

WATER WHEEL FIRE AND MEDICAL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021

Saunders Company, Ltd.
6008 West Cortez Street
Glendale, Arizona 85304
Phone 623-476-8660
Fax 602-926-2431

THIS PAGE

IS

DELIBERATELY LEFT BLANK

WATER WHEEL FIRE AND MEDICAL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021

TABLE OF CONTENTS

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|---|-------------|----------------|
| TABLE OF CONTENTS | 1 | |
| INDEPENDENT AUDITOR'S REPORT | 5 | |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 9 | |
| BASIC FINANCIAL STATEMENTS: | 17 | |
| Government -Wide Financial Statements | | |
| Statement of Net Position | 18 | A |
| Statement of Activities | 19 | B |
| Fund Financial Statements | | |
| Balance Sheet - Governmental Fund | 20 | C |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund | 21 | D |
| Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position | 22 | E |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund to the Statement of Activities | 23 | F |
| Statement of Fiduciary Net Position | 24 | G |
| Statement of Changes in Fiduciary Net Position | 25 | H |
| Notes to the Financial Statements | 27 | |

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

WATER WHEEL FIRE AND MEDICAL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|---|-------------|----------------|
| REQUIRED SUPPLEMENTARY INFORMATION | 45 | |
| Budgetary Comparison Schedule – General Fund | 46 | I |
| Notes to Budgetary Comparison Schedule | 47 | |
| OTHER SUPPLEMENTARY INFORMATION | 49 | |
| Arizona Annual Report Information | 50 | |
| Volunteer Pension Distribution Information | 51 | |
| GOVERNMENT AUDIT STANDARDS SECTION | 53 | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement s Performed in Accordance with <i>Government Auditing Standards</i> | 55 | |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATEOF ARIZONA FIRE DISTRICT REGULATORY REQUIREMENTS | 59 | |

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciaesanders@yahoo.com

Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators

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

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, 2021, 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, 2021, 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.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

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 May 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
May 4, 2022

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

Water Wheel Fire & Medical District

Management's Discussion and Analysis of Basic Financial Statements June 30, 2021

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, 2021. 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 2020 began with Stage 3 Fire Restrictions (forest closure) which continued until the end of July when the forest reverted back to Stage 1 Fire Restrictions, which remained in effect nearly until the end of August. As a result of another very dry monsoon year there were numerous wildfires around the State of Arizona but we were fortunate that none were close enough to affect our region.

The COVID 19 pandemic carried through and continued to affect the District's operations in Fiscal 2020-2021 with two staff members contracting the illness and quarantined for 14 days in the month of July. Fortunately both cases were mild and there were no long term complications. Throughout the winter of 2020-2021 our Fire Stations remained on public restricted access due to the pandemic. Non-FD staff were required to wear masks and have their temperatures monitored prior to access to the station. Board members were required to wear masks when attending functions and meetings at the FD. We also made meeting attendance and participation available via teleconferencing. In February 2021 our Board Clerk contracted COVID and passed away a short time after being diagnosed. After a short search for interested individuals a new clerk was selected to fill the vacancy.

The District responded to 137 calls for assistance during fiscal 2020-2021. The breakdown of these incidents is: 74 EMS, 44 special duty, 6 wildland, 2 structure fires in District and 11 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 2020-2021.

In September 2020 the District liquidated an asset it had inherited from the consolidation with the Beaver Valley Fire District in 2017, a 1995 RD Murray type 1 fire engine. It was sold through a broker for \$30,000.00.

During fiscal 2020-2021 the District applied for several grants to support various projects. In September of 2020 we were notified by FEMA that our AFG Grant application submitted in the fall of 2019 for the purchase of a new water tender was not successful. In February 2021 we once again applied for a FEMA AFG Grant, this time to purchase 18 new SCBAs to replace our aging units which are more than 17 years old. Results of this application are expected by October 2021. In February 2021 we were awarded a grant from the Mogollon Health Alliance in Payson, Arizona in the amount of \$7,000 to help pay for tuition for one of our members to attend a paramedic program in Peoria. This class began in March 2021 and is scheduled to complete early 2022. Additional grant applications were filed with the Arizona Department of Forestry and Fire Management, the 100 Club of Arizona and the Firehouse Subs Foundation. We were successful with the 100 Club of Arizona and the Firehouse Subs Foundation. The grant funds were awarded in early fiscal 2021-2022.

