

WATER WHEEL FIRE AND MEDICAL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

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**WATER WHEEL FIRE AND MEDICAL DISTRICT
PAYSON, ARIZONA
FINANCIAL STATEMENTS
JUNE 30, 2018**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
TABLE OF CONTENTS	1-4	
INDEPENDENT AUDITOR'S REPORT	5-8	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9-14	
BASIC FINANCIAL STATEMENTS:	15-24	
Government-Wide Financial Statements		
Statement of Net Position	16	A
Statement of Activities	17	B
Fund Financial Statements		
Balance Sheet - Governmental Funds	18	C
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19	D
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	20	E
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds To the Statement of Activities	21	F
Statement of Net Position - Fiduciary Funds	22	G
Statement of Changes in Fiduciary Net Position	23-24	H
Notes to the Financial Statements	25-42	

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JUNE 30, 2018**

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED SUPPLEMENTARY INFORMATION	43-46	
Budgetary Comparison Schedule – General Fund	44	I
Notes to Budgetary Comparison Schedule	45-46	
OTHER SUPPLEMENTARY INFORMATION	47-50	
Arizona Annual Report Information	48	
Volunteer Pension Distribution Information	49-50	
GOVERNMENT AUDIT STANDARDS SECTION	51-58	
GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS	53-54	
Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-58	
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS SECTION	59-60	
Independent Auditor’s Report on Compliance with State of Arizona Regulatory Requirements	59	

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SAUNDERS COMPANY, LTD

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Water Wheel Fire and Medical District
Payson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Water Wheel Fire and Medical District, Payson, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Water Wheel Fire and Medical District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Required Supplementary Information and budgetary comparison information, as listed in the Table of Contents, 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 Legal and Regulatory Requirements

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as 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.

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 9-956 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Arizona State Fire Marshal as mandated by statute as 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 February 11, 2019, 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 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 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.

Saunders Company, Ltd.

Glendale, Arizona
February 11, 2019

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Water Wheel Fire & Medical District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2018

The following discussion and analysis of the Water Wheel Fire & Medical District (the district's) financial performance presents management's overview of the District's financial activities for the year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Nature of Operations

The Water Wheel Fire & Medical District provides Fire and Emergency Medical Services to homes, property and persons residing within the District boundaries, as well as services to locations and persons outside the District thru mutual aid agreements and contracts. We also provide aid to recreationist, such as hikers, campers, and hunters etc. that come to the area to recreate.

Results of Operations

This year was a very dry year, not much precipitation or snow for the forest, so fire danger was high for most of the year. Forest closures went into effect early in the year, and we still had 1 wild land fire in our area. The district responded to around 200 incidents this year including Fire, EMS, and Mutual Aid to Payson, Pine/Strawberry, Hellsgate and Christopher Knolls Fire Districts.

The Consolidation with Beaver Valley became final on July 1, 2017. A lot of time was spent cleaning and repairing the fire station there. Getting equipment up to date and equipped with the proper equipment.

Financial Highlights

- District investment in capital assets decreased by \$47,975 or 5.50%.
- The District's net position decreased \$41,330 or 6.69% from the previous fiscal year.
- Total revenues increased \$100,974 or 20.58% over the previous fiscal year.
- At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$63,099.

Overview of the Financial Statements

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

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

Government - Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two 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 District'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.

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, use fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Net Position June 30, 2018

	BALANCE <u>JUNE 30, 2017</u>	BALANCE <u>JUNE 30, 2018</u>
Invested in Capital Assets, Net of related Debt	\$ 341,242	\$ 513,204
Unrestricted	<u>(31,932)</u>	<u>63,099</u>
Total Net Position	<u>\$ 309,310</u>	<u>\$ 576,303</u>

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Water Wheel Fire and Medical District, assets exceeded liabilities by \$576,303 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to Citizens, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Condensed Statement of Net Position

	Governmental Activities	
	2017	2018
Assets		
Current and other assets	\$ 109,758	\$ 72,159
Capital assets	<u>872,558</u>	<u>824,583</u>
Total assets	982,316	896,742
Current and other liabilities		
Current and other liabilities	61,076	9,060
Long-term liabilities	<u>303,606</u>	<u>311,379</u>
Total liabilities	364,682	320,439
Net position:		
Net investment in capital assets	568,952	513,204
Unrestricted	<u>48,682</u>	<u>63,099</u>
Total net position	<u>\$ 617,634</u>	<u>\$ 576,303</u>

