

WATER WHEEL FIRE AND MEDICAL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020

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WATER WHEEL FIRE AND MEDICAL DISTRICT

FINANCIAL STATEMENTS JUNE 30, 2020

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WATER WHEEL FIRE AND MEDICAL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2020

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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, 2020, 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, 2020, 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 March 20, 2021, 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
March 20, 2021

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Water Wheel Fire & Medical District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2020

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, 2020. 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 Protection and Emergency Medical Services both ALS and BLS to private properties, Federal Lands, residents, visitors and the recreating public within our approximate 35 square mile first due response area. Our operations also include providing these same services to other emergency response agencies throughout the region under automatic aid and mutual aid agreements with these agencies. Our administrative office is fire station 71 and manned 24/7. This is our primary response location as it is the geographically center of our response area. We have three additional fire stations located strategically in three other communities, each approximately 5 miles from the main fire station.

Results of Operations

July 2019 began with forest closure orders which began in the month of May 2019 and carried on thru the middle of July in 2019. As with every year the beginning of the annual monsoon season brings dry lightning and wildland fires.

The District responded to 138 calls for assistance during fiscal 2019-2020. The breakdown of these incidents is: 64 EMS, 39 special duty, 19 wildland, 2 Hazardous Materials, 4 structure fires in District and 10 structure fires out of District as automatic aid to our emergency response partners in the region. There were no major wildland fire responses by the District in fiscal 2019-2020.

In July 2019, the District liquidated an asset it had inherited from the consolidation with the Beaver Valley Fire District in 2017, a 2004 Peterbilt 3000 gallon water tender. It was sold through a broker for \$100,000.00. In November 2019, the District purchased a used 4x4 type one engine from a broker in Wisconsin for \$59,900.00. In February 2020, the District applied for an AFG Grant through FEMA for the purchase of a new 3000 gallon water tender. As of the end of fiscal 2019-2020 we have not received any word if this application was successful or not.

In December of 2019, the new Fire Station #74 was completed and apparatus placed in service for the community of Bonita Creek. This was the final fire station construction project for the District. Funding for this construction project was provided solely by a resident of the community. Once this project was completed paperwork was submitted to

ISO to upgrade the Property Protection Classification for Bonita Creek from a 9-10 to a 5-10. The change was effective on September 1, 2020 which will bring the entire District PPC to a 5-10. This is the culmination of a 10 year project to improve the PPC for the entire District and give property owners an opportunity to apply for cost savings on their homeowners insurance policies.

The most significant factor affecting operations in fiscal 2019-2020 began with the COVID-19 Pandemic. This forced many changes in our operations with new policies, extra training and extra expenses for PPE, closing all four of our fire stations to the public except for emergencies, and suspending all fund raising activities of our Auxiliary. This has all carried forward into fiscal 2020-2021.

There were no property annexations into the District during the fiscal year.

Financial Highlights

- § District investment in capital assets increased by \$295,944 or 44.66%.
- § The District's net position increased \$ 354,013 or 81.63% from the previous fiscal year.
- § Total revenues increased \$413,879 or 79.22% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$ 80,022.

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, 2020

	<u>BALANCE JUNE 30, 2019</u>	<u>BALANCE JUNE 30, 2020</u>
Net Investment in Capital Assets	\$ 393,172	\$ 707,660
Unrestricted	40,497	80,022
Total Net Position	<u>\$ 433,669</u>	<u>\$ 787,682</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, total net position was \$ 787,682 at the close of the most recent fiscal year.

A large 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

	<u>Governmental</u>	<u>Activities</u>
	<u>2019</u>	<u>2020</u>
Assets		
Current and other assets	\$ 61,391	\$ 101,870
Capital assets	662,721	958,665
Total assets	<u>724,112</u>	<u>1,060,535</u>
Liabilities		
Current liabilities	27,163	33,208
Non-current liabilities	263,280	239,645
Total liabilities	<u>290,443</u>	<u>272,853</u>
Net position:		
Net investment in capital assets	393,172	707,660
Unrestricted	<u>40,497</u>	<u>80,022</u>
Total net position	<u>\$ 433,669</u>	<u>\$ 787,682</u>

The unrestricted net position of \$ 80,022 is available to meet the District’s ongoing obligations to citizens and creditors.

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 taxpayers and recreationist s and sells 10lb bags of ice.