In September 2020, due to the unreliability of our internet system with CenturyLink, the District installed a Viasat System to ensure a more reliable internet service as a back-up to CenturyLink.

In October 2020, due to the increasing threats of violence against firefighters and EMS personnel nationally and encounters by our own staff with individuals that presented a potential danger to them in the field, the District decided to purchase ballistic vests for each member of the staff to wear when responding to most emergency calls.

There was one property annexed into the District during fiscal 2020-2021, parcel 302-06-002, in the community of Verde Glen.

Financial Highlights

- § District investment in capital assets decreased by \$55,497 or 5.79%.
- § The District's net position decreased \$ 84,334 or 10.71% from the previous fiscal year.
- § Total revenues decreased \$376,398 or 40.20% over the previous fiscal year.
- § At the end of the current fiscal year, unrestricted net position for the Governmental Activities was \$ 31,565.

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, 2021

| | BALANCE JUNE 30, 2020 | BALANCE JUNE 30, 2021 |
|----------------------------------|--------------------------|--------------------------|
| Net Investment in Capital Assets | \$ 707,660 | \$ 671,783 |
| Unrestricted | 80,022 | 31,565 |
| Total Net Position | \$ 787,682 | \$ 703,348 |

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 \$ 703,348 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

| | Governmental | Activities |
|----------------------------------|--------------|------------|
| | 2020 | 2021 |
| Assets | | |
| Current and other Assets | \$ 101,870 | \$ 73,168 |
| Capital Assets, Net | 958,665 | 903,168 |
| Total Assets | 1,060,535 | 976,336 |
| Liabilities | | |
| Current Liabilities | 33,208 | 42,950 |
| Non-Current Liabilities | 239,645 | 230,038 |
| Total Liabilities | 272,853 | 272,988 |
| Net Position: | | |
| Net investment in capital assets | 707,660 | 671,783 |
| Unrestricted | 80,022 | 31,565 |
| Total Net Position (Deficit) | \$ 787,682 | \$ 703,348 |

The unrestricted net position of \$ 31,565 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 recreationists and sells 8lb bags of ice. In addition, the district receives monies from their auxiliary, which has bake sales, breakfasts and an annual rummage sale.

Governmental Activities net position decreased by \$ 84,334. Key elements of this decrease are reported on the following page:

Statement of Activities

| | <u>Governmental Activities</u> | |
|--|--------------------------------|--------------------|
| | <u>2020</u> | <u>2021</u> |
| Expenditures : | | |
| Public Safety : | | |
| Personnel | \$ 296,087 | \$ 361,855 |
| Materials and Supplies | 195,724 | 202,445 |
| Administration | 15,581 | 16,932 |
| Debt Service Interest | 10,675 | 12,377 |
| Depreciation | <u>63,956</u> | <u>55,497</u> |
| Total Expenditures | 582,023 | 649,106 |
| Program Revenues: | | |
| Fees for services | <u>33,155</u> | <u>49,807</u> |
| Total Program Revenues | <u>33,155</u> | <u>49,807</u> |
| Net Program Expenditures | 548,868 | 599,299 |
| General Revenues : | | |
| Property taxes | 434,717 | 436,138 |
| Fire District Assistance Tax | 31,464 | 39,320 |
| Sale of Fixed Assets | 104,500 | 30,000 |
| Donations | 305,158 | 1,282 |
| Interest Earnings | 1,952 | 1,394 |
| Miscellaneous | <u>25,090</u> | <u>6,831</u> |
| Total General Revenues | <u>902,881</u> | <u>514,965</u> |
| Increase (Decrease) in Net Position | 354,013 | (84,334) |
| Net Position, Beginning of the Year | <u>433,669</u> | <u>787,682</u> |
| Net Position, End of the Year | <u>\$ 787,682</u> | <u>\$ 703,348</u> |

General Fund Budgetary Highlights

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

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 but in fact ended the year well below anticipated spending.

The District did however, over-spend two line items. These line items were Materials and Supplies in the amount of \$ 4,017 and Debt Service interest in the amount of 3,297. The Materials and Supplies line item was over-spent in large part due to the difference in categories between the approved budget and actual spending as it is broken down in the

financial statements. In addition, due to the ongoing Covid pandemic additional funds were expended that could not have been anticipated. The funds for the over-spending of the Materials and Supplies category came from unspent funds designated for other categories in the approved budget.

