

North County Fire & Medical District Maricopa County, Arizona



Basic Financial Statements For the Fiscal Year Ended June 30, 2022

**North County Fire & Medical District
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

GOVERNING BOARD

**David Wilson
Chairman**

Term Expires: 12/2024

**James Young
Clerk**

Term Expires: 12/2024

**Richard Bookie
Member**

Term Expires: 12/2022

**Merrel "Tony" Sambol
Member**

Term Expires: 12/2024

**Russell "Smitty" Smith
Member**

Term Expires: 12/2022

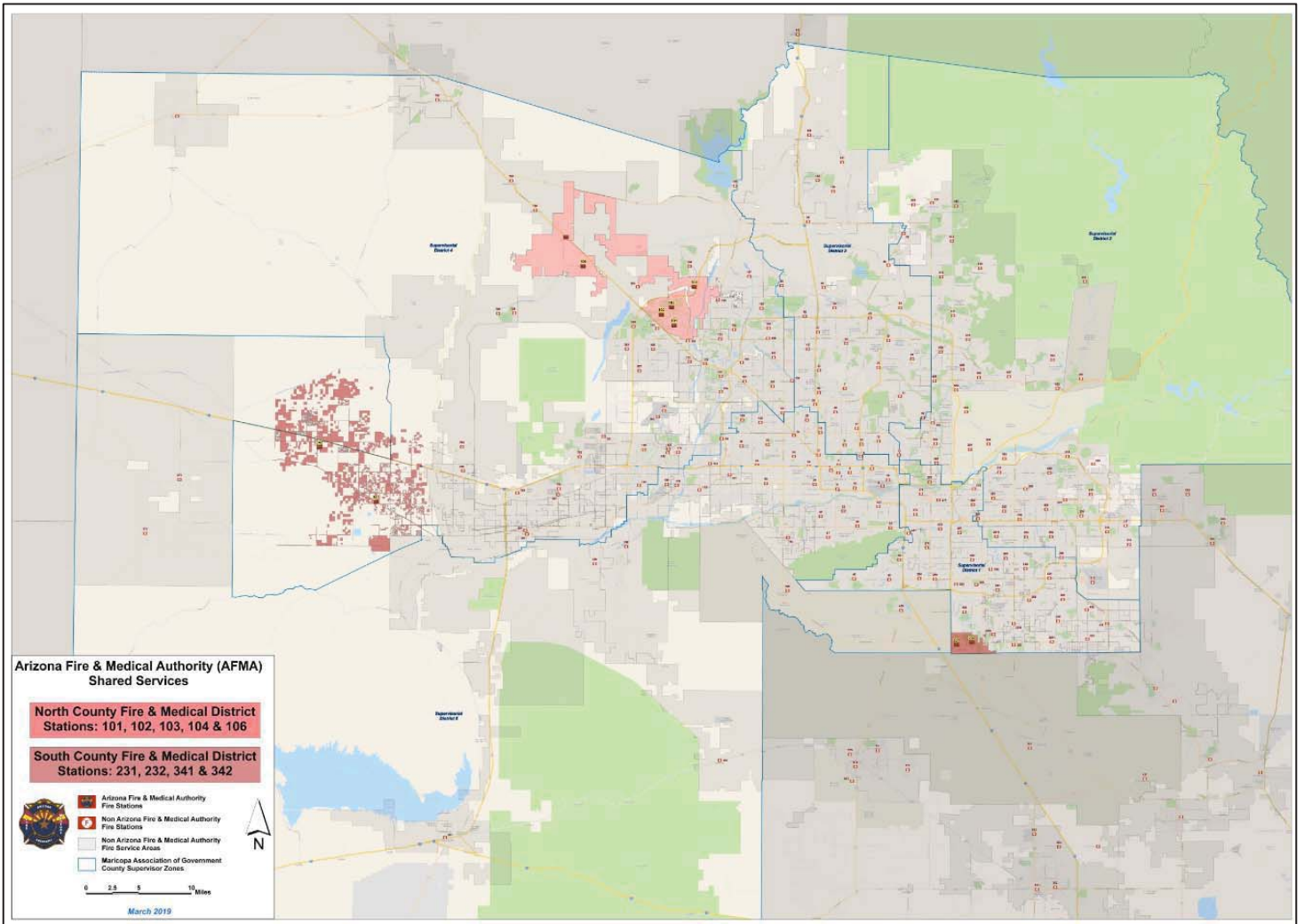
**Mark Burdick
Fire Chief**

**Prepared by the Financial Services Section
Rebecca Chitwood, Finance Director
Anna Wysocki Accountant**

**North County Fire & Medical District
18818 N. Spanish Garden Drive Sun City West, Arizona 85375**



Service Area



*Station 342 is not in operation

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Independent Auditor's Report

To the Board of Directors
North County Fire & Medical District
Sun City West, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North County Fire & Medical District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the budgetary comparison information on pages 24 and 25, be presented to supplement the basic financial statements. Such information, although not a 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.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Walku & Armstrong, LLP".

Phoenix, Arizona
December 29, 2022

**North County Fire & Medical District
Management's Discussion and Analysis
Year Ended June 30, 2022**

As management of North County Fire & Medical District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 10.

Effective July 1, 2017, Sun Lakes Fire District and North County Fire & Medical District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in ARS 48-805.01. Pursuant to the JPA, both Districts transferred and combined their personnel, equipment, fire stations, all other assets and liabilities and services into the new entity, Arizona Fire & Medical Authority (AFMA). AFMA provides the administrative and public safety functions of the Districts. The Districts provide funding to AFMA for these activities pursuant to budgets approved by the respective boards. The purpose of creating AFMA is to facilitate the efficient operation of both organizations through combined resources while reducing costs through combining purchasing, providing services and vendor accounts. As of January 3, 2019, Sun Lakes Fire District merged with Tonopah Valley Fire District to create South County Fire & Medical District. Both South County Fire & Medical District and North County Fire & Medical District continue to exist as legal entities for the purpose of collecting taxes and operating ambulance services.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the fiscal year by (\$9,735,987) (net deficit).