The unrestricted net position of \$63,099 is available to meet the District's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental Activities net position decreased by \$41,330. Key elements of this decrease are reported below:

Condensed Statement of Activities

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenue:		
Charges for services	\$ 48,651	\$ 51,738
Capital grants	<u>11,607</u>	<u>0</u>
Total program revenues	60,258	51,738
General revenues:		
Property taxes	379,823	387,591
Fire district assistance tax	25,077	33,473
Interest	1,746	334
Other income	<u>23,826</u>	<u>81,904</u>
Total general revenues	<u>430,472</u>	<u>503,302</u>
Total revenues	490,730	555,040
Expenses:		
Fire protection and emergency services	<u>513,259</u>	<u>596,370</u>
Total expenses	<u>513,259</u>	<u>596,370</u>
Change in net position	(22,529)	(41,330)
Net position, beginning	<u>640,162</u>	<u>617,633</u>
Net position, ending	<u>\$ 617,633</u>	<u>\$576,303</u>

Governmental Activities

Most of the revenues for the District were derived from assessed property taxes and Fire District Assistance Tax from the County.

The district also receives donations from tax payers and recreationist and sells 10lb bags of ice.

The district also receives monies from their auxiliary, which has bake sales, breakfasts' and an annual rummage sale.

General Fund Budgetary Highlights

Stayed within the budget.

Capital Asset and Debt Administration

Capital Assets

In order to continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital projects.

For fiscal year ended June 30, 2018 the District purchased, had contributed, or constructed the following assets:

- Fire Station in Beaver Valley
- Fire Engine and Water Tender
- Zoll X series Monitor

Capital Assets, Net of Depreciation June 30, 2018

	<u>BALANCE</u> <u>06/30/2017</u>	<u>BALANCE</u> <u>06/30/2018</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 711,440	\$ 675,116
Buildings	659,164	659,164
Improvements – Other	59,569	59,569
Equipment, Fire	<u>419,966</u>	<u>452,476</u>
Total Historical Costs	<u>1,850,139</u>	<u>1,846,325</u>
Less Accum Depreciation		
Vehicles	595,829	589,954
Buildings	146,696	162,660
Improvements – Other	31,635	36,218
Equipment, Fire	<u>355,653</u>	<u>385,142</u>
Less: Total Accumulated Depreciation	<u>1,129,813</u>	<u>1,173,974</u>
Depreciable Capital Assets, Net	720,326	672,351
<u>Non-Depreciable Assets</u>		
Land	<u>152,232</u>	<u>152,232</u>
Capital Assets, Net	<u>\$ 872,558</u>	<u>\$ 824,583</u>

Long Term Debt

At the end of the current fiscal year, the District had debt outstanding of \$315,680. All of the debt is backed by the full faith and credit of the District.

Outstanding Debt

	Balance <u>June 30, 2017</u>	Balance <u>June 30, 2018</u>
Copier	\$ 2,048	\$ 1,103
Engine	33,943	22,956
Fire Station	267,615	256,254
Zoll Monitor	<u>0</u>	<u>31,066</u>
Total Lease Obligations	303,606	311,379
Compensated Absences	<u>0</u>	<u>4,301</u>
Totals	<u>\$ 303,606</u>	<u>\$ 315,680</u>

Factors Affecting Future Results

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions.

The fire district has elected to give the fire station in Beaver Valley back to the Homeowners Association, on October 1, 2018. It will cut the districts cost on utilities and maintenance. The homeowners in Beaver Valley will still have the same protection and services as before, and will not loss there ISO rating since they are less than 5 miles away.

There are plans to start the fire station in the community of Bonita Creek, which will be funded by donations from that community.

The district will be looking into grants to replace SCBA's that will be expiring in the near future and looking into replacing one of the water tenders that is a 9 speed and at present can only be driven by one person.

Cold Springs Ranch is up for sale and there is talk of developing that area, which would bring in more taxes for the district.

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Water Wheel Fire & Medical District at 10603 N Houston Mesa Rd, Payson, AZ 85541 or contacted us at 928-474-3088.