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

Governmental Activities net position increased by \$ 354,013. Key elements of this increase are reported on the following page:

Condensed Statement of Activities

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
Expenditures :		
Public Safety :		
Personnel	\$ 267,187	\$ 296,087
Materials and Supplies	207,599	195,724
Administration	8,934	15,581
Loss on Disposal of Fixed Assets	100,000	0
Debt Service Interest	11,763	10,675
Depreciation	71,070	63,956
	666,553	582,023
Program revenues:		
Fees for services	46,485	33,155
Total program revenues	46,485	33,155
Net Program Expenditures	620,068	548,868
General revenues :		
Property taxes	403,575	434,717
Fire district assistance tax	35,496	31,464
Sale of Fixed Assets	0	104,500
Donations	0	305,158
Interest Earnings	830	1,952
Miscellaneous	37,532	25,090
Total general revenues	477,433	902,881
Change in net position	(142,635)	354,013
Net position, beginning	576,304	433,669
Net position, ending	\$ 433,669	\$ 787,682

General Fund Budgetary Highlights

The District stayed within its total budget as required by Arizona Revised Statutes.

The District did over-spend one line item. This item was Capital Outlay in the amount of \$92,724. This was due to the generous donation of a new Fire Station to the District by one of its residents.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend its budget at the fund level.

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, 2020 the District purchased, had contributed, or constructed the following assets:

Fire Station 74 in Bonita Creek. Funded entirely by the generous donation of funds from a private party.

4x4 type one fire engine purchased in November 2019.

Capital Assets, Net of Depreciation June 30, 2020

Capital asset activity for the year ended.

	BALANCE <u>06/30/2019</u>	BALANCE <u>06/30/2020</u>
<u>Depreciable Assets</u>		
Vehicles	\$ 675,116	\$ 735,016
Buildings	559,164	859,164
Improvements – Other	59,569	59,569
Equipment	<u>452,476</u>	<u>452,476</u>
Total Historical Costs	<u>1,746,325</u>	<u>2,106,225</u>
Less Accumulated Depreciation		
Vehicles	620,403	654,346
Buildings	132,166	145,430
Improvements – Other	40,480	44,513
Equipment	<u>406,787</u>	<u>419,503</u>
Less: Total Accumulated Depreciation	<u>1,199,836</u>	<u>1,263,792</u>
Depreciable Capital Assets, Net	546,489	842,433
<u>Non-Depreciable Assets</u>		
Land	<u>116,232</u>	<u>116,232</u>
Capital Assets, Net	<u>\$ 662,721</u>	<u>\$ 958,665</u>

Non-Current Liabilities

At the end of the current fiscal year, the District had debt outstanding of \$ 251,005. All of the debt is backed by the full faith and credit of the District.

Changes in Non-Current Liabilities:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2020</u>
Fire Station	\$ 244,437	\$ 232,146
Zoll Monitor	<u>25,112</u>	<u>18,859</u>
Total Lease Obligations	269,549	251,005
Compensated Absences – Due in More Than One Year	<u>12,274</u>	<u>7,990</u>
Total Lease Obligations And Compensated Absences	<u>281,823</u>	<u>258,995</u>
Less Current Capital Liabilities	<u>18,543</u>	<u>19,350</u>
Totals	<u>\$ 263,280</u>	<u>\$ 239,645</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.

Cold Springs Ranch has been sold to the Arizona Game and Fish Department thus removing it from the tax rolls.

Over the year there were several new construction projects in the District which will add significantly to our tax base once they come on the tax rolls.

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.

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BASIC FINANCIAL STATEMENTS

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

Exhibit A

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 90,501
Receivables	
Property Taxes	11,369
Total Capital Assets, Net	958,665
 Total Assets	 1,060,535
LIABILITIES	
Current Liabilities	
Accounts Payable	7,649
Wages Payable	1,348
Payroll Taxes Payable	2,863
Due in Less Than One Year	
Compensated Absences	1,998
Capital Leases	19,350
Non-Current Liabilities	
Due in More Than One Year	
Compensated Absences	7,990
Capital Leases	231,655
 Total Liabilities	 272,853
NET POSITION	
Net Investment in Capital Assets	707,660
Unrestricted	80,022
 Total Net Position	 \$ 787,682