- During the year, the District's total net deficit decreased by \$368,077. Revenues increased by \$1,533,446 and expenses decreased by \$363,557 from the prior year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,653,848, an increase of \$6,268,836 from the prior year. Approximately 8.6% of this total amount, or \$1,082,533, is available for spending at the government's discretion (unassigned fund balance). Of the remaining fund balance, \$11,571,315 is nonspendable and represents the District's proportionate share of AFMA's fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,082,533 or 2.9% of total general fund expenditures for the fiscal year.

At the onset of budget preparation for the year ended June 30, 2022, the District's board of directors mandated that the District maintain adequate controls over the budgeting process to minimize any potential for increased burden on the District's taxpayers. The budget for the year ended June 30, 2022, accomplished this task. For tax year 2021, the District maintained the tax levy rate at \$2.8644 per \$100 of secondary assessed valuation, generating an estimated fire district annual property tax of \$498, based on a median home value of \$173,917 in the District, per the Maricopa County Assessor's Office.

Management's Discussion and Analysis - Continued

During the year ended June 30, 2022, actual district property tax revenues increased by approximately 7.1% from \$14,862,296 to \$15,914,998 to support the public safety functions for the District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements can be found on page 10-11 of this report.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the District.

The *statement of net position* presents information on all of the District's assets and liabilities with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Management's Discussion and Analysis - Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three (3) major governmental funds: the general fund, the capital projects fund and the special projects fund (a special revenue fund). Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, all of which are considered to be the major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB). While the special projects fund is a non-major fund, it is the only fund meeting this criterion and is thus discreetly reported.

The basic governmental financial statements can be found on pages 12-15 of this report.

The District adopts an annual appropriated budget for its general fund and the capital projects fund. A budgetary comparison statement for the general fund has been provided as part of supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on pages 24-25.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 16-23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures as described earlier and can be found on pages 24-25 of this report.

Management's Discussion and Analysis - Continued

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Due to the formation of the JPA, the employees, assets and liabilities of the District were transferred to AFMA as of July 1, 2017. Taxing authority and ambulance operations remain with the North County Fire & Medical District. The liabilities exceeded assets by \$9,735,987 at the close of the 2022 fiscal year. This represents a \$368,077 decrease in the net deficit from the prior year.

