

San Simon Fire District



Financial Statement

Year ended June 30, 2022

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Independent Accountant’s Review Report

To the Governing Board
and Management
San Simon Fire District
San Simon, Arizona

We have reviewed the accompanying modified cash basis financial statement of cash receipts, disbursements and changes in cash and investment balances – governmental fund of San Simon Fire District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statement. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of the 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 statements 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 San Simon 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 the 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, to meet the requirements of the State of Arizona. 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 November 7, 2022, on our consideration of the 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 the 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 the 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, Arizona and the State of Arizona and is not intended to be and should not be used by anyone other than these specific parties.

Walker & Armstrong, LLP

Tucson, Arizona
November 7, 2022

San Simon Fire District
Statement of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances - Governmental Fund
Year Ended June 30, 2022

	General Fund
Cash Receipts:	
Taxes:	
Property taxes	\$ 135,293
Fire district assistance tax	24,203
Charges for services	675
Interest income	177
Other	7,010
Total cash receipts	167,358
Cash Disbursements:	
Public safety-fire protection:	
Salaries and wages	28,673
Insurance	8,464
Utilities and communications	8,663
Repairs and maintenance	7,573
Taxes and employee benefits	7,493
Professional services	5,701
Administration expense	10,595
Equipment and supplies	2,489
Fuel	3,299
Training and related	1,761
Travel	816
Capital outlay	3,381
Debt service - principal	11,249
Debt service - interest	2,427
Total cash disbursements	102,584
Excess of cash receipts over cash disbursements	64,774
Cash and investments, beginning of year	40,607
Cash and investments, end of year	\$ 105,381

See accompanying notes and
independent accountant's review report.

**San Simon Fire District
Notes to Financial Statement
Year Ended June 30, 2022**

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 and emergency related services to the residents and guests of the District and surrounding area. The day-to-day operations are supervised by a 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 upon 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.

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, 2022, 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 fund.

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

Furthermore, this financial statement does not include government-wide financial statements which are required by accounting principles generally accepted in the United States of America. Additionally, the District has elected not to present management's discussion and analysis or the budgetary comparison schedule of the general fund that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of, the basic financial statement.

Cash and Investments

Cash and investments consists of amounts in demand deposits and cash on deposit with the Cochise County Treasurer. 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 Cochise County Arizona's Board of Supervisors no later than the first day of August 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain disclosures in the financial statements. Actual results could differ from those estimates.

Notes to Financial Statement – Continued

Note 2 – Cash and Investments

Arizona Revised Statutes require 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.

The District utilizes Cochise County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments. A.R.S. §48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities.

Cash on hand and deposits – At June 30, 2022, the District had cash on hand of \$13 and the carrying amount of deposits held with a financial institution were \$45,891. Deposits held with the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022, all balances were federally insured.

Investments – At June 30, 2022, the District's investments consisted of amounts held with the Cochise County Local Government Investment Pool totaling \$59,477.

The Cochise County Treasurer's investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of its operations. However, the majority of Cochise County's investment pool is invested in the State of Arizona's local government investment pool which is regulated by the State Board of Investment. The pool's structure does not provide for shares, and the county has not provided or obtained any legally binding guarantees to support the value of the participants' 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, 2022, 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, 2022, 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.

Notes to Financial Statement – Continued

Note 2 – Cash and Investments – Continued

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

Note 3 – Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Lease agreements	\$ 60,909	\$ -	\$(11,249)	\$ 49,660	\$ 11,697

On October 19, 2015, the District entered into a purchase agreement for the acquisition of a rescue truck in the amount of \$111,150. The agreement requires annual payments of \$13,676, including interest at 3.925% due annually commencing on October 1, 2016, and continuing through October 2025.

Long-term liabilities are secured by the underlying asset. In the event of default on the agreement, the creditor has the option of repossessing the truck or requiring all remaining payments immediately due.

The future principal and interest payments on long-term liabilities are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 11,697	1,979	13,676
2024	12,163	1,513	13,676
2025	12,648	1,028	13,676
2026	13,152	524	13,676
	<u>\$ 49,660</u>	<u>\$ 5,044</u>	<u>\$ 54,704</u>

Note 4 – Line of Credit

The District has an available line of credit totaling \$30,000 with the Cochise County Treasurer which is secured by the District’s property taxes. At June 30, 2022, there was no outstanding balance on the line and no draws were made on the line during fiscal year 2022.

Notes to Financial Statement – Continued

Note 5 – 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.

Note 6 – Subsequent Events

Management evaluated subsequent events through November 7, 2022, the date the financial statements were available to be issued noting that in July 2022, the District paid the remaining outstanding balance due on its purchase agreement described in Note 3 of \$52,002, including accrued interest.