Capital Assets and Non-Current Liabilities

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, 2021 the District focused on paying off the current lease/purchases.

Capital Assets, Net of Depreciation June 30, 2021

Capital asset activity for the year ended.

| | <u>BALANCE</u> <u>06/30/2020</u> | <u>BALANCE</u> <u>06/30/2021</u> |
|--------------------------------------|-------------------------------------|-------------------------------------|
| <u>Depreciable Assets</u> | | |
| Vehicles | \$ 735,016 | \$ 735,016 |
| Buildings | 859,164 | 859,164 |
| Improvements – Other | 59,569 | 59,569 |
| Equipment | <u>452,476</u> | <u>452,476</u> |
| Total Historical Costs | <u>2,106,225</u> | <u>2,106,225</u> |
| Less Accumulated Depreciation | | |
| Vehicles | 654,346 | 676,315 |
| Buildings | 145,430 | 166,194 |
| Improvements – Other | 44,513 | 47,869 |
| Equipment | <u>419,503</u> | <u>428,911</u> |
| Less: Total Accumulated Depreciation | <u>1,263,792</u> | <u>1,319,289</u> |
| Depreciable Capital Assets, Net | 842,433 | 786,936 |
| <u>Non-Depreciable Assets</u> | | |
| Land | <u>116,232</u> | <u>116,232</u> |
| Capital Assets, Net | <u>\$ 958,665</u> | <u>\$ 903,168</u> |

Non-Current Liabilities

At the end of the current fiscal year, the District had non-current liabilities outstanding of \$ 230,038. 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, 2020</u> | <u>Balance</u> <u>June 30, 2021</u> |
|--|--|--|
| Fire Station | \$ 232,146 | \$ 219,362 |
| Zoll Monitor | <u>18,859</u> | <u>12,293</u> |
| Total Lease Obligations | 251,005 | 231,655 |
| Compensated Absences – Due in More Than One Year | <u>7,990</u> | <u>18,575</u> |
| Total Lease Obligations and Compensated Absences | <u>258,995</u> | <u>250,230</u> |
| Less Current Capital Liabilities | <u>19,350</u> | <u>20,192</u> |
| Totals | <u><u>\$ 239,645</u></u> | <u><u>\$ 230,038</u></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.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

BASIC FINANCIAL STATEMENTS

**WATER WHEEL FIRE AND MEDICAL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

Exhibit A

**Governmental
Activities**

ASSETS

| | | |
|-------------------------|----|--------------------|
| Cash & Cash Equivalents | \$ | 57,287 |
| Receivables | | |
| Property Taxes | | 15,881 |
| Capital Assets, Net | | <u>903,168</u> |
| Total Assets | | <u>976,336</u> |

LIABILITIES

| | | |
|---------------------------|--|--------------------|
| Current Liabilities | | |
| Accounts Payable | | 7,503 |
| Wages Payable | | 2,284 |
| Payroll Taxes Payable | | 8,327 |
| Due in Less Than One Year | | |
| Compensated Absences | | 4,644 |
| Notes Payable | | 20,192 |
| Non-Current Liabilities | | |
| Due in More Than One Year | | |
| Compensated Absences | | 18,575 |
| Notes Payable | | <u>211,463</u> |
| Total Liabilities | | <u>272,988</u> |

NET POSITION

| | | |
|----------------------------------|---------------|----------------------------------|
| Net Investment in Capital Assets | | 671,783 |
| Unrestricted | | <u>31,565</u> |
| Total Net Position | \$ | <u><u>703,348</u></u> |

-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, 2021**

Exhibit B

**Governmental
Activities**

EXPENDITURES

| | | |
|----------------------------|----|----------------|
| Public Safety: | | |
| Personnel | \$ | 361,855 |
| Materials and Supplies | | 202,445 |
| Administration | | 16,932 |
| Debt Service Interest | | 12,377 |
| Depreciation | | <u>55,497</u> |
| Total Program Expenditures | | <u>649,106</u> |

PROGRAM REVENUES

| | | |
|--------------------------|--|----------------|
| Fees for Service | | <u>49,807</u> |
| Total Program Revenues | | <u>49,807</u> |
| Net Program Expenditures | | <u>599,299</u> |