-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, 2020**

Exhibit B

**Governmental
Activities**

EXPENDITURES

Public Safety:		
Personnel	\$	296,087
Materials and Supplies		195,724
Administration		15,581
Debt Service Interest		10,675
Depreciation		<u>63,956</u>
Total Program Expenditures		<u>582,023</u>

PROGRAM REVENUES

Fees for Service		<u>33,155</u>
Total Program Revenues		<u>33,155</u>
Net Program Expenditures		<u>548,868</u>

GENERAL REVENUES

Property Taxes		434,717
Fire District Assistance		31,464
Sale of Fixed Assets		104,500
Interest Earnings		1,952
Donations		305,158
Miscellaneous		<u>25,090</u>
Total General Revenues		<u>902,881</u>

Increase (Decrease) in Net Position		354,013
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NET POSITION-BEGINNING OF THE YEAR		<u>433,669</u>
-------------------------------------------	--	----------------

NET POSITION-END OF THE YEAR	\$	<u><u>787,682</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
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020**

Exhibit C

General

ASSETS

Cash and Cash Equivalents	\$	90,501
Receivables		
Property Taxes		<u>11,369</u>
Total Assets	\$	<u><u>101,870</u></u>

LIABILITIES

Accounts Payable	\$	7,649
Wages Payable		1,348
Payroll Taxes Payable		<u>2,863</u>
Total Liabilities		11,860

DEFERRED INFLOW OF RESOURCES

Unavailable Revenues		
Deferred Property Taxes		<u>7,324</u>
Total Liabilities and Inflow of Resources		19,184

FUND BALANCES

Unassigned		<u>82,686</u>
Total Fund Balances		<u>82,686</u>
Total Liabilities, Deferred Inflow of Resources & Fund Balances	\$	<u><u>101,870</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 FUND
FOR THE YEAR ENDED
JUNE 30, 2020**

Exhibit D

	General
REVENUE	
Property Taxes	\$ 434,987
Fire District Assistance Tax	31,464
Fees for Service	33,155
Sale of Fixed Assets	104,500
Interest Earnings	1,952
Donations	305,158
Miscellaneous	25,090
Total Revenues	936,306
EXPENDITURES	
Current:	
Public Safety:	
Personnel	298,373
Materials and Supplies	195,724
Administration	15,581
Debt Service	
Principal	18,543
Interest	10,675
Capital Outlay	359,901
Total Expenditures	898,797
Excess (Deficiency) of Revenues over Expenditures	37,509
Net Change in Fund Balances	37,509
Fund Balances-Beginning of Year	45,177
Fund Balances-End of Year	\$ 82,686

-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 FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Exhibit E

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

Fund Balances - Total Governmental Fund (Exhibit C)	\$	82,686
-----------------------------------------------------	----	--------

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	2,222,457	
Less: Accumulated Depreciation	<u>(1,263,792)</u>	
		958,665

Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds.	(260,993)
--------------------------------------------------------------------------------------------------------------------	-----------

Deferred Inflow of Resources:	
Related to Deferred Property Taxes	<u>7,324</u>

Net Position of Governmental Activities (Exhibit A)	<u><u>\$ 787,682</u></u>
-----------------------------------------------------	--------------------------

**WATER WHEEL FIRE AND MEDICAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2020**

Exhibit F

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

Net Change in Fund Balances - Total Governmental Fund (Exhibit D)	\$	37,509
----------------------------------------------------------------------	----	--------

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 capital outlay exceeded depreciation expense in the current period.		295,944
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

Net Change in Deferred Outflows and Inflows of Resources		(270)
----------------------------------------------------------	--	-------

The addition of non-current liabilities (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of non-current liabilities 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 non-current liabilities and related items.		20,830
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

Change in Net Position of Governmental Activities (Exhibit B)	\$	354,013
---------------------------------------------------------------	----	---------

-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 FUND
JUNE 30, 2020**

Exhibit G

**Volunteer
Pension
Fund**

ASSETS

Cash & Cash Equivalents \$ 13,493

Total Assets 13,493

LIABILITIES

Accounts Payable -

Total Liabilities -

NET POSITION

Held in trust for pension
and other purposes \$ 13,493

-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 FUND
FOR THE YEAR ENDED JUNE 30, 2020**

Exhibit H

	<u>Volunteer Pension Fund</u>
ADDITIONS	
Other	
State Fire Marshal	\$ -
Contributions	241
Total Other Contributions	<u>241</u>
Investment Earnings:	
Interest & Dividends	285
Total Investment Earnings	<u>285</u>
Less Investment Expense	-
Net Investment Earnings	<u>285</u>
Total Additions	<u>526</u>
DEDUCTIONS	
Benefits Paid to Participants	<u>3,798</u>
Total Deductions	<u>3,798</u>
Change in Net Position	(3,272)
Net Position - Beginning	<u>16,765</u>
Net Position - Ending	<u><u>\$ 13,493</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

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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 the 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 net position and the balance sheet 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 net position and the balance sheet 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 recorded in the Government -Wide Statement of Net Position.

