

Communication with Those Charged with Governance

February 25, 2025

Board of Directors
Tubac Fire District
2227 I-19 Frontage Road
Tubac, Arizona 85646

Dear Board Members:

We have audited the financial statements of the governmental activities and each major fund of Tubac Fire District (the “District”) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 7, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates - are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the District’s financial statements were:

Management’s estimate of the allowance for doubtful accounts for ambulance receivables is based on a weighted average of collectability. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts for ambulance receivables in determining whether it is reasonable in relation to the financial statements taken as a whole.

In addition, the District’s participation in the Public Safety Personnel Retirement System results in the need for actuaries to use estimates in determining the estimated amount of net pension obligation and other pension related amounts reported in the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit - We encountered no difficulties in performing and completing our audit.

Corrected Misstatements - Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements which are included as *Exhibit 1*.

Disagreements with Management - For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations - We have requested certain representations from management that are included in the management representation letter, attached as *Exhibit 2*.

Management Consultations with Other Independent Accountants - In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues - We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occur in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters - We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedule – general fund, and pension related schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use - This information is intended solely for the information and use of the governing board and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Armstrong, LLP

Attachments

Client: TUBAC FIRE DISTRICT
 Report: Audit Journal Entries
 Year-End: June 30, 2024

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
General Fund					
1AJE01		2365			
To record the lease receivable balance at year end.					
1-2070	Deferred Inflows - Leases		48,502.82	-	
1-4220	Miscellaneous Income		36,817.98	-	
1-4200	Tower Funds		-	36,496.98	
1-1270	Lease Receivable		-	48,823.82	
	Total		85,320.80	85,320.80	(321.00)
1AJE02		4130			
To properly classify items as payables					
1-7070	General Liability Insurance		7,506.00	-	
1-2000	Accounts Payable		-	7,506.00	
	Total		7,506.00	7,506.00	(7,506.00)
1AJE03		2325			
To record the CY deferred revenue property taxes					
1-2314	Deferred revenue - Property Taxes		-	23,210.08	
1-4010	Property Tax Income		23,210.08	-	
	Total		23,210.08	23,210.08	(23,210.08)
1AJE04		2325			
To record the CY property tax receivable					
1-4010	Property Tax Income		5.90	-	
1-1245	Property Tax Receivable		-	5.90	
	Total		5.90	5.90	(5.90)
1AJE05					
To record the amount unavailable as it was not collected within 60 days					
1-2318	Deferred revenue - Grants		-	35,452.86	
1-4140	Grant Income		35,452.86	-	
	Total		35,452.86	35,452.86	(35,452.86)

Client: TUBAC FIRE DISTRICT
 Report: Audit Journal Entries
 Year-End: June 30, 2024

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
1AJE06		5095			
Fund FS Entries - SBITA					
1-8500	Debt service expense - SBITA Principal		24,543.39	-	
1-8510	SBITA Interest portion		4,585.01	-	
1-6210	I.T. Expenses		-	7,080.84	
1-6260	Software		-	2,812.14	
1-6250	EPCR (Ambo Billing) Software		-	5,657.51	
1-6260	Software		-	4,865.22	
1-6210	I.T. Expenses		-	8,712.69	
	Total		29,128.40	29,128.40	-

1AJE07

To record the current year activity related to ambulance receivable

1-1250	Ambulance Receivable		253,944.27	-	
1-1251	Allowance for Ambulance Receiv		-	253,944.27	
1-2310	Deferred revenue - Ambulance		-	25,502.72	
1-4110	EMS Revenue		25,502.72	-	
	Total		279,446.99	279,446.99	(25,502.72)

1AJE08

2035

To record PPA for SCC loss allocation

1-3001	Unrestricted		283,272.08	-	
1-1134	SCC Loss Allocation		-	283,272.08	
	Total		283,272.08	283,272.08	-

1AJE09

To recognize as revenue amounts that were deferred in the prior year as the amounts was not collected within 60 days.

1-2318	Deferred revenue - Grants		164,157.27	-	
1-4140	Grant Income		-	164,157.27	
	Total		164,157.27	164,157.27	164,157.27

Debt Service Fund

2AJE01

5015

To record debt premium for the new bond

2-8020	Bond Debt Issuance Costs		98,900.11	-	
2-9050	Proceeds from bond		-	98,900.11	
	Total		98,900.11	98,900.11	-

Client: TUBAC FIRE DISTRICT
 Report: Audit Journal Entries
 Year-End: June 30, 2024

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
Government Wide					
3AJE01		5100			
To record compensated leave accrual for year end					
3-5010	Salaries & Wages		-	645.66	
3-2030	Compensated Absences Payable		645.66	-	
	Total		<u>645.66</u>	<u>645.66</u>	<u>645.66</u>
3AJE02					
To record government wide adjustment for ambulance receivables					
3-2310	Deferred revenue - Ambulance		25,502.72	-	
3-4110	EMS Revenue		-	25,502.72	
	Total		<u>25,502.72</u>	<u>25,502.72</u>	<u>25,502.72</u>
3AJE03		5015			
To record the current portion of long-term debt					
3-2399	Reclass Current Portion		29,876.55	-	
3-2398	Bonds		438,925.23	-	
3-2602	Capital Lease Obligation		-	29,876.55	
3-2601	Bonds Payable		-	438,925.23	
	Total		<u>468,801.78</u>	<u>468,801.78</u>	<u>-</u>
3AJE04		6815			
To record CY activity related to Pension Liability					
3-1915	Deferred outflows - PSPRS		132,908.00	-	
3-1917	Deferred Outflows PSPRS TR 3		170,882.00	-	
3-2315	Deferred Inflows - PSPRS		204,290.00	-	
3-2317	Deferred Inflows PSPRS TR3		-	3,810.00	
3-2355	Net Pension Liability - PSPRS		-	639,304.00	
3-1957	Net Pension Asset PSPRS TR3		8,494.00	-	
3-1960	PSPRS Pension Expense		126,540.00	-	
	Total		<u>643,114.00</u>	<u>643,114.00</u>	<u>-</u>