GENERAL REVENUES

| | | |
|------------------------------|--|----------------|
| Property Taxes | | 436,138 |
| Fire District Assistance Tax | | 39,320 |
| Sale of Fixed Assets | | 30,000 |
| Interest Earnings | | 1,394 |
| Donations | | 1,282 |
| Miscellaneous | | <u>6,831</u> |
| Total General Revenues | | <u>514,965</u> |

| | | |
|-------------------------------------|--|----------|
| Increase (Decrease) in Net Position | | (84,334) |
|-------------------------------------|--|----------|

| | | |
|---|--|----------------|
| NET POSITION-BEGINNING OF THE YEAR | | <u>787,682</u> |
|---|--|----------------|

| | | |
|-------------------------------------|--|--------------------------|
| NET POSITION-END OF THE YEAR | | <u><u>\$ 703,348</u></u> |
|-------------------------------------|--|--------------------------|

-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, 2021**

Exhibit C

General

ASSETS

| | | |
|---------------------------|----|----------------------|
| Cash and Cash Equivalents | \$ | 57,287 |
| Receivables | | |
| Property Taxes | | <u>15,881</u> |
| Total Assets | \$ | <u><u>73,168</u></u> |

LIABILITIES

| | | |
|-----------------------|----|--------------|
| Accounts Payable | \$ | 7,503 |
| Wages Payable | | 2,284 |
| Payroll Taxes Payable | | <u>8,327</u> |
| Total Liabilities | | 18,114 |

DEFERRED INFLOW OF RESOURCES

| | | |
|---|--|---------------|
| Unavailable Revenues | | |
| Deferred Property Taxes | | <u>12,188</u> |
| Total Liabilities and Inflow of Resources | | 30,302 |

FUND BALANCES

| | | |
|---|----|----------------------|
| Unassigned | | <u>42,866</u> |
| Total Fund Balances | | <u>42,866</u> |
| Total Liabilities, Deferred Inflow of Resources & Fund Balances | \$ | <u><u>73,168</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, 2021**

Exhibit D

| | General |
|--|------------------|
| REVENUE | |
| Property Taxes | \$ 431,274 |
| Fire District Assistance Tax | 39,320 |
| Fees for Service | 49,807 |
| Sale of Fixed Assets | 30,000 |
| Interest Earnings | 1,394 |
| Donations | 1,282 |
| Miscellaneous | 6,831 |
| Total Revenues | 559,908 |
| EXPENDITURES | |
| Public Safety: | |
| Personnel | 348,623 |
| Materials and Supplies | 202,445 |
| Administration | 16,932 |
| Debt Service: | |
| Principal | 19,351 |
| Interest | 12,377 |
| Total Expenditures | 599,728 |
| Excess (Deficiency) of Revenues over Expenditures | (39,820) |
| Net Change in Fund Balance | (39,820) |
| Fund Balances-Beginning of Year | 82,686 |
| Fund Balances-End of Year | \$ 42,866 |

-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, 2021**

Exhibit E

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

| | | |
|---|----|--------|
| Fund Balances - Total Governmental Fund (Exhibit C) | \$ | 42,866 |
|---|----|--------|

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>(1,319,289)</u> | |
| | | 903,168 |

| | |
|--|-----------|
| Non-Current liabilities are not due and payable in the current period and therefore are not reported in the funds. | (254,874) |
|--|-----------|

| | |
|------------------------------------|---------------|
| Deferred Inflow of Resources: | |
| Related to Deferred Property Taxes | <u>12,188</u> |

| | |
|---|--------------------------|
| Net Position of Governmental Activities (Exhibit A) | <u><u>\$ 703,348</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, 2021**

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) | \$ | (39,820) |
|--|----|----------|

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. | | (55,497) |
|--|--|----------|

| | | |
|--|--|--------|
| Net Change in Deferred Outflows and Inflows of Resources | | 17,102 |
|--|--|--------|

| | | |
|--|--|---------|
| The issuance 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. | | (6,119) |
|--|--|---------|

| | | |
|---|----|-----------------|
| Change in Net Position of Governmental Activities (Exhibit B) | \$ | <u>(84,334)</u> |
|---|----|-----------------|

