

**Communication with Those Charged with Governance**

January 19, 2024

Board of Directors and Management  
Sonoita-Elgin Fire District  
Sonoita, Arizona

We have audited the financial statement of Sonoita-Elgin Fire District (the District) for the year ended June 30, 2023. 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 letter to you dated July 11, 2023. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

***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 statement. The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District did not have an arrangement that fell under this standard for the year ended June 30, 2023. 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 statement in the proper period.

Accounting estimates are an integral part of the financial statement 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 statement and because of the possibility that future events affecting them may differ significantly from those expected. There were no material accounting estimates affecting the financial statement.

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 and Uncorrected 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. Misstatements identified during the course of our audit are attached 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 statement 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 statement or a determination of the type of auditor's opinion that may be expressed on that statement, 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 occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Restriction on Use**

This information is intended solely for the information and use of the Board of Directors, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

*Wahne & Armstrong, LLP*

Attachments

Client: SONOITA-ELGIN FIRE DISTRICT  
 Report: Journal Entry  
 Date: June 30, 2023

Exhibit 1

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
<b>AJE01</b>		<b>5210</b>			
<b>To rollforward equity.</b>					
10.3105	Retained Earnings		36,705.97	0.00	
10.5197	Computer		40.00	0.00	
10.5143	EMS Consumables		495.00	0.00	
10.5270	Fire Supplies		1,038.66	0.00	
10.5205	Fuel		346.56	0.00	
10.5175	Internet Provider		175.66	0.00	
10.5171	Office Expense & Postage		109.84	0.00	
10.5209	Station Supplies		1,194.00	0.00	
10.5207	Vehicle Maintenance		14.02	0.00	
10.5101	Salaries		0.00	25,146.41	
10.5247	Fuels Grant Labor		0.00	7,438.72	
10.5121	Payroll Taxes		0.00	1,104.91	
10.5123	PSPRS		0.00	3,407.90	
10.5116	PTO (Personal Time Off)		0.00	3,019.68	
10.4702	Miscellaneous Income		0.00	2.09	
<b>Total</b>			<b>40,119.71</b>	<b>40,119.71</b>	<b>36,705.97</b>
<b>AJE02</b>		<b>6035</b>			
<b>To reclassify income to the proper account.</b>					
10.4405	Wildland Revenue		19,981.76	0.00	
10.4511	AZ State Smart & Safe Fund		0.00	25,215.91	
10.4501	Donations		0.00	170.00	
10.4703	Apparatus Sale		0.00	4,500.00	
10.4702	Miscellaneous Income		0.00	585.00	
10.4404	Ambulance Revenue		13,139.65	0.00	
10.4513	Fuels Crew		0.00	570.00	
10.4403	EMS Support		0.00	2,080.50	
<b>Total</b>			<b>33,121.41</b>	<b>33,121.41</b>	<b>0.00</b>
<b>AJE03</b>		<b>6710</b>			
<b>To reclassify assets and liabilities to the payroll expenses, per the cash basis.</b>					
10.2010	Payroll Liabilities		4,453.91	0.00	
10.2005	PSPRS Overpayment Receivable		0.00	1,797.47	
10.5123	PSPRS		0.00	2,656.44	
<b>Total</b>			<b>4,453.91</b>	<b>4,453.91</b>	<b>2,656.44</b>

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
<b>AJE04</b>		<b>6410</b>			
<b>To adjust line items according to the appropriate account.</b>					
10.5221	Capital Outlay - Equipment		0.00	423.61	
10.5208	Equipment Replacement		0.00	943.99	
10.5222	Computer & Radio		1,367.60	0.00	
10.5250	PPE Purchase/Repair		0.00	7,135.77	
10.5270	Fire Supplies		15,555.63	0.00	
10.5220	Capital Outlay		0.00	8,419.86	
<b>Total</b>			<b><u>16,923.23</u></b>	<b><u>16,923.23</u></b>	<b><u>0.00</u></b>
<b>AJE05</b>		<b>6410</b>			
<b>To record voided payroll in the proper account.</b>					
10.5251	Miscellaneous expense		1,326.82	0.00	
10.5101	Salaries		0.00	1,326.82	
<b>Total</b>			<b><u>1,326.82</u></b>	<b><u>1,326.82</u></b>	<b><u>0.00</u></b>
<b>AJE06</b>		<b>6410</b>			
<b>To reclass refund of PY training expense as a revenue.</b>					
10.5141	Training		7,950.00	0.00	
10.4702	Miscellaneous Income		0.00	7,950.00	
<b>Total</b>			<b><u>7,950.00</u></b>	<b><u>7,950.00</u></b>	<b><u>0.00</u></b>
<b>AJE07</b>		<b>6025</b>			
<b>To record June activity for Santa Cruz County.</b>					
10.1008	SCC Treasurer		10,485.08	0.00	
10.4101	Santa Cruz County Taxes		0.00	10,390.79	
10.4604	Interest Income		0.00	94.29	
<b>Total</b>			<b><u>10,485.08</u></b>	<b><u>10,485.08</u></b>	<b><u>10,485.08</u></b>
<b>GRAND TOTAL</b>			<b><u>114,380.16</u></b>	<b><u>114,380.16</u></b>	<b><u>49,847.49</u></b>

**Sonoita-Elgin Fire District  
P.O. Box 322  
Sonoita, AZ 85637**

Walker & Armstrong LLP  
1850 North Central Avenue, Suite 400  
Phoenix, Arizona 85004

Exhibit 2

This representation letter is provided in connection with your audit of the financial statement of Sonoita-Elgin Fire District (hereinafter referred to as the “District”) as of and for the year ended June 30, 2023, which is comprised of the statement of cash receipts, disbursements, and changes in cash and investment balances - governmental fund and the disclosures (collectively, the “financial statement”), for the purpose of expressing an opinion as to whether the financial statement is presented fairly, in all material respects, in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered 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 Statement**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 11, 2023, including our responsibility for the preparation and fair presentation of the financial statement in accordance with the applicable criteria.
- 2) The financial statement referred to above is fairly presented in conformity with the modified cash basis of accounting and includes all properly classified funds and other financial information of the District required 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 a financial statement that is 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 the modified cash basis of accounting.

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- 6) Related party relationships and transactions, including cash receipts, disbursements, loans, transfers, leasing arrangements, guarantees and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the modified cash basis of accounting.
- 7) Adjustments or disclosures, if any, have been made for all events, including instances of noncompliance, subsequent to the date of the financial statement through the date of this letter that would require adjustment to or disclosure in the financial statement.
- 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, 2023, 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 the modified cash basis of accounting.
- 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 statement, 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 statement.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.



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- 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
  - c) Others where the fraud could have a material effect on the financial statement.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statement communicated by employees, former employees, regulators, or others.
- 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 the financial statement.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statement.
- 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 a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The District has no plans or intentions that may materially affect the carrying value or classification of cash and investment balances.
- 25) 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.
- 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 statement.

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- 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 statement, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statement 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 the financial statement and disclosures.
- 29) 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.
- 30) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 31) The financial statement properly classifies all activities.
- 32) Disbursements have been appropriately classified in or allocated to functions and programs in the statement of cash receipts, disbursements and changes in cash and investment balances – governmental fund, and allocations have been made on a reasonable basis.
- 33) Receipts are appropriately classified in the statement of cash receipts, disbursement and changes in cash and investment balances – Governmental Fund.
- 34) Deposits and investment securities are properly classified as to risk and are properly disclosed.

**Sonoita-Elgin Fire District**

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Marc Meredith, Fire Chief

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Tricia Flaherty, Administrative Assistant

1/19/2024

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Date