Client: TUBAC FIRE DISTRICT
 Report: Audit Journal Entries
 Year-End: June 30, 2024

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
3AJE05		6815			
To record teh CY activity related to OPEB liability					
3-1916	Deferred outflow - PSPRS OPEB		-	2,646.00	
3-1918	Deferred Outflow PSPRS OPEB TR3		2,173.00	-	
3-2316	Deferred Inflows - PSPRS OPEB		1,031.00	-	
3-2318	Deferred Inflows PSPRS OPEB TR3		-	162.00	
3-1956	Net OPEB Asset		33,824.00	-	
3-1958	Net PSPRS OPEB Asset TR 3		1,958.00	-	
3-1970	OPEB Expense		-	36,178.00	
	Total		38,986.00	38,986.00	-
3AJE06					
To record the amount not collected within 60 days					
3-2311	Deferred revenues - Grants		35,452.86	-	
3-4130	Grant revenues		-	35,452.86	
	Total		35,452.86	35,452.86	35,452.86
3AJE07		2325			
To record the CY deferred revenues from property taxes					
3-4010	Property Tax Income		-	23,210.08	
3-2314	Deferred revenue - Property Taxes		23,210.08	-	
	Total		23,210.08	23,210.08	23,210.08
3AJE08		5095			
To recognize SBITA asset, liabilities, and payment for Govt Wide					
3-2605	Subscription Liability		26,316.01	-	
3-2606	Subscription Liability - Current Portion		-	26,316.01	
3-2605	Subscription Liability		24,543.39	-	
3-5000	Debt Service - Principal Expense SBITAs		-	24,543.39	
3-9100	Amortization expense - right-to-use assets		27,476.95	-	
3-1738	SBITA Amortization		-	27,476.95	
	Total		78,336.35	78,336.35	(2,933.56)
3AJE09					
To reverse prior year grant revenue on a GW basis.					
3-2311	Deferred revenues - Grants		-	164,157.27	
3-4130	Grant revenues		164,157.27	-	
	Total		164,157.27	164,157.27	(164,157.27)

Client: TUBAC FIRE DISTRICT
 Report: **Audit Journal Entries**
 Year-End: June 30, 2024

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
3AJE10					
To record amortization on leased vehicles					
3-9100	Amortization expense - right-to-use assets		21,233.45	-	
3-1737	Right to Use Amortization		-	21,233.45	
	Total		<u>21,233.45</u>	<u>21,233.45</u>	<u>(21,233.45)</u>
3AJE11					
To record the govt wide additional debt premium					
3-9050	Proceeds from bond		98,900.11	-	
3-2322	2024 Bond Premium		-	98,900.11	
	Total		<u>98,900.11</u>	<u>98,900.11</u>	<u>(98,900.11)</u>
	GRAND TOTAL		<u>2,604,740.77</u>	<u>2,604,740.77</u>	<u>(130,254.36)</u>

**Tubac Fire District
2227 East Frontage Road
Tubac, AZ 85646**

Walker & Armstrong LLP
6840 North Oracle Road, Suite 150
Tucson, Arizona 85704

Exhibit 2

This representation letter is provided in connection with your audit of the financial statements of Tubac Fire District (the “District”), which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2024, and the respective changes in financial position for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date below, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 7, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the District required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

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- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures, have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We have reviewed and are in agreement with the journal entries in the attached *Exhibit 1* that you have recommended for the year ended June 30, 2024, and we have posted all proposed adjusting journal entries to our accounting records.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers) documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or

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- a) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others, except as made known to you.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.

Government-Specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB 87.
- 25) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASB 96.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

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- 28) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) In regard to the nonaudit services performed by you, we have:
 - a) Assumed all management responsibilities.
 - b) Designated James Vincent Group who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
 - e) Ensured that the District's data and records are complete and received sufficient information to oversee the services.
- 30) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements properly classify all funds and activities in accordance with GASB No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 40) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the letter of transmittal and statistical section (other information):
 - a) We acknowledge that we have informed you of all documents that may comprise other information we expect to issue. The financial statements and other information you obtained prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.
 - b) With regard to the other information that will be included in the annual report that has not been obtained by you prior to the auditor's report date, we intend to prepare and issue the other information, as well as communicate the expected timing of issuance, and provide you with the final version of the document(s) when available and prior to the issuance of the annual report.

Tubac Fire District

Signed by:

Ben Guerrero

2/25/2025

Ben Guerrero, Fire Chief

DocuSigned by:

Gabe Buldra

2/25/2025

Gabe Buldra, Finance Manager

Date