BASIC FINANCIAL STATEMENTS

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents (Note 3)	\$ 56,501
Receivables	
Wildland (Note 6)	5,425
Property Taxes (Note 7)	10,233
Total Capital Assets, Net (Note 8)	824,583
 Total Assets	 896,742
LIABILITIES	
Accounts Payable	2,679
Payroll Taxes Payable	2,080
Compensated Absences (Note 12)	4,301
Lease/Purchases Payable (Note 13)	
Portion due within one year	30,188
Portion due after one year	281,191
 Total Liabilities	 320,439
NET POSITION	
Invested in Capital Assets, Net of related Debt	513,204
Unrestricted (Note 15)	63,099
 Total Net Position	 \$ 576,303

-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit B

	Governmental Activities
EXPENSES	
Public Safety - Fire/EMS Protection	
Personnel Services	\$ 224,493
Materials & Services	291,392
Depreciation	80,485
Total Program Expenses	596,370
PROGRAM REVENUES	
Charges for Service	51,738
Total Program Revenues	51,738
Net Program Expense	544,632
GENERAL REVENUES	
Property Taxes	387,591
Fire District Assistance	33,473
Investment Earnings	334
Miscellaneous	81,904
Total General Revenues	503,302
Increase (Decrease) in Net Position	(41,330)
NET POSITION-BEGINNING OF THE YEAR	617,633
NET POSITION-END OF THE YEAR	\$ 576,303

-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

Exhibit C

General

ASSETS

Cash and Cash Equivalents (Note 3)	\$	56,501
Receivables		
Wildland (Note 6)		5,425
Property Taxes (Note 7)		<u>10,233</u>
 Total Assets	 \$	 <u><u>72,159</u></u>

LIABILITIES

Accounts Payable	\$	2,679
Payroll Taxes Payable		<u>2,080</u>
 Total Liabilities		 4,759

DEFERRED INFLOW OF RESOURCES

Deferred Property Tax Revenue		<u>6,103</u>
 Total Liabilities and Inflow of Resources		 10,862

FUND BALANCES

Unassigned (Note 15)		<u>61,297</u>
 Total Fund Balances		 <u>61,297</u>
 Total Liabilities, Deferred Inflow of Resources & Fund Balances	 \$	 <u><u>72,159</u></u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2018**

Exhibit D

	General
REVENUE	
Property Taxes	\$ 391,745
Fire District Assistance Tax	33,473
Fees for Service	51,738
Interest	334
Miscellaneous	114,414
Total Revenues	591,704
EXPENDITURES	
Current:	
Public Safety	406,121
Administration	29,839
Line of Credit	46,102
Debt Service	
Principal	24,736
Interest	12,394
Capital Outlay	49,639
Total Expenditures	568,831
Excess (Deficiency) of Revenues over Expenditures	22,873
Net Change in Fund Balances	22,873
Fund Balances-Beginning of Year	38,425
Fund Balances-End of Year	\$ 61,298

-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Exhibit E

**Reconciliation of Governmental Fund Balance to Net Position
(Exhibit A) of governmental activities:**

Fund Balances - Total Governmental Funds (Exhibit C)	\$	61,297
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Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the other funds.

Governmental Capital Assets	1,998,557	
Less: Accumulated Depreciation	<u>(1,173,974)</u>	824,583

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(315,680)
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Deferred Inflow of Resources	<u>6,103</u>
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Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 576,303</u></u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2018**

Exhibit F

**Reconciliation of the change in fund balance-total governmental funds
to the change in net position of governmental activities:**

Net Change in Fund Balances -		
Total Governmental Funds (Exhibit D)	\$	22,873

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(47,975)
--	--	----------

Net Change in Deferred Outflows and Inflows of Resources		(4,154)
--	--	---------

The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(12,074)
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Change in Net Position of Governmental Activities (Exhibit B)	\$	<u>(41,330)</u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

Exhibit G

**Volunteer
Pension
Fund**

ASSETS

Cash & Cash Equivalents	\$ 12,171
Fire Insurance Premium Receivable	<u>3,699</u>
Total Assets	<u>15,870</u>

LIABILITIES

Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>

NET POSITION

Held in trust for pension and other purposes	<u>\$ 15,870</u>
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-The Notes to the Financial Statements are an Integral Part of This Statement-

