

**NOGALES SUBURBAN FIRE DISTRICT
FINANCIAL STATEMENTS
With INDEPENDENT ACCOUNTANTS'
REVIEW REPORT YEAR ENDED JUNE
30, 2023**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Nogales Suburban Fire District
Santa Cruz County, Arizona

We have reviewed the accompanying financial statements of the governmental fund of Nogales Suburban Fire District (hereinafter "District"), as of and for the year ended June 30, 2023, which comprise the District's statement governmental fund balance as of June 30, 2023, and the related statement of activities and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management of the district is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountants' 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. 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 statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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

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Other Matter Paragraphs

Accounting principles generally accepted in the United States of America require that the following supplementary information be presented to supplement the basic financial statements:

Budgetary Comparison Schedule
Management's Discussion and Analysis

Such information, although not a required 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information, and, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Nogales, Arizona
February 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2023

INTRODUCTION

Our discussion and analysis of Nogales Suburban Fire District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Independent Accountant's Review Report and the District's financial statements.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- The District's net position resulted in a net loss of \$38,692 as a result of this year's operations. This consists of \$26,485 of operating funds and \$19,209 in depreciation expenses.
- During the year, the District's tax levied revenues of \$355,307 increased \$36,855, or 11.6% from previous year.
- On February 18, 2021, the District entered into an intergovernmental agreement the Rio Rico Medical and Fire District (RRMFD). The agreement states that RRMFD would provide for the management and operations of the District in exchange for 100% of its total annual revenue from all sources. The revenue received during the fiscal year ending June 30, 2023, was \$372,682. 100% of this revenue is assigned to RRMFD. At the beginning of the year, \$66,296 was owed to RRMFD, during the year ended June 30, 2023, the District made payments totaling \$438,978. The remaining balance owed to RRMFD at June 30, 2022 was \$0.
- During the year, the District's disbursed \$19,658 from the contingency fund account for building improvements, maintenance and repairs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. The District is a single-program government, it presents the government-wide financial statement in combination with the fund financial statement. This annual report consists of the Statement of Governmental Fund Balance, the Statement of Activities and Changes in Fund Balance, and the Statement of Cash Flows.

The Statement of Governmental Fund Balance (on page 6) provide information about the activities of the District as a whole. It presents the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting.

The Statement of Activities and Changes in Fund Balance (on page 7) presents information showing how the net position of the District changed during the fiscal year. All changes in net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timed of related cash flows.

The Statement of Cash Flows (on pages 8 and 9) reflect the amount of cash and cash equivalents entered and left the District.

The following table reflects the condensed State of Governmental Fund Balance

Nogales Suburban Fire District
Condensed Statement of Governmental Fund Balance

	June 30,	
	2023	2022
Cash and equivalent	\$ 95,821	\$ 188,272
Current assets	5,734	6,062
Capital assets	146,077	158,286
Right-of-use asset	65,383	71,719
Total Assets	\$ 313,015	\$ 424,339
Deferred Outflow of Resources		
Current liabilities	\$ 7,269	\$ 66,427
Operating lease liability	58,245	71,719
Total liabilities	65,514	138,146
Fund Balances		
Net investment in capital assets	146,077	158,286
Unrestricted	101,424	127,907
	\$ 313,015	\$ 424,339

CAPITAL ASSET ACTIVITY

Capital Assets

At the end of June 30, 2023, the District had \$1,186,990 invested in a broad range of capital assets, including fire equipment and vehicles, buildings, operations and communication equipment.

For June 30, 2023, Total Property and Equipment consisted of:

Property and Equipment	\$ 1,186,990
Accumulated Depreciation	(1,040,913)
Net Property and Equipment	\$ 146,077

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2023, tax levied revenues of \$355,307 reported \$2,067 lower, in comparison to the budgeted amount. Other revenues, such as inter-governmental, and investment accounts, totaling \$20,635 reported higher than budgeted amounts by \$1,313. Thus, total overall actual revenues from all sources was \$754 lower than the total overall budgeted amounts.