The following contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

Condensed Statement of Net Position

	Governmental Activities	
	2022	2021
Assets		
Cash and investments	\$ 656,150	\$ 114,066
Other assets	897,825	820,607
Total assets	1,553,975	943,673
Liabilities		
Proportionate share of the net position of AFMA	11,289,962	11,038,737
Total liabilities	11,289,962	11,038,737
Net deficit		
Unrestricted	(9,735,987)	(10,104,064)
Total net deficit	\$ (9,735,987)	\$(10,104,064)

Management's Discussion and Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net deficit by \$368,077. The key elements of this change are as follows:

	Governmental Activities	
	2022	2021
Revenues:		
Program revenue:		
Charges for services	\$ 3,416,785	\$ 2,840,072
Intergovernmental revenues	131,361	-
Proportionate share of AFMA revenues	1,308,144	1,555,473
General revenues:		
Taxes	16,549,312	15,481,120
Investment and other	9,645	5,136
Total revenues	<u>21,415,247</u>	<u>19,881,801</u>
Expenses:		
Proportionate share of AFMA expenses	<u>21,047,170</u>	<u>21,410,727</u>
Total expenses	<u>21,047,170</u>	<u>21,410,727</u>
Increase/(decrease) in net position	368,077	(1,528,926)
Net position (deficit), beginning	<u>(10,104,064)</u>	<u>(8,575,138)</u>
Net position (deficit), ending	<u><u>\$ (9,735,987)</u></u>	<u><u>\$ (10,104,064)</u></u>

The cost of all governmental activities for the year ended June 30, 2022 was \$21,047,170. Property taxes and fire district assistance taxes (county aid) provided funding of \$15,914,998 and \$634,314, respectively. Ambulance revenues provided net revenues of \$3,416,785.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

Management's Discussion and Analysis - Continued

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,653,848 an increase of \$6,268,836 in comparison with the prior year's balance. Revenues increased by \$1,166,561 over the previous fiscal year. Of the \$12,653,848 total combined governmental fund balance, the nonspendable amount representing the District's proportionate share of AFMA fund balances totaled \$11,571,315. The remaining amount of \$1,082,533 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,082,533, and the nonspendable balance was \$6,436,550. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 2.9% of total general fund expenditures of \$37,715,804.

Budgetary Highlights

The District, in its annual budget, budgets for their share of AFMA's revenue and expenses as well as the tax and ambulance revenues. The breakdown of all of the categories is shown in the Budgetary Comparison Schedule.

Economic Factors and Next Year's Budgets and Rates

During the annual budgeting process, the District's board of directors considers the impact of the projected levy on the median valued homeowner within the District. The estimated property taxes for the 2021 tax year reflected an increase from the previous year due to an increase in assessed values.

The adopted budgeted expenditures for the year ended June 30, 2023, are approximately \$21.6 million with \$2.5 million for contingencies, debt service and capital projects funding. This leaves a net operating budget of \$19.1 million.

Request for Information

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. As always, we appreciate your feedback. We take your responses seriously. Please keep your ideas coming – both favorable and critical. If you have any questions about this report or need additional financial information, please contact the District's administrative office at (623) 544-5400. Copies of the District's annual financial reports for the last five years can be found on the District's website under the financial section. You may also obtain copies of current and historical financial reports from the administrative office located at 18818 N. Spanish Garden Drive, Sun City West, Arizona 85375.

Financial Section



North County Fire & Medical District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	\$ 656,150
Receivables:	
Property taxes	185,589
Ambulance billings, net	712,236
Total assets	1,553,975
 Liabilities	
Proportionate share of the net position of AFMA	11,289,962
Total liabilities	11,289,962
 Net Position	
Unrestricted	(9,735,987)
Total net position (deficit)	\$ (9,735,987)

The accompanying notes are an
integral part of these basic financial statements.