-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, 2021**

Exhibit G

**Volunteer
Pension
Fund**

ASSETS

| | |
|-------------------------|---------------|
| Cash & Cash Equivalents | \$ 13,963 |
| Total Assets | <u>13,963</u> |

LIABILITIES

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

NET POSITION

| | |
|---|-------------------------|
| Held in trust for pension and other purposes | <u><u>\$ 13,963</u></u> |
|---|-------------------------|

-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, 2021**

Exhibit H

| | <u>Volunteer Pension Fund</u> |
|---|--|
| ADDITIONS | |
| Other | |
| State Fire Marshal | \$ 4,089 |
| Contributions | - |
| Total Other Contributions | <u>4,089</u> |
| Investment Earnings: | |
| Interest & Dividends | <u>329</u> |
| Total Investment Earnings | 329 |
| Less Investment Expense | - |
| Net Investment Earnings | <u>329</u> |
| Total Additions | <u>4,418</u> |
| DEDUCTIONS | |
| Benefits Paid to Participants | <u>3,948</u> |
| Total Deductions | <u>3,948</u> |
| Change in Net Position | 470 |
| Net Position - Beginning of the Year | <u>13,493</u> |
| Net Position - End of the Year | <u><u>\$ 13,963</u></u> |

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

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

WATER WHEEL FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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 is 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 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 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 48-805.02(a)

Pursuant to ARS 48.805.02(d), all fire districts 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 in 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.

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, 2021, 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>06/30/2020</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>06/30/2021</u> |
|--------------------------------------|-------------------------------------|--------------------|------------------|-------------------------------------|
| <u>Depreciable Assets</u> | | | | |
| Vehicles | \$ 735,016 | \$ 0 | \$ 0 | \$ 735,016 |
| Buildings | 859,164 | 0 | 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>2,106,225</u> | <u>0</u> | <u>0</u> | <u>2,106,225</u> |
| Less Accumulated Depreciation | | | | |
| Vehicles | 654,346 | 21,969 | 0 | 676,315 |
| Buildings | 145,430 | 20,764 | 0 | 166,194 |
| Improvements – Other | 44,513 | 3,356 | 0 | 47,869 |
| Equipment | <u>419,503</u> | <u>9,408</u> | <u>0</u> | <u>428,911</u> |
| Less: Total Accumulated Depreciation | <u>1,263,792</u> | <u>55,497</u> | <u>0</u> | <u>1,319,289</u> |
| Depreciable Capital Assets, Net | 842,433 | (55,497) | 0 | 786,936 |
| <u>Non-Depreciable Assets</u> | | | | |
| Land | <u>116,232</u> | <u>0</u> | <u>0</u> | <u>116,232</u> |
| Capital Assets, Net | <u>\$ 958,665</u> | <u>\$ (55,497)</u> | <u>\$ 0</u> | <u>\$ 903,168</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 | \$ 12,188 |
| Total Government al Activities | <u>\$ 12,188</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 \$4,644 payable in less than one year and \$18,575 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, 2021, the total amount of accumulated sick leave was \$13,919. The vested portion at June 30, 2021 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.

Changes in Current Liabilities:

| | Balance | | Balance | |
|-----------------------|------------------|-------------------|-------------------|------------------|
| | June 30, 2020 | Additions | Deletions | June 30, 2021 |
| Accounts Payable | \$ 7,649 | \$ 0 | \$ 146 | \$ 7,503 |
| Payroll Taxes Payable | 2,863 | 5,464 | 0 | 8,327 |
| Wages Payable | 1,348 | 936 | 0 | 2,284 |
| Compensated Absences | 1,998 | 2,646 | 0 | 4,644 |
| Capital Leases | 19,350 | 842 | 0 | 20,192 |
| Line of Credit | 0 | 367,745 | 367,745 | 0 |
| Totals | <u>\$ 33,208</u> | <u>\$ 377,633</u> | <u>\$ 367,891</u> | <u>\$ 42,950</u> |

NOTE 13- LINE OF CREDIT

The District has an available line of credit with the County. The line of credit expires at the end of each fiscal year. At that time, per statute, the money borrowed is expected to be paid back in full. The interest rate is determined by the County and is usually a percentage of the prime interest rate at the time of the repayment of the line of credit. The repayment occurs at various times during the year as money becomes available to the District. The District did not have a balance outstanding on this line of credit as of June 30, 2021 and at that time no interest rate had been established.