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

Exhibit H

	<u>Volunteer Pension Fund</u>
ADDITIONS	
Other	
State Fire Marshal	\$ 3,699
Contributions	<u>4,524</u>
Total Other Contributions	<u>8,223</u>
Investment Earnings:	
Interest & Dividends	<u>143</u>
Total Investment Earnings	143
Less Investment Expense	<u>-</u>
Net Investment Earnings	<u>143</u>
 Total Additions	 <u>8,366</u>
DEDUCTIONS	
Distributions	<u>1,008</u>
Total Deductions	<u>1,008</u>
 Change in Net Position	 7,358
 Net Position - Beginning	 <u>8,512</u>
 Net Position - Ending	 <u><u>\$ 15,870</u></u>

-The Notes to the Financial Statements are an Integral Part of This Statement-

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WATER WHEEL FIRE AND MEDICAL DISTRICT
PAYSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

Introduction

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

Basic Financial Statements

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

Government -wide Statements

The government -wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business -type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to users of the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within 60 days of the end of any accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. This fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Financial Statements Amounts

Cash & Cash Equivalents

All savings, checking and money market accounts with an original maturity of less than 90 days are considered to be cash equivalents.

Prepaid Items

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	27.5 to 40 years
Equipment	5 to 7 years
Fire Trucks	10 years
Automobiles	5 years
Office Equipment	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/ Fund Equity

Net Position on Government Wide Financial Statements – Exhibit A

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net position and is classified in the following categories:

- Restricted—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital Asset balances.
- Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Fund Balances on Government Fund Financial Statements – Exhibit C

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.2(a)

Pursuant to ARS 48.805.2(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1st of each year.

Budgets are adopted by the District on basis consistent with Arizona Revised Statutes.

Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT

Deposits and Investments

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in a County Investment Pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the State Treasurer's Office.

The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2018:

DEPOSITORY ACCOUNTS:

	<u>General Fund</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Insured Deposits (NCUA)(FDIC)	\$ 208	\$ 0	\$ 208
Uninsured & Uncollateralize d	<u>57,442</u>	<u>12,267</u>	<u>69,709</u>
Total Deposits	57,650	12,267	69,917
In Transit Items	<u>(1,149)</u>	<u>(96)</u>	<u>(1,245)</u>
Total Cash & Investments	<u>\$ 56,501</u>	<u>\$ 12,171</u>	<u>\$ 68,672</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Foreign Currency Risk. Arizona Revised Statutes do not allow foreign investments.

Investment Policy. The District does not have a formal policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

<u>Custodial Credit Risk For:</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer Pool	Unrated	Not Applicable	\$69,709

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The District normally invests only in FDIC insured bank accounts, accounts collateralized above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest rate risk factors and information are not available for the mutual fund investments of the District.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities.

NOTE 5 - INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

NOTE 6 - RECEIVABLES

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

Wildland receivables were \$5,425, with an allowance for bad debt of \$0 at June 30, 2018. This gave a net of \$5,425, which was expected to be collectable.

NOTE 7 - PROPERTY TAX REVENUE RECEIVABLE

Property Tax Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arises.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended.

	BALANCE <u>06/30/2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>06/30/2018</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 711,440	\$ 0	\$ 36,324	\$ 675,116
Buildings	659,164	0	0	659,164
Improvements – Other	59,569	0	0	59,569
Equipment, Fire	<u>419,966</u>	<u>32,510</u>	<u>0</u>	<u>452,476</u>
Total Historical Costs	<u>1,850,139</u>	<u>32,510</u>	<u>36,324</u>	<u>1,846,325</u>
Less Accum Depreciation				
Vehicles	595,829	30,449	36,324	589,954
Buildings	146,696	15,964	0	162,660
Improvements – Other	31,635	4,583	0	36,218
Equipment, Fire	<u>355,653</u>	<u>29,489</u>	<u>0</u>	<u>385,142</u>
Less: Total Accumulated Depreciation	<u>1,129,813</u>	<u>80,485</u>	<u>36,324</u>	<u>1,173,974</u>
Depreciable Capital Assets, Net	720,326	(47,975)	0	672,351
<u>Non-Depreciable Assets</u>				
Land	<u>152,232</u>	<u>0</u>	<u>0</u>	<u>152,232</u>
Capital Assets, Net	<u>\$ 872,558</u>	<u>\$ (47,975)</u>	<u>\$ 0</u>	<u>\$ 824,583</u>

NOTE 9 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognized deferred outflows of resources in the governmentwide statements. These items are a consumption of net position by the District that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District reports the deferred inflows and outflows as follows:

	Governmental <u>Activities</u>
Governmental Deferred Inflows	
Deferred Property Tax Revenue	\$ 6,103
Total Governmental Activities	<u>\$ 6,103</u>

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 – SHORT-TERM INDEBTEDNESS

The District utilizes a credit line with a limit of 90% of their budget. As of June 30, 2018, the balance outstanding was approximately \$0. The interest rate, at year end, is set by the County. The District routinely pays the balance in full when funds are available.