Non-Current Liabilities

In the government-wide financial statements, non-current liabilities and other non-current 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

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.
- § Net Investment in Capital Assets – 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

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:

- § Non-spendable 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 Gila County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The Gila 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 Gila 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 Gila County Treasurer are part of an investment pool operated by the Gila County Treasurer. The Gila County Treasurer invests the cash in a pool under policy guidelines established by the Gila County Treasurer’s office. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the Gila County Treasurer’s Investment pool is included in the Comprehensive Annual Financial Report of the County. The fair value of each participant’s position in the Gila County Treasurer’s Investment Pool approximates the value of the participant’s shares in the 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 Arizona 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, 2020:

DEPOSITORY
ACCOUNTS:

	General Fund	Fiduciary Fund	Total
Insured Deposits (FDIC) Gila County Treasurer Investment Pool	\$ 838	\$ 0	\$ 838
	<u>107,903</u>	<u>13,888</u>	<u>121,791</u>
Total Deposits	108,741	13,888	122,629
In Transit Items	<u>(18,240)</u>	<u>(395)</u>	<u>(18,635)</u>
Total Cash & Investments	<u>\$ 90,501</u>	<u>\$ 13,493</u>	<u>\$ 103,993</u>

GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments, establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value and enhances disclosures related to fair value hierarchy and valuation techniques.

These fair value measurement reporting levels are:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Significant other observable inputs.

Level 3 - Significant unobservable inputs.

Investments by fair value level:

Gila County Treasurer Investment Pool: Level 2

External investment pools measured at fair value:

Gila County Treasurer Investment Pool \$ 121,791

Total \$ 121,791

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.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes (ARS). The Gila County Treasurer’s Investment Pool (GCTIP) are external investment pools with no regulatory oversight. The GCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2020, the GCTIP had not received a credit quality rating from a national rating agency.

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 of 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.

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.

Arizona Revised Statutes do not include any requirement for concentration of 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.

The Gila County Treasurer invests the cash in a pool under policy guidelines established by the Gila County Treasurer’s office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the Gila County Treasurer’s Investment Pool (GCTIP) is included in the Comprehensive Annual Report of the County. The fair value of each participant’s position in the GCTIP approximates the value of the participant’s shares in the pool.

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.

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.

	<u>BALANCE</u> <u>06/30/2019</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2020</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 675,116	\$ 59,900	\$ 0	\$ 735,016
Buildings	559,164	300,000	0	859,164
Improvements – Other	59,569	0	0	59,569
Equipment	<u>452,476</u>	<u>0</u>	<u>0</u>	<u>452,476</u>
Total Historical Costs	<u>1,746,325</u>	<u>359,900</u>	<u>0</u>	<u>2,106,225</u>
Less Accumulated Depreciation				
Vehicles	620,403	33,943	0	654,346
Buildings	132,166	13,264	0	145,430
Improvements – Other	40,480	4,033	0	44,513
Equipment	<u>406,787</u>	<u>12,716</u>	<u>0</u>	<u>419,503</u>
Less: Total Accumulated Depreciation	<u>1,199,836</u>	<u>63,956</u>	<u>0</u>	<u>1,263,792</u>
Depreciable Capital Assets, Net	546,489	295,944	0	842,433
<u>Non-Depreciable Assets</u>				
Land	<u>116,232</u>	<u>0</u>	<u>0</u>	<u>116,232</u>
Capital Assets, Net	<u>\$ 662,721</u>	<u>\$ 295,944</u>	<u>\$ 0</u>	<u>\$ 958,665</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:

Government al Activities

Unavailable Revenues	
Deferred Property Taxes	\$ 7,324
Total Government al Activities	<u>\$ 7,324</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 – ACCUMULATED COMPENSATED ABSENCES

Accumulated unpaid compensated absences are accrued in the Government -Wide Statement of Net Position. The accrual at year-end consisted of \$1,998 payable in less than one year and \$7,990 payable in future years.