North County Fire & Medical District
Statement of Activities
Year Ended June 30, 2022

	Governmental Activities
Expenses:	
Proportionate share of AFMA expenses	\$ 21,047,170
Total program expenses	21,047,170
Program revenues:	
Ambulance fees	3,416,785
Intergovernmental revenues	131,361
Proportionate share of AFMA revenue	1,308,144
Total program revenues	4,856,290
Net program expense	16,190,880
General revenues:	
Taxes:	
Real and personal property taxes	15,914,998
Fire district assistance tax	634,314
Investment earnings	9,645
Total general revenue	16,558,957
Change in net position	368,077
Net position (deficit) - beginning of year	(10,104,064)
Net position (deficit) - end of year	\$ (9,735,987)

The accompanying notes are an
integral part of these basic financial statements.

**North County Fire & Medical District
Balance Sheet -
Governmental Funds
June 30, 2022**

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Projects	
Assets				
Cash and investments	\$ 656,150	\$ -	\$ -	\$ 656,150
Receivables (net of allowance for uncollectibles):				
Property taxes	185,589	-	-	185,589
Ambulance billings, net	712,236	-	-	712,236
Proportionate share of AFMA fund balance	6,436,550	5,064,094	70,671	11,571,315
Total assets	<u>\$ 7,990,525</u>	<u>\$ 5,064,094</u>	<u>\$ 70,671</u>	<u>\$ 13,125,290</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenues				
Property tax receivables	125,895	-	-	125,895
Ambulance receivables	345,547	-	-	345,547
Total deferred inflows of resources	471,442	-	-	471,442
Fund balances				
Nonspendable	6,436,550	5,064,094	70,671	11,571,315
Unassigned	1,082,533	-	-	1,082,533
Total fund balances	<u>7,519,083</u>	<u>5,064,094</u>	<u>70,671</u>	<u>12,653,848</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,990,525</u>	<u>\$ 5,064,094</u>	<u>\$ 70,671</u>	<u>\$ 13,125,290</u>

The accompanying notes are an
integral part of these basic financial statements.

**North County Fire & Medical District
Reconciliation of the Balance Sheet - Governmental Funds,
to the Government-wide Statement of Net Position
June 30, 2022**

Total fund balances	\$	12,653,848
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		471,442
<p>Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
<p>Proportionate share of the net position of AFMA</p>		(22,861,277)
Net position of governmental activities	<u>\$</u>	<u>(9,735,987)</u>

The accompanying notes are an integral part of these basic financial statements.

North County Fire & Medical District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Projects	
Revenues:				
Taxes:				
Property taxes	\$ 15,862,259	\$ -	\$ -	\$ 15,862,259
Fire district assistance tax	634,314	-	-	634,314
Ambulance fees	3,320,843	-	-	3,320,843
Investment earnings	9,645	-	-	9,645
Grants	131,361	-	-	131,361
Proportionate share of AFMA revenues (losses)	1,377,677	(61,061)	23,580	1,340,196
Total revenues	21,336,099	(61,061)	23,580	21,298,618
Expenditures:				
Proportionate share of AFMA expenditures	37,715,804	1,401,755	13,053	39,130,612
Total expenditures	37,715,804	1,401,755	13,053	39,130,612
Excess of revenues over (under) expenditures	(16,379,705)	(1,462,816)	10,527	(17,831,994)
Other financing sources (uses):				
COPs issued	29,287,120	-	-	29,287,120
Premium on COPs issuance	770,417	-	-	770,417
Lease retired	(5,956,707)	-	-	(5,956,707)
Transfers in	-	2,581,722	-	2,581,722
Transfers out	(2,581,722)	-	-	(2,581,722)
Total other financing sources (uses)	21,519,108	2,581,722	-	24,100,830
Net change in fund balances	5,139,403	1,118,906	10,527	6,268,836
Fund balances, beginning of year	2,379,680	3,945,188	60,144	6,385,012
Fund balances, end of year	<u>\$ 7,519,083</u>	<u>\$ 5,064,094</u>	<u>\$ 70,671</u>	<u>\$ 12,653,848</u>

The accompanying notes are an
integral part of these basic financial statements.