Changes in Short-Term Indebtedness:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
Line of Credit	\$ 46,102	\$166,204	\$ 212,306	\$ 0
Totals	<u>\$ 46,102</u>	<u>\$166,204</u>	<u>\$ 212,306</u>	<u>\$ 0</u>

NOTE 12 – ACCUMULATED COMPENSATED ABSENCES

Accumulated Paid Time Off (PTO) is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting). Unpaid PTO is paid to employees upon termination of employment with the District.

The District policy on sick leave applies to part-time (volunteer) employees. Employees are allowed to accrue up to 40 hours of paid sick time (PST). Accrued PST is not paid upon termination of employment with the District. At June 30, 2018, the total amount of accumulated sick leave is \$4,809. The vested portion at June 30, 2018 was undetermined.

NOTE 13 – LONG-TERM INDEBTEDNESS

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

Copier Lease/Purchase : On June 3rd, 2014 the District entered into a lease-purchase agreement with Great America for the financing of a copier. The original amount of the lease was \$4,142 with monthly payments of \$100 ending on June 3rd, 2019 at an interest rate of 15.647%.

Engine Lease/Purchase : On May 6th, 2015, the District entered into a lease-purchase agreement with National Bank for the financing of an Engine. The original amount of the lease was \$55,000 with annual payments of \$11,994 ending on May 1st, 2020 at an interest rate of 2.967%.

Fire Station Lease/Purchase : On July 15th, 2014, the District entered into a lease-purchase agreement with Zion Bank for the financing of a fire station. The original amount of the lease was \$300,000 with annual payments of \$22,100 ending on July 15th, 2034 at an interest rate of 4.013%.

Zoll Monitor Lease/Purchase : On March 28th, 2018, the District entered into a lease-purchase agreement with U.S. Bank Equipment Finance for the financing of a Zoll Monitor. The original amount of the lease was \$32,510 with monthly payments of \$612 ending on March 28th, 2023 at an interest rate of 4.903%.

Changes in Long-Term Indebtedness:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
Copier	\$ 2,048	\$ 0	\$ 945	\$ 1,103
Engine	33,943	0	10,987	22,956
Fire Station	267,615	0	11,361	256,254
Zoll Monitor	<u>0</u>	<u>32,510</u>	<u>1,443</u>	<u>31,066</u>
Total Lease Obligations	303,606	32,510	24,736	311,379
Compensated Absences	<u>0</u>	<u>4,301</u>	<u>0</u>	<u>4,301</u>
Totals	<u>\$ 303,606</u>	<u>\$ 36,811</u>	<u>\$ 24,736</u>	<u>\$ 315,680</u>

NOTE 14 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 30,188	\$ 12,450	\$ 42,638
2020	30,186	11,253	41,439
2021	19,350	10,094	29,444
2022	20,192	9,252	29,444
2023	19,228	8,380	27,608
2024/2028	77,937	32,562	110,499
2029/2033	94,881	15,618	110,499
2034	<u>19,417</u>	<u>780</u>	<u>20,197</u>
Total Obligation	311,379	\$ <u>100,389</u>	\$ <u>411,768</u>
Less amount due within 1 year	<u>30,188</u>		
Amount due after 1 year	<u>\$ 281,191</u>		

NOTE 15 – NET POSITION/FUND BALANCE

The District's Net Position balances consist of restricted, unrestricted, nonspendable, and net investment in capital assets amounts.

The District's Governmental Funds fund balances consist of restricted, committed, assigned, nonspendable, and unassigned amounts.

Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Non Spendable Balances are amounts that are not in a spendable form such as inventories or pre-paid expenses.

Net Position :

Invested in Capital Assets, Net of Related Debt	\$ 513,204
Unrestricted	<u>63,099</u>
Total Net Position	<u>\$ 576,303</u>

Governmental Fund Balances :

Unassigned	\$ <u>61,297</u>
Total Fund Balance	<u>\$ 61,297</u>

NOTE 16 - PROPERTY TAXES

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

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

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

NOTE 17 - PENSION AND RELIEF TRUST FUNDS

ARS 9-981. Authority to purchase alternative pension and benefit plan

A. In lieu of pension and relief benefits provided for under the provisions of article 3 of this chapter, a city, town or fire district may provide for an alternative pension and benefit program for fire fighters not covered under the provisions of article 3 of this chapter or under the public safety personnel retirement system.