The District policy on sick leave applies to part-time (volunteer) employees. Part-Time 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, 2020, the total amount of accumulated sick leave was \$11,607. The vested portion at June 30, 2020 was undetermined.

NOTE 12 – CURRENT LIABILITIES

Accounts Payable are liabilities considered due and payable in 60 days or less.

Current liabilities are those liabilities payable within one year or less which are not considered as Accounts Payable.

The District utilizes an unsecured revolving credit line with Gila County. It has a limit of 90% of their budget. As of June 30, 2020, 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 Current Liabilities :

	Balance			Balance
	June 30, 2019	Additions	Deletions	June 30, 2020
Accounts Payable	\$ 3,025	\$ 4,624	\$ 0	\$ 7,649
Payroll Taxes Payable	2,225	638	0	2,863
Wages Payable	302	1,046	0	1,348
Compensated Absences	3,068	0	1,070	1,998
Capital Leases	18,543	807	0	19,350
Line of Credit	0	792,221	792,221	0
Totals	\$ 27,163	\$799,336	\$ 793,291	\$ 33,208

NOTE 13 - COMMITMENTS

The District does not currently have any committed funds.

NOTE 14 – NON-CURRENT LIABILITIES

In the government-wide financial statements, non-current liabilities and other non-current 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 entered into a lease agreement with Great America Financial Services on October 2, 2019 for the lease of a Lanier IM C2000 Color Copier System for the term of 63 months with a monthly payment of \$ 117.

Capital Leases

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%.

Capital Leases Payable:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance</u> <u>06/30/20</u>
Fire Station	4.013%	07/15/2034	\$ 232,146
Zoll Monitor	4.903%	03/28/2023	\$ 18,859

The following assets were acquired through capital leases:

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciat ion</u>	<u>Carrying</u> <u>Value</u>
Fire Station	\$ 336,033	\$ 37,804	\$ 298,229
Zoll Monitor	<u>32,510</u>	<u>10,449</u>	<u>22,061</u>
Total	<u>\$ 368,543</u>	<u>\$ 48,253</u>	<u>\$ 320,290</u>

Changes in Non-Current Liabilities :

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Fire Station	\$ 244,437	\$ 0	\$ 12,291	\$ 232,146
Zoll Monitor	<u>25,112</u>	<u>0</u>	<u>6,253</u>	<u>18,859</u>
Total Lease Obligations	269,549	0	18,544	251,005
Compensated Absences – Due in More Than One Year	<u>12,274</u>	<u>0</u>	<u>4,284</u>	<u>7,990</u>
Total Lease Obligations And Compensated Absences	<u>281,823</u>	<u>0</u>	<u>22,828</u>	<u>258,995</u>
Less Current Capital Liabilities	<u>18,543</u>	<u>807</u>	<u>0</u>	<u>19,350</u>
Totals	<u>\$ 263,280</u>	<u>\$ (807)</u>	<u>\$ 22,828</u>	<u>\$ 239,645</u>

NOTE 15 - 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, 2020, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 19,350	\$ 10,094	\$ 29,444
2022	20,192	9,252	29,444
2023	19,228	8,380	27,608
2024	14,386	7,714	22,100
2025/2029	81,065	29,435	110,500
2030/2034	<u>96,784</u>	<u>11,812</u>	<u>108,596</u>
Total Obligation	251,005	<u>\$ 76,687</u>	\$ 327,692
Less Amount Representing Interest			<u>76,687</u>
Less amount due within 1 year	<u>19,350</u>		
Future Minimum Lease Payments			<u>\$ 251,005</u>
Amount due after 1 year	<u>\$ 231,655</u>		

NOTE 16 – 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 :

Net Investment in Capital Assets	\$ 407,660
Unrestricted	<u>80,022</u>
Total Net Position	<u>\$ 487,682</u>

Governmental Fund Balances :

Unassigned	\$ <u>82,686</u>
Total Fund Balance	<u>\$ 82,686</u>

NOTE 17 - 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 18 – 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 a board appointed by the District per State Statute 9-981, under Article 4.

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report, other than any items listed below.

