Mescal-J6 Fire District

Report on Internal Control and on Compliance and Other Matters

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Year ended June 30, 2025

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
and Management
Mescal-J6 Fire District
Benson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of cash receipts, disbursements and changes in cash and investment balances – governmental funds of Mescal-J6 Fire District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the District's financial statements, as reported on a modified cash basis of accounting, and have issued our report thereon dated February 23, 2026.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 District'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 or significant deficiencies may exist that were not identified.

Report on 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards:*

Finding 2025-01 – Compliance with State Budget Statutes

Condition: Arizona Revised Statutes §42-17106(A) prohibits a political subdivision from incurring expenditures in excess of the total amount authorized in its finally adopted budget, except as provided by law. For the year ended June 30, 2025, the District incurred total expenditures of $25,243 in excess of its final approved budget. State statute requires the District to amend its budget when it becomes aware that total expenditures will exceed the amounts authorized in the adopted budget.

Recommendation: The District should implement procedures to monitor total budget-to-actual expenditures throughout the fiscal year and timely amend its budget, in accordance with state statute, when circumstances indicate that total expenditures will exceed the amounts authorized in the adopted budget.

The District's Response to Finding: The District incurred a significant liability for overtime payments as a result of adding a fifth employee as defined by the Department of Labor through its attorney. The liability was calculated with the assistance of legal counsel and was approved by the governing body prior to payment. In addressing this matter promptly to achieve legal compliance, the District did not amend the budget to reflect the additional expenditures. Management will develop and implement procedures to ensure compliance with applicable budgetary laws in future periods.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance with Title 48, Chapter 5, Article 1 Applicable to Debt and Warrant Issuance Limitations

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of Title 48, Chapter 5, Article 1 limiting the amount of certain debt and warrants that can be issued by the District and requiring certain certifications, insofar as such compliance relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with Title 48, Chapter 5, Article 1, insofar as they relate to accounting matters.

The communication related to compliance with the provisions of Title 48, Chapter 5, Article 1 referred to in the preceding paragraph is intended solely for the information and use of members of the Arizona State Legislature, the Board of Directors, management, and other responsible parties within the District and is not intended to be and should not be used by anyone other than these specified parties.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker & Armstrong, LLP

Phoenix, Arizona
February 23, 2026