NOTE 14 – COMMITMENTS

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions. At the close of the Fiscal Year, the District had no committed funds.

NOTE 15 – 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, 2020 for the lease of a Lanier IM C2000 Color Copier System for the term of 63 months with a monthly payment of \$ 117.

Notes payable

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>06/30/21</u> |
|--------------------|----------------------|-------------------|-----------------------------------|
| Fire Station | 4.013% | 07/15/2034 | \$ 219,362 |
| Zoll Monitor | 4.903% | 03/28/2023 | \$ 12,293 |

The following assets were acquired through capital leases:

| | <u>Cost</u> | <u>Accumulated</u> <u>Depreciation</u> | <u>Carrying</u> <u>Value</u> |
|--------------|-------------------|---|---------------------------------|
| Fire Station | \$ 336,033 | \$ 46,205 | \$ 289,828 |
| Zoll Monitor | <u>32,510</u> | <u>15,093</u> | <u>17,417</u> |
| Total | <u>\$ 368,543</u> | <u>\$ 61,298</u> | <u>\$ 307,245</u> |

Changes in Non-Current Liabilities :

| | <u>Balance</u> <u>June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2021</u> |
|--|--|------------------|------------------|--|
| Fire Station | \$ 232,146 | \$ 0 | \$ 12,784 | \$ 219,362 |
| Zoll Monitor | <u>18,859</u> | <u>0</u> | <u>6,566</u> | <u>12,293</u> |
| Total Lease Obligations | 251,005 | 0 | 19,350 | 231,655 |
| Compensated Absences – Due in More Than One Year | <u>7,990</u> | <u>12,977</u> | <u>2,392</u> | <u>18,575</u> |
| Total Lease Obligations and Compensated Absences | <u>258,995</u> | <u>12,977</u> | <u>21,742</u> | <u>250,230</u> |
| Less Current Capital Liabilities | <u>19,350</u> | <u>842</u> | <u>0</u> | <u>20,192</u> |
| Totals | <u>\$ 239,645</u> | <u>\$ 12,135</u> | <u>\$ 21,742</u> | <u>\$ 230,038</u> |

NOTE 16 - 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, 2021, were as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|-------------------|------------------|-------------------|
| 2022 | 20,192 | 9,252 | 29,444 |
| 2023 | 19,228 | 8,380 | 27,608 |
| 2024 | 14,386 | 7,714 | 22,100 |
| 2025 | 14,963 | 7,137 | 22,100 |
| 2026 | 15,563 | 6,537 | 22,100 |
| 2027/2031 | 87,701 | 22,798 | 110,499 |
| 2032/2034 | <u>59,622</u> | <u>4,774</u> | <u>64,396</u> |
| Total Obligation | 231,655 | <u>\$ 66,592</u> | \$ 298,247 |
| Less Amount Representing Interest | | | <u>66,592</u> |
| Less amount due within 1 year | <u>20,192</u> | | |
| Future Minimum Lease Payments | | | <u>\$ 231,655</u> |
| Amount due after 1 year | <u>\$ 211,463</u> | | |

NOTE 17 – 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 | \$ 671,783 |
| Unrestricted | <u>31,565</u> |
| Total Net Position | <u>\$ 703,348</u> |

Governmental Fund Balances :

| | |
|--------------------|------------------|
| Unassigned | <u>\$ 42,866</u> |
| Total Fund Balance | <u>\$ 42,866</u> |

NOTE 18 - 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 19 – 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 20 - 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WATER WHEEL FIRE AND MEDICAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2021**