Subsequent to the end of the Audit year, Gila County discovered some discrepancies in the assignment of property tax revenue to certain special districts in the County. A *Special Purpose Analysis of Property Taxes for Gila County, Fiscal year 20109-2020* was conducted by an independent Audit Firm. It is not known at this time what effect, if any, this might have on prior collected property taxes of the District.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WATER WHEEL FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2020**

Exhibit I

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Property Taxes	\$ 421,452	\$ 421,452	\$ 434,987	\$ 13,535
Fire District Assistance	31,000	31,000	31,464	464
Fees for Service	32,000	32,000	33,155	1,155
Sale of Fixed Assets	100,000	100,000	104,500	4,500
Capital Grants	210,000	210,000	-	(210,000)
Donations	268,177	268,177	305,158	36,981
Interest	500	500	1,952	1,452
Miscellaneous	57,700	57,700	25,090	(32,610)
Total Revenues	1,120,829	1,120,829	936,306	(184,523)
Expenditures:				
Current:				
Public Safety				
Personnel	308,550	308,550	298,373	10,177
Materials and Supplies	198,300	198,300	195,724	2,576
Administration	17,000	17,000	15,581	1,419
Capital Grant	300,000	300,000	-	300,000
Debt Service				
Principal	18,543	18,543	18,543	-
Interest	10,777	10,777	10,675	102
Capital Outlay	267,177	267,177	359,901	(92,724)
Total Expenditures	1,120,347	1,120,347	898,797	221,550
Excess (Deficiency) of Revenues over Expenditures	482	482	37,509	37,027
Net Change in Fund Balances	482	482	37,509	37,027
Fund Balances at Beginning of Year	-	-	45,177	45,177
Fund Balances at End of Year	<u>\$ 482</u>	<u>\$ 482</u>	<u>\$ 82,686</u>	<u>\$ 82,204</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, 2020**

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.

NOTE 2 - OVER-EXPENDITURE OF BUDGET LINE ITEMS

The District over-spent one line item. This item was Capital Outlay in the amount of \$92,724. This was due to the generous donation of a new Fire Station to the District by one of its residents.

The legal compliance of budgeting for Special Districts in Arizona is at the fund level. The District did not overspend its budget at the fund level.

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OTHER SUPPLEMENTARY INFORMATION

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

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 16, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
August 20, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
September 17, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
October 15, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
November 22, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
December 17, 2019	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
January 21, 2020	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
February 19, 2020	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
March 19, 2020	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
April 21, 2020	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
May 19, 2020	6:00 PM	Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ
June 23, 2020	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
Doyle Warner	928-474-3088	Member
Chris Oberg	928-474-3088	Chairman
Al Kendal	928-474-3088	Member
Mark Essary	928-474-3088	Member

LOCATION AND POSTING OF MEETING NOTICES (all meetings)

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

LEGAL DESCRIPTION OF BOUNDARY CHANGES:

NONE

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
VOLUNTEER PENSION DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2020**

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	\$ 504
ARTICLE 4	SEILER, ROBERT	720
ARTICLE 4	STEVENS, STEVE	1,040
ARTICLE 4	GLAUNSINGER, WILLIAM	435
ARTICLE 4	STULEN-GLAUNSINGER, LORNA	436
ARTICLE 4	HARRY VIEZENS	203
ARTICLE 4	WRIGHT, ROBERT	460
		<hr/>
TOTAL		<u>\$ 3,798</u>

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WATER WHEEL FIRE AND MEDICAL DISTRICT
GOVERNMENT AUDIT STANDARDS
JUNE 30, 2020

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SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
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Arizona Association of Licensed Private Investigators

International Association of Certified Fraud Examiners
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2021.

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) as a basis for designing 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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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 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

March 20, 2021

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SAUNDERS COMPANY, LTD

JAMES H. SAUNDERS, CPA, CFE, CGFM, PI.

TRICIA E. SAUNDERS, PI.

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
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Arizona Association of Licensed Private Investigators

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

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

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

Report on Compliance

We have audited the Water Wheel Fire and Medical District's (the District) compliance with the requirements of Arizona Revised Statutes Title 48-805 for the year ended June 30, 2020, and have issued our report thereon dated March 20, 2021. Our audit included test work on the District's compliance with the 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 and ARS 48-805.

Management's Responsibility

The management of the District is responsible for compliance with all requirements identified above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit; specifically, 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 and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied with the requirements identified above for the year ended June 30, 2020.

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
March 20, 2021

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