount of \$160,000. The note required annual payments of \$14,772, including interest at 4.375% due annually commencing on July 27, 2010, and continuing through July 2024. In July 2023, the District paid the outstanding balance in full and has no further obligation under the agreement.

Note 5 – Line of Credit

The District has an available line of credit totaling \$25,000 with the Cochise County Treasurer which is secured by the District's property taxes. At June 30, 2023, there was no outstanding balance on this line. During fiscal year 2023, the District borrowed and subsequently repaid \$49,374.

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.