Exhibit I

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|------------------|--|
| | Original | Final | | (Negative) |
| Revenues: | | | | |
| Property Taxes | \$ 442,452 | \$ 442,452 | \$ 431,274 | \$ (11,178) |
| Fire District Assistance Tax | 31,000 | 31,000 | 39,320 | 8,320 |
| Fees for Service | 32,000 | 32,000 | 49,807 | 17,807 |
| Sale of Fixed Assets | 50,000 | 50,000 | 30,000 | (20,000) |
| Capital Grants | 198,000 | 198,000 | - | (198,000) |
| Donations | 5,000 | 5,000 | 1,282 | (3,718) |
| Interest | 500 | 500 | 1,394 | 894 |
| Miscellaneous | 5,600 | 5,600 | 6,831 | 1,231 |
| Total Revenues | <u>764,552</u> | <u>764,552</u> | <u>559,908</u> | <u>(204,644)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | | | | |
| Personnel | 355,990 | 355,990 | 348,623 | 7,367 |
| Materials and Supplies | 198,428 | 198,428 | 202,445 | (4,017) |
| Administration | 17,600 | 17,600 | 16,932 | 668 |
| Debt Service | | | | |
| Principal | 20,192 | 20,192 | 19,351 | 841 |
| Interest | 9,080 | 9,080 | 12,377 | (3,297) |
| Capital Outlay | 261,262 | 261,262 | - | 261,262 |
| Total Expenditures | <u>862,552</u> | <u>862,552</u> | <u>599,728</u> | <u>262,824</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(98,000)</u> | <u>(98,000)</u> | <u>(39,820)</u> | <u>58,180</u> |
| Net Change in Fund Balances | (98,000) | (98,000) | (39,820) | 58,180 |
| Fund Balances at Beginning of Year | <u>98,000</u> | <u>98,000</u> | <u>82,686</u> | <u>(15,314)</u> |
| Fund Balances at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 42,866</u> | <u>\$ 42,866</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, 2021**

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 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 but in fact ended the year well below anticipated spending.

The District did however, over-spend two line items. These line items were Materials and Supplies in the amount of \$ 4,017 and Debt Service interest in the amount of 3,297. The Materials and Supplies line item was over-spent in large part due to the difference in categories between the approved budget and actual spending as it is broken down in the financial statements. In addition, due to the ongoing Covid pandemic additional funds were expended that could not have been anticipated. The funds for the over-spending of the Materials and Supplies category came from unspent funds designated for other categories in the approved budget.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

OTHER SUPPLEMENTARY INFORMATION

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
FISCAL YEAR ENDED JUNE 30, 2021**

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 21, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| August 18, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| September 15, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| October 20, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| November 17, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| December 15, 2020 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| January 19, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| February 16, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| March 16, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| April 20, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| May 18, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |
| June 15, 2021 | 6:00 PM | Water Wheel Firehouse, 10603 N Houston Mesa, Payson, AZ |

BOARD MEMBERS

| <u>Name</u> | <u>Business Phone</u> | <u>Position</u> |
|-----------------|-----------------------|-----------------|
| Harry Jones | 928-474-3088 | Clerk |
| Henry A Kendall | 928-474-3088 | Member |
| Chris Oberg | 928-474-3088 | Chairman |
| Daniel Newman | 928-474-3088 | Member |
| Steve Stevens | 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:

Gibson, Jerald & Tiffany (as trustees) Gibson Family Trust PN 302-06-002

**WATER WHEEL FIRE AND MEDICAL DISTRICT
ANNUAL REPORT INFORMATION
VOLUNTEER PENSION DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2021**

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 | SEILER, ROBERT | \$ 720 |
| ARTICLE 4 | STEVENS, STEVE | 960 |
| ARTICLE 4 | GLAUNSINGER, WILLIAM | 436 |
| ARTICLE 4 | STULEN-GLAUNSINGER, LORNA | 436 |
| ARTICLE 4 | HARRY VIEZENS | 608 |
| ARTICLE 4 | WRIGHT, ROBERT | <u>788</u> |
| TOTAL | | <u>\$ 3,948</u> |

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

WATER WHEEL FIRE AND MEDICAL DISTRICT
GOVERNMENT AUDIT STANDARDS
JUNE 30, 2021

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciaesanders@yahoo.com

Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2022.

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.

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

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

May 4, 2022

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**

SAUNDERS COMPANY, LTD

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

TRICIA E. SAUNDERS, PI.

CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FRAUD EXAMINER
CERTIFIED GOVERNMENT FINANCIAL MANAGER
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706

6008 W. CORTEZ ST
GLENDALE, ARIZONA 85304
Tel: (623) 476-8660
Fax: (602) 926-2431
E-Mail: JamesH49@AOL.com
Triciaesaunders@yahoo.com

Member: American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants

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, 2021, and have issued our report thereon dated May 4, 2022. 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, 2021.

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
May 4, 2022

**THIS PAGE
IS
DELIBERATELY LEFT BLANK**