B. The fire insurance premium tax received by the city, town or district under section 9-952, contributions from the city, town or district, and deductions from the salaries or compensation of firemen may be used to purchase a private pension or benefit program for firemen. Firemen not covered under the public safety personnel retirement system may elect to be covered under the provisions of the alternative pension and benefit program upon filing a request in writing with the city, town or district.

C. The terms, conditions, benefits, eligibility requirements and contribution rates of the alternative pension and benefit program shall be established by:

1. For a city or town, by the adoption of a resolution of the city or town council.
2. For a fire district with a board, by the adoption of a resolution of the board.
3. For a fire district without a board, by the adoption of a resolution of the board of trustees of the firemen's relief and pension fund and the approval of the board of supervisors.

D. Notwithstanding any other provision of law, pension and benefit programs authorized under this article shall not be construed to be a contract between the employee and employer and are subject to annual appropriations of the city, town or district.

Pursuant to ARS, the District contributes to a pension and relief fund for volunteer firefighters. The funds are administered by an outside consulting firm who prepares a separate annual report. This report is available through Innes & Associates, 4302 East Ray Road, Suite 117, Phoenix, Arizona, 85044

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to the end of the Fiscal Year Whispering Pines Fire District merged with the adjacent Beaver Valley Fire District to form Water Wheel Fire and Medical District. This merger became effective on July 1, 2017.

NOTE 19 – FUND BALANCE CONSOLIDATION

On July 1st, 2017 Whispering Pines Fire District consolidated with Beaver Valley Fire District. The new District was named Water Wheel Fire and Medical District. The following chart consolidates the beginning fund balance for the new District.

	Governmental Wide Net Position	Governmental Activities Fund Balance
Whispering Pines Fire District	\$ 309,310	\$ (39,336)
Beaver Valley Fire District	<u>308,323</u>	<u>77,761</u>
Total	<u>\$ 617,633</u>	<u>\$ 38,425</u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

**WATER WHEEL FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2018**

Exhibit I

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 383,884	\$ 383,884	\$ 391,745	\$ 7,861
Fire District Assistance	31,000	31,000	33,473	2,473
Fees for Service	51,600	70,000	51,738	(18,262)
Grants	10,000	-	-	-
Interest	500	500	334	(166)
Miscellaneous	1,000	30,000	114,414	84,414
Total Revenues	<u>477,984</u>	<u>515,384</u>	<u>591,704</u>	<u>76,320</u>
Expenditures:				
Current:				
Public Safety	419,384	451,934	406,121	45,813
Administration	21,600	21,600	29,839	(8,239)
Line of Credit	-	-	46,102	(46,102)
Capital Outlay	37,000	41,850	86,769	(44,919)
Total Expenditures	<u>477,984</u>	<u>515,384</u>	<u>568,831</u>	<u>(53,447)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>22,873</u>	<u>22,873</u>
Net Change in Fund Balances	-	-	22,873	22,873
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>38,425</u>	<u>38,425</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 61,298</u>	<u>\$ 61,298</u>

See Accompanying Notes To The Budgetary Comparison Schedule

**WATER WHEEL FIRE AND MEDICAL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – BUDGETARY REQUIREMENTS AND BASIS OF ACCOUNTING

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget no later than August 1st. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year-end.

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OTHER SUPPLEMENTARY INFORMATION

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018**

AZ Revised Statutes (ARS) requires certain additional information be attached to the Audit Report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the AZ "Annual Report" of Special Districts. This information is included as other supplementary information.