Operating expenditures for the current year was \$929 under operating budgeted amounts, along with expenditures from the contingency fund of \$19,658 and depreciation expense of \$19,209, the result is total expenditures of \$37,938 over budgeted amounts. The total deficit in appropriations for the year ended is \$38,692. This deficit is to be applied to the district unrestricted fund balance

amount of \$286,193, resulting in a year end unrestricted fund balance amount of \$247,501.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property values reflected in this report included a 1.47% increase in assessed property valuation. This is an increase in \$18,693 in assessed tax levies for the District. We consider this a positive outlook after years of decreases and losses in assessed property valuation. Management will remain consistent with a positive, but conservative management of District funding and strives to strengthen its Capital Fund based on capital investments determined necessary in the short to medium term. Proactive capital asset investments are necessary to increase operational efficiencies and cost reduction. Due to the slow and delayed recovery of property valuation, management will need to proactively plan for capital investments since bond issuance capacity is unlikely in the short term.

Employee wages and related benefits duties have been transferred to RRMFD per its inter-governmental agreement and will continue for the next fiscal period. Fiscally responsible management practices continue to be reviewed and pursued, with the goal of ensuring a continued level of service to our community and long-term planning.

Based on Santa Cruz County (SCC) preliminary assessment and based on the reduced debt service from bond issuance, management projects a stability in property tax rate. For next fiscal year, the District is increasing the tax rate from \$3.375 to \$3.50 per \$100 of secondary assessed valuation.

Under current statute, the tax rate is limited to \$3.375. With that said, the District maintains a positive outlook for the short-term and long-term goals and financial health.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administrative office at 822 Pendleton Dr., Rio Rico, AZ 85648.

NOGALES SUBURBAN FIRE DISTRICT
STATEMENT OF GOVERNMENTAL FUND BALANCE

June 30, 2023

ASSETS

Current assets:	
Cash	\$ 95,821
Tax levied receivable	5,734
Prepaid expenses	<u> -</u>
Total current assets	<u>101,555</u>
Property and Equipment:	
Building station A	369,787
Building station B	67,403
Apparatus	394,710
Operations equipment	212,986
Communications equipment	108,828
Computer and office equipment	22,176
Leasehold improvements	<u>11,100</u>
	1,186,990
Less accumulated depreciation	<u>1,040,913</u>
Total property and equipment	<u>146,077</u>
Operating lease - right of use asset	<u>65,383</u>
TOTAL ASSETS	<u>\$ 313,015</u>

LIABILITIES AND FUND BALANCE

Current liabilities:	
Accounts payables	\$ 131
Operating lease liability	<u>7,138</u>
Total current liabilities	7,269
Operating lease liability - long-term	<u>58,245</u>
TOTAL LIABILITIES	65,514
Fund balance:	
Fund balance-unrestricted	<u>247,501</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 313,015</u>

The accompanying notes and independent accountants' review report should be read with these financial statements.

NOGALES SUBURBAN FIRE DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN FUND BALANCE

Year ended June 30, 2023

	<u>Amount</u>
Revenues:	
Ad valorem tax	\$ 355,307
Intergovernmental revenues	19,312
Interest on banks	37
Expense reimbursements	18
Investment earnings	<u>1,267</u>
Total revenues	<u>375,942</u>
Expenditures:	
Wages and salaries	307,690
Administration expenses	1,340
Professional fees	7,000
Utilities and communications	12,205
Insurance	14,429
Building repairs and maintenance	18,280
Fire supplies	265
Survey expenses	875
Automotive fuel and maintenance	17,953
Rents and leases	15,388
Depreciation	<u>19,209</u>
Total expenditures:	<u>414,634</u>
Net change in fund balance	(38,692)
Unrestricted fund balance at beginning of year	<u>286,193</u>
Unrestricted fund balance at end of year	<u><u>\$ 247,501</u></u>

NOGALES SUBURBAN FIRE DISTRICT

STATEMENT OF CASH FLOWS

Year ended June 30, 2023

Cash flows from operating activities:	
Unrestricted revenues received	\$ 371,377
Cash paid to employees and suppliers	(458,133)
Interest received	<u>1,305</u>
Net cash used in operating activities	<u>(85,451)</u>
Cash flows from investing activities:	
Capital expenditures	<u>(7,000)</u>
Net cash used in investing activities:	<u>(7,000)</u>
Cash flows from financing activities:	<u>-</u>
Net cash used in operating activities	<u>-</u>
Net decrease in cash	(92,451)
Cash at beginning of year	<u>188,272</u>
Cash at end of year	<u><u>\$ 95,821</u></u>

The accompanying notes and independent accountants' review report should be read with these financial statements.