**North County Fire & Medical District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Government-wide Statement of Activities
Year Ended June 30, 2022**

Net change in fund balances - total governmental funds	\$	6,268,836
Amounts reported for governmental activities in the statement of activities are different because:		
Property tax revenues and certain charges for services reported in the Statement of Activities that do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.		148,681
Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds. Proportionate share of the net position of AFMA		(6,049,440)
Change in net position of governmental activities	<u>\$</u>	<u>368,077</u>

The accompanying notes are an integral part of these basic financial statements.

North County Fire & Medical District
Notes to the Financial Statements
Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The accounting policies of North County Fire & Medical District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The District was established in 1981 pursuant to Arizona Revised Statute Title 48 and is a special purpose local government governed by a separately elected governing body. The District is legally separate and fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide statements – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include charges to customers for services provided.

Revenues not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenue.

The effect of interfund activity has been eliminated from the government-wide financial statements to minimize the duplicate reporting of internal activities.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Fund financial statements – provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. When applicable, all remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District’s primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *capital projects* fund is used to account for activities related to the acquisition or construction of significant capital assets.
- The *special projects* fund is a special revenue fund used to account for restricted donations and related expenditures for community service programs.

Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied. Grant and contract revenues are recognized when all eligibility requirements have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Nonspendable fund balance - amounts that cannot be expended because they are either not in spendable form such as prepaid items and proportionate share of AFMA fund balance, or are legally or contractually required to be maintained intact.

Restricted fund balances - amounts that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances - amounts with self-imposed limitations approved by the District's board of directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the board through a formal resolution.

Assigned fund balances - amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The board of directors has authorized the Fire Chief to make assignments of resources for specific purposes.

Unassigned fund balance - the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize 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. All investments are stated at fair value based on market prices.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Prepaid Items

Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Using this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute “available spendable resources.”

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and expensed over the period consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All ambulance service receivables are shown net of an allowance for uncollectible accounts. The amount of the estimated uncollectible ambulance service receivables at June 30, 2022, was \$2,648,973 which represents 78.8% of the current program service receivables balance of \$3,361,209.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Maricopa County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectible accounts on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the tax calendar reporting period. Actual results may differ from those estimates.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

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 modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District 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.

Note 2 – Cash and Investments

Arizona Revised Statutes (ARS) require all monies levied by the District to be collected and held by the County Treasurer's office and included in the County's Local Government Investment Pool (LGIP). Monies received by the District as part of services, contributions or proceeds from the issuance of long-term debt can be deposited with the County LGIP, the State of Arizona LGIP or with local financial institutions based on the District's policies.

The District utilizes Maricopa 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.

Cash on Hand and Deposits – At June 30, 2022, the District's carrying amount of the total cash in bank was \$132,266, and the bank balance was \$132,266, all of which are insured by the Federal Deposit Insurance Corporation.

Investments – The District's investments at June 30, 2022 are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

The District's investments at June 30, 2022, were as follows:

<u>Investment Type</u>	<u>Amount</u>
Maricopa County Treasurer's investment pool	\$ 523,884

Maricopa County Treasurers' investment pool and the Arizona State Treasurer's investment pool are not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments – Continued

However, the majority of Maricopa 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 counties have 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 - State law limits deposits and investments to the Arizona State Treasurer's Local Government Investment Pool (LGIP); interest bearing savings accounts, and certificates of deposit which have a maturity date of not more than one year 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.

Custodial credit risk – For an investment, 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. In the case of demand and time deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Interest rate risk – At June 30, 2022, 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.

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 – Receivables

Receivables as of June 30, 2022 for the District's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Taxes	\$ 185,589
Ambulance billings, net	<u>712,236</u>
Net total receivables	<u>\$ 897,825</u>

Notes to Financial Statements - Continued

Note 4 – Net Revenue

The District provides emergency medical and ambulance transportation services (both emergent and non-emergent interfacility transports), within the same geographic region as it provides fire prevention and suppression services. Charges for such emergency medical and transportation services are recognized as service revenues. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2022 are reported in the financial statements as follows:

Gross program service revenues	\$ 9,259,876
Contractual adjustments and uncompensated services	(5,843,091)
Net program service revenue	<u>\$ 3,416,785</u>

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these payers not cover the entire amount of the services rendered, such differences are adjusted as uncompensated services with the remaining amounts necessary to support the program being subsidized with property tax revenues.