REGULAR FIRE BOARD MEETINGS:

<u>Date</u>	<u>Time</u>	<u>Location</u>
July 18, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
August 15, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
September 19, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
October 17, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
November 21, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
December 19, 2017	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
January 16, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
February 20, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
March 20, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
April 17, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
May 15, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
June 19, 2018	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ

BOARD MEMBERS

<u>Name</u>	<u>Business Phone</u>	<u>Position</u>
Robert J. Hull	928-474-3088	Clerk
Steven Prahin	928-474-3088	Chairman
Chris Oberg	928-474-3088	Treasurer
Al Kendal	928-474-3088	Member
Doyle Warner	928-474-3088	Member

LOCATION AND POSTING OF MEETING NOTICES (all meetings)

Water Wheel Firehouse #71 10603 N Houston Mesa Payson, Arizona
District Website

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

<u>NAME</u>	<u>PARCEL NUMBER</u>
RIVERS EDGE PAYSON LLC	302-06-009B

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
VOLUNTEER PENSION DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2018**

Arizona Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 9-956 as required to meet the requirements of the Arizona Annual "Report of Volunteer Fire Fighters Relief and Pension Fund". This information is included as other supplementary information.

<u>TYPE OF DISTRIBUTION</u>	<u>NAME</u>	<u>AMOUNT</u>
ARTICLE 4	WATTS, EUGENE	\$ 307
ARTICLE 4	SEILER, ROBERT	510
ARTICLE 4	WRIGHT, ROBERT	<u>191</u>
TOTAL		<u>\$ 1,008</u>

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**WATER WHEEL FIRE AND MEDICAL DISTRICT
GOVERNMENT AUDIT STANDARDS**

June 30, 2018

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**WATER WHEEL FIRE AND MEDICAL DISTRICT
PAYSON, ARIZONA
GOVERNMENT AUDIT STANDARDS SECTION
TABLE OF CONTENTS
JUNE 30, 2018**

	<u>PAGE</u>
GOVERNMENT AUDIT STANDARDS SECTION	51-58
GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS	53-54
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS SECTION	59-60
Independent Auditor's Report on Compliance with State of Arizona Regulatory Requirements	59

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SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.
TRICIA E. SAUNDERS, PI.

CERTIFIED PUBLIC ACCOUNTANT	6008 W. CORTEZ ST
CERTIFIED FRAUD EXAMINER	GLENDAL, ARIZONA 85304
CERTIFIED GOVERNMENT FINANCIAL MANAGER	Tel: (623) 476-8660
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706	Fax: (602) 926-2431
CERTIFIED IN FINANCIAL FORENSICS	E-Mail: JamesH49@AOL.com
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT	Triciaesaunders@yahoo.com

Member: American Institute of Certified Public Accountants	Arizona Association of Licensed Private Investigators	International Association of Certified Fraud Examiners
Arizona Society of Certified Public Accountants	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board
Water Wheel Fire and Medical District
Payson, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Water Wheel Fire and Medical District, Payson, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Independent Auditor's Report on Internal Control...
June 30, 2018
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona
February 11, 2019

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Arizona Society of Certified Public Accountants	AICPA Government Audit Quality Center	Arizona Association of Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ARIZONA REGULATORY REQUIREMENTS

To the Governing Board
Water Wheel Fire and Medical District
Payson, Arizona

We have audited the basic financial statements of Water Wheel Fire and Medical Fire District (the District) for the year ended June 30, 2018, and have issued our report thereon February 11, 2019. Our audit also include test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

The management of Water Wheel Fire and Medical Fire District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

1. That the District has not incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District general fund except for those liabilities as prescribed in section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807.
2. That the District complies with subsection F of section 48-805.
3. Whether the audit or report disclosed any information contrary to the certification made as prescribed by subsection D, paragraph 1 of section 48-805.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Water Wheel Fire and Medical Fire District complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona
February 11, 2019

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Arizona Association of Licensed Private Investigators
AICPA Government Audit Quality Center

International Association of Certified Fraud Examiners
Arizona Association of Certified Fraud Examiners

11 February 2019

To the Governing Board
Water Wheel Fire & Medical District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Water Wheel Fire & Medical District for the year ended June 30, 2018. 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 May 6, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Water Wheel Fire & Medical 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 the year. We noted no transactions entered into by the governmental unit 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 estimate affecting the Basic Financial Statements was:

Management's estimate of Depreciation is based on expected useful life of the related asset. We evaluated the key factors and assumptions used to develop the depreciation schedule in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Depreciation in Note 1 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 dated February 11, 2019.

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 Districts' 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 Districts' auditors. However, these discussions occurred 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 the Management's Discussion and Analysis Letter and budgetary comparison information, 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 Arizona Annual Report Information, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restrictions on Use

This information is intended solely for the use of the Governing Board and management of the Water Wheel Fire & Medical District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Saunders Company, Ltd

Glendale, Arizona