NOGALES SUBURBAN FIRE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2023

Reconciliation of net change in fund balance to net cash used in operating activities:	
Change in fund balance	<u>\$ (38,692)</u>
Adjustments to reconcile change in fund balance to net cash provided by operating activities:	
Depreciation expense	19,209
Changes in assets and liabilities:	
Increase in tax levied receivable	(3,260)
Decrease in prepaid expenses	3,588
Decrease in due to Rio Rico Fire and Medical District	<u>(66,296)</u>
Total adjustments	<u>(46,759)</u>
Net cash used in operating activities	<u>\$ (85,451)</u>

The accompanying notes and independent accountants' review report should be read with these financial statements.

NOGALES SUBURBAN FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Nogales Suburban Fire District (District), is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing board. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government).

Use of Estimates

The preparation of financial statements in conformity with accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation and Accounting

The basic financial statements include the Governmental Fund Balance Sheet and the Statement of Activities and Changes in Fund Balance. Since the District is a single-program government, it presents the government-wide financial statements in combination with the fund financial statements.

The Governmental Fund Balance Sheet/Statement of Net Position provides information about the assets, liabilities, and fund balance of the District at the end of the year. Assets and liabilities are presented by relative order of liquidity. Net assets is

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

classified according to external donor restrictions or availability of assets to satisfy district obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. The District does not have any net position that is externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that management has designated to be used for anything other than general operating purposes.

The Statement of Activities and Changes in Fund Balance provides information about the District's financial activities during the year. Revenues are classified as general, and all changes in net position are reported.

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The Governmental Fund Balance Sheet, and the Statement of Activities and Changes in Fund Balance are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. The District's major revenue sources susceptible to accrual are tax levied revenues, and state and county appropriations. Expenditures are recorded when the related fund liability is incurred.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Capitalization and Depreciation

Property and equipment are recorded at cost. Maintenance and repairs and supplies are charged to operations as incurred. Major renewals and betterments are capitalized. Upon sale or disposition of property and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

The property and equipment categories are depreciated over the following estimated useful lives:

	<u>Life</u>	<u>Method</u>
Building	39 years	Straight-Line
Leasehold improvements	15 years	Straight-Line
Operational Equipment	7 years	Straight-Line
Communications Equipment	5 years	Straight-Line
Furniture and equipment	7 years	Straight-Line
Computer equipment	5 years	Straight-Line

Depreciation expense for the year ended June 30, 2023 was \$19,209.

Leasehold Improvements

Leasehold improvements are reported at actual cost. Leasehold improvements are classified as intangible assets and amortized using the straight-line method over the shorter of their useful life of the improvement or the remaining lease term.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

We adopted the standard effective July 1, 2022 and recognized and measured leases existing July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. Lease disclosures for the year end June 30, 2023 are made under prior lease guidance in FASB ASC 840.

Leases (Continued)

As a result of the adoption of the new lease accounting guidance, we recognized a lease liability at the carrying amount of the capital lease obligations on June 30, 2023, of \$65,383, which represents the present value of the remaining operating lease payments of \$88,225 and a right-of-use asset at the carrying amount of the capital lease asset of \$65,383, which represents the operating lease liability of \$65,383.

The District leases the real estate on which the stations reside on, and space on a cell tower. The determination of whether an arrangement is a lease is made at the lease's inception. Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease assets represent the District's right to use an underlying asset for the lease term, and lease liabilities represent the District's obligation to make lease payments. Lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The District uses the implicit rate when it is readily determinable. Since most of the District's leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate based on the information available at lease commencement. The District's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease assets also include any lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Ad Valorem Taxes

The District's tax levied revenue is adopted by the Governing Board and reviewed on an annual basis. The Santa Cruz County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal 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 of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

Fund Balance Classifications

The governmental fund's fund balance is reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are non-spendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. The District's fund balance consists of only unrestricted and unassigned.