Note 5 – Commitments and Contingencies

The District has received a certificate of necessity from the Arizona Department of Health Services to provide ambulance services within the District's boundaries. Should the certificate be terminated, the District would be unable to provide the extended ambulance services currently provided within the community. AFMA received approval from the Arizona Department of Health Services to put the District's certificate of necessity in AFMA's name.

Risk Management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to Financial Statements - Continued

Note 6 – Joint Venture

Effective July 1, 2017, Sun Lakes Fire & Medical District and North County Fire & Medical District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in ARS 48-805.01. Pursuant to the JPA, both Districts transferred and combined their personnel, equipment, fire stations, all other assets and liabilities and services into the new entity, Arizona Fire & Medical Authority (AFMA). AFMA provides the administrative and public safety functions of the Districts. The Districts provide funding to AFMA for these activities pursuant to budgets approved by the respective boards. The purpose of creating AFMA is to facilitate the efficient operation of both organizations through combined resources while reducing costs through combining purchasing, providing services and vendor accounts. Both South County Fire & Medical District and North County Fire & Medical District continue to exist as legal entities for the purpose of collecting taxes and certificate of necessity authority.

During the fiscal year ended June 30, 2022, the District had net expenses from AFMA totaling \$21,047,170 and revenues of \$1,308,144. For financial reporting purposes, AFMA is treated as a joint venture. As such, an equity interest is reported on the government-wide financial statements as an asset or liability on the statement of net position, and the change in the equity interest is reported as program income or expense in the statement of activities. At June 30, 2022, the District's deficit in AFMA was \$(11,289,962). AFMA is considered a related party and separate financial statements are available. Total transfers to AFMA during the fiscal year were \$19,487,801.

The following table summarized the assets and liabilities transferred to AFMA during the year ended June 30, 2022:

	Governmental Funds	Net Position
Proportionate share of net position in AFMA, beginning of year	\$ 5,773,100	\$ (11,038,737)
Revenues transferred to AFMA	19,487,801	19,487,801
Proportionate share of AFMA revenues	1,340,196	1,308,144
Proportionate share of AFMA expenditures/expenses	(39,130,612)	(21,047,170)
Proportionate share of AFMA proceeds from debt, net	24,100,830	-
Proportionate share of fund balance/net position in AFMA, end of year	\$ 11,571,315	\$ (11,289,962)

Note 7 – Implementation of New Accounting Principles

For the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, Leases, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

**North County Fire & Medical District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
<i>Taxes:</i>			
Property taxes	\$ 15,930,601	\$ 15,862,259	\$ (68,342)
Fire district assistance tax	590,101	634,314	44,213
Ambulance fees	2,953,118	3,320,843	367,725
Grants	-	131,361	131,361
Investment earnings	-	9,645	9,645
Proportionate share of AFMA revenues	34,396,254	1,377,677	(33,018,577)
Total revenues	53,870,074	21,336,099	(32,533,975)
Expenditures:			
Proportionate share of AFMA expenditures	53,870,074	37,715,804	16,154,270
Total expenditures	53,870,074	37,715,804	16,154,270
Excess of revenues over (under) expenditures	-	(16,379,705)	(16,379,705)
Other financing sources (uses):			
COPs issuance	-	29,287,120	29,287,120
Premium on COPs issuance	-	770,417	770,417
Lease retired	-	(5,956,707)	(5,956,707)
Transfers out	-	(2,581,722)	(2,581,722)
Total other financing sources (uses)	-	21,519,108	21,519,108
Net change in fund balance	-	5,139,403	5,139,403
Fund balance, beginning of year	-	2,379,680	2,379,680
Fund balance, end of year	\$ -	\$ 7,519,083	\$ 7,519,083

The accompanying notes are an
integral part of this schedule.

**North County Fire & Medical District
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2022**

Note 1 - Budgetary Requirements and Basis of Accounting

The District's budget is prepared on a 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.