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, prepaid items, or are legally or contractually required to be maintained intact.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District uses restricted fund balances first. For the disbursement of unrestricted fund balances, the District uses committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

TAX LEVIED RECEIVABLE

The District's tax levied receivable consists of tax levied revenues collected within one month after the District's year end. As of June 30, 2023, the tax levied receivable was \$5,734. The weighted average is used to establish an allowance for doubtful accounts. At June 30, 2023, the District determined that \$0 of the tax levied receivables are to be uncollectible. The estimate is based on historical information.

INTERGOVERNMENTAL AGREEMENT

On February 18, 2021, the District entered into an Intergovernmental Agreement (IGA) for the management and operations of the District, that Rio Rico Medical and Fire District (RRMFD), a political subdivision of the State of Arizona, would provide for the management and operations of the District, to include emergency service delivery, administrative, financial accounting, and related support services. The IGA commenced on March 7, 2021 and shall remain in-force and effect from that date until June 30th, 2022. The IGA agreement states that unless written notice is given by either party 180 days prior to the termination of said Party's intent to not renew, the IGA agreement shall automatically renew for successive one year period. Board of Directors from both the District and RRMFD passed motion to continue IGA Agreement term to June 30, 2024. The IGA agreement states, in exchange for operating and managing the District under the terms and conditions of the IGA, the District would allocate ninety-five percent (95%) of its' total annual revenue from all sources to RRMFD. On March 17, 2022, an amendment to the IGA was signed to change the allocation percentage from 95% to 100% of the annual revenue of the District to be assigned to RRMFD for the purpose of management and operations. This calculation was to be retroactive to the original agreement date.

At the beginning of the year, the amount due to RRMFD per IGA agreement was \$66,296. During the year ended, the District's revenue received from all sources from the date of the IGA date was \$372,682. The amount allocated to RRMFD was \$372,682. The amount paid during the year by the District was \$438,978. The amount due to RRMFD at June 30, 2023 was \$0.

FULL-TIME AND VOLUNTEER FIREFIGHTERS RETIREMENT ACCOUNT

The District's full-time employees participated in a 457(b) Deferred Compensation Plan with Nationwide Retirement Solutions. The District contributed a matching 8% of the employee wages into the retirement account. For the year ended June 30, 2023, the District did not have any employees. As per the IGA agreement, personnel would be provided by RRMFD. Thus, District's contribution to the pension was \$0. The District also maintained a separate retirement account for their volunteer firefighters. The volunteer firefighters would contribute 8% of their wages and the District would match the contribution at 100%. The matching contribution had a vesting period of 20 percent each year for 5 years. After 5 years, the matching portion was 100% vested. In addition, the State Fire Marshall's office would make contributions to the volunteer firefighters retirement account on a discretionary basis. These State Fire Marshall's funds would be matched with the District's matching funds and go through the same vesting process. Any unvested amounts would be forfeited to the District's suspense account. In February 2021, the District discontinued the volunteer retirement account program and disbursed all volunteer firefighter's accounts. During 2022, the District's transferred the suspense account balance of into the general operating accounts of the District where the District was to use it as a contingency fund.

OPERATING LEASES

The District has obligations as a lessee for real property where the two fire stations reside on, and the use of a cell tower for operations with initial noncancelable terms in excess of one year. The real estate leases contain renewal options every 10 year period after 1996 for one real property lease and 2001 for the other. Because the District is reasonably certain to exercise these renewal options, the optional periods were included in determining the lease term. The cell tower lease contain renewal options for 5 year periods after 2027. Because the District is reasonably uncertain to exercise these renewal options, the optional periods are excluded in determining the lease term. The Company's leases do not include termination options for their party to the lease or restrictive financial

OPERATING LEASES (Continued)

or other covenants. Payments due under the lease contract include fixed payments. Rental expenses under the terms of the operating lease were \$15,389 for the year ended June 30, 2023.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use a risk free rate of 3.35% based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following future minimum payments are required under the operating lease at June 30, 2023:

Year ending June 30,

2024	\$ 7,138
2025	7,380
2026	7,631
2027	4,178
2028	4,320
Thereafter	<u>34,736</u>
	<u>\$ 65,383</u>

CONCENTRATIONS

Ad valorem taxes and the Santa Cruz County grant comprise the majority of the District's revenues. Ad valorem taxes of \$355,307 collected during the year ending June 30, 2023 accounted for approximately 94.5% of total revenues.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2023. Settle claims have not exceeded the commercial coverages in any of the previous three fiscal years.

BUDGETARY ACCOUNTING

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the general fund must legally adopt an annual budget. The adopted budget is on the accrual basis of accounting, which is legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The Authority is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the Authority to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds. The District does not have legal authority to spend in excess of the total budgeted amount without an amended budget formally adopted by the Board of Directors.

SUBSEQUENT EVENT

The Organization has evaluated subsequent events through February 10, 2024, which is the date the financial statements were available to be issued.

GOING CONCERN

In board meeting conversations, both the District's and RRMFD's Board of Directors have agreed to move forward with the consolidations of the Districts operating activity into RRMFD's operations permanently, thereby, eliminating the District as a stand-alone operating entity.

NOGALES SUBUBAN FIRE DISTRICT

SCHEDULE I - BUDGETARY COMPARISON SCHEDULE GENERAL FUND

YEAR ENDED JUNE 30, 2023

	Original Budget	Actual	Variable Favorable (Un-favorable)
Revenues:			
Ad valorem tax	\$ 357,374	\$ 355,307	\$ (2,067)
FDAT	19,312	19,312	-
State funds	-	-	-
Interest on banks	10	38	28
Miscellaneous	-	-	-
Investment earnings	-	1,267	1,267
Grants	-	-	-
Uncashed warrants	-	-	-
Expense reimbursements	-	18	18
Total revenues	<u>376,696</u>	<u>375,942</u>	<u>(754)</u>
Expenditures:			
Personnel	309,487	307,690	1,797
Administration expenses	1,000	835	165
Professional fees	7,050	7,000	50
Utilities	11,915	10,407	1,508
Insurance	14,450	14,429	21
Supplies	400	265	135
Communications	2,000	1,798	202
Vehicle fuel & maintenance	18,378	17,954	424
Rents & leases	12,016	15,389	(3,373)
Depreciation	-	19,209	(19,209)
Contingency fund	-	19,658	(19,658)
Total expenditures	<u>376,696</u>	<u>414,634</u>	<u>(37,938)</u>
Net change in fund balance	-	(38,692)	(38,692)
Fund balance, beginning	<u>286,193</u>	<u>286,193</u>	
Fund balance, ending	<u>\$ 286,193</u>	<u>\$ 247,501</u>	
Other Budget Items			
Prior Year Carry Forward	\$ -		
Debt Service	\$ -	\$ -	\$ -

NOGALES SUBURBAN FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2023

BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

The District's budget is prepared on the basis of accounting consistent with U.S. 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 budget. The board is responsible for approving the budget on an annual basis.

REVENUES SHORTFALL OF APPROPRIATIONS

For the year ended June 30, 2023, revenues fell short of final budget amounts in the general for the following programs:

	<u>Amount</u>
Ad valorem tax	\$ 2,067

During the year ended June 30, 2023, the District received \$1,323 in investment income and other miscellaneous income more than budgeted amounts. Thus, overall shortfall of total budgeted revenues was \$754.

SURPLUS IN APPROPRIATIONS

For the year ended June 20, 2023, total operating expenditures exceeded final budget amounts in the general fund by \$38,692. This consists of the operating budget reflecting \$929 under the proposed budgeted expenditures, depreciation for the year of \$19,209 and the disbursements for the contingency fund of \$19,658 over the budgeted amount. The overall expenditures compared to the budget resulted in a deficit of appropriations in the amount of \$37,938. This amount is to be applied to unrestricted fund balance. In addition, the District monitors expenses on an ongoing basis to ensure that expenditures are within the budget.

STATEMENT OF FINANCIAL POSITION FOLLOW

REQUIRED SUPPLEMENTARY INFORMATION