



**WATER WHEEL FIRE AND MEDICAL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2024**

WATER WHEEL FIRE AND MEDICAL DISTRICT
For the Fiscal Year Ended June 30, 2024
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Water Wheel Fire and Medical District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Water Wheel Fire and Medical District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Water Wheel Fire and Medical District, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Wheel Fire and Medical District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Wheel Fire and Medical District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Wheel Fire and Medical District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2025, on our consideration of the District's internal control over financial reporting and on our tests of 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.

BDR Richards CPA's, PLLC

Snowflake, AZ
February 28, 2025

WATER WHEEL FIRE AND MEDICAL DISTRICT

Management's Discussion and Analysis

June 30, 2024

INTRODUCTION

The Management of the Water Wheel Fire and Medical District (District) presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. The assets of the Water Wheel Fire and Medical District exceeded its liabilities at the close of the most recent fiscal year by \$543,284 a decrease of \$2,050 due to normal District operations.
2. Cash and cash equivalents at the end of the year include a total balance of \$75,922, a decrease of \$1,318, due to normal District operations.
3. The District's total liabilities decreased by \$19,830 or 25 percent, due to normal District operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. These 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.

Government-Wide Financial Statements

The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). They are intended to provide a broad overview in a manner like a private sector business. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 regarding interfund activity, payables, and receivables.

Statement of Net Position - The *Statement of Net Position (page 10)* presents information on all the assets and liabilities of the District, with the difference between the two being 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.

Statement of Activities - The *Statement of Activities (page 11)* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.

Governmental Funds. Governmental Funds are used to account for the same functions reported as governmental activities in the Government-wide financial statements. All the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting.

WATER WHEEL FIRE AND MEDICAL DISTRICT

Management's Discussion and Analysis

June 30, 2024

Governmental funds - continued

This accounting method measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance programs of the District.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Water Wheel Fire and Medical District, assets and deferred outflows exceeded liabilities and deferred inflows by \$543,284 at the close of the 2024 fiscal year. The large portion of the net position of the District, \$484,701, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any depreciation expense and debt acquired for capital purchases charged to public safety. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. The remaining balance of unrestricted net assets, \$58,583, is available for continuation of services as well as the investment and maintenance of capital assets.

The following table reflects a summary of net position:

WATER WHEEL FIRE AND MEDICAL DISTRICT			
Net Position			
	2024	2023	Increase/ (Decrease)
Current and other assets	\$ 95,565	\$ 86,508	\$ 9,057
Capital assets - net	507,668	538,605	(30,937)
Total assets	603,233	625,113	(21,880)
Current liabilities	42,284	49,244	(6,960)
Non-current liabilities	17,665	30,535	(12,870)
Total liabilities	59,949	79,779	(19,830)
Net investment in capital assets	484,701	510,605	(25,904)
Unrestricted	58,583	34,729	23,854
Total net position	\$ 543,284	\$ 545,334	\$ (2,050)

WATER WHEEL FIRE AND MEDICAL DISTRICT
Management's Discussion and Analysis
June 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

Governmental Activities

The net position of the District from governmental activities decreased from \$545,334 to \$543,284, a change of \$(2,050) or .4 percent. Key elements of these activities are as follows:

- Capital assets were lower by \$30,937 due to depreciation expense for the year.
- Current assets were higher by \$9,057 or 10% due to higher revenues received during the year..

The following table reflects the changes in net position:

WATER WHEEL FIRE AND MEDICAL DISTRICT			
Changes in Net Position			
	2024	2023	Increase/ (Decrease)
Operating revenues	\$ 705,884	\$ 626,486	\$ 79,398
Operating expenses	709,207	797,047	(87,840)
Income from operations	(3,323)	(170,561)	167,238
Net non-operating revenues			
Investment earnings	1,273	1,291	(18)
Net non-operating revenue	1,273	1,291	(18)
Changes in net position	(2,050)	(169,270)	167,220
Net position, beginning of year	545,334	714,604	(169,270)
Net position, end of year	\$ 543,284	\$ 545,334	\$ (2,050)

Key elements in the changes in net position are as follows:

- Operating revenues were higher by \$79,398 or 13 percent, mainly due to more wildland activity in the current fiscal year when compared to the prior year.
- Operating expenses were lower by \$87,840 or 11 percent, due to a slight reduction in payroll expenses.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Management's Discussion and Analysis
June 30, 2024

DISTRICT FUNDS FINANCIAL ANALYSIS

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

As of June 30, 2024, the governmental funds of the District reported combined fund balances of \$49,852 which is an increase of \$11,194 or 29 percent compared to the prior period. This increase was due to the District having a larger property tax levy for the current fiscal year. The General Fund accounts for all the resources retained by the District. At the end of the year, the unassigned fund balance was \$2,042, an increase over the prior year. The District had an Assigned fund balance of \$47,810 for payroll related expenses and reserves established by the district.

WATER WHEEL FIRE AND MEDICAL DISTRICT			
Fund Balances			
	2024	2023	Increase/ (Decrease)
Assigned	\$ 47,810	\$ 38,463	\$ 9,347
Unassigned	2,042	195	1,847
Total fund balance	<u>\$ 49,852</u>	<u>\$ 38,658</u>	<u>\$ 11,194</u>

BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

- Overall revenues were higher than budgeted by \$66,125 due to wildland deployment and services.
- Expenditures were higher than the budgeted amount by \$54,931 due to general budgeting methodologies.
- The budgeted carryover for the year was not utilized.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Condensed Budget to Actual - General Fund
June 30, 2024

	Budget	Actual	Variance
Total Revenues	\$ 630,968	\$ 697,093	\$ 66,125
Total Expenses	<u>\$ 630,968</u>	<u>\$ 685,899</u>	<u>\$ (54,931)</u>

WATER WHEEL FIRE AND MEDICAL DISTRICT
Management's Discussion and Analysis
June 30, 2024

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the investment in capital assets for governmental activities amounts to \$507,668 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, and equipment.

WATER WHEEL FIRE AND MEDICAL DISTRICT			
Capital Assets			
	2024	2023	Increase/ (Decrease)
Land	\$ 73,057	\$ 73,057	\$ -
Vehicles	342,678	342,678	-
Buildings	518,115	518,115	-
Improvements - other	54,069	54,069	-
Equipment	478,331	478,331	-
Total capital assets	1,466,250	1,466,250	-
Less accumulated depreciation	(958,582)	(927,645)	(30,937)
Total capital assets, net	<u>\$ 507,668</u>	<u>\$ 538,605</u>	<u>\$ (30,937)</u>

Capital leases and compensated absences

At the end of the current fiscal year, the District had compensated absences and capital leases outstanding of \$30,167.

WATER WHEEL FIRE AND MEDICAL DISTRICT			
Capital leases and compensated absences			
	2024	2023	Increase/ (Decrease)
Compensated absences	\$ 7,200	\$ 9,796	\$ (2,596)
Capital leases	22,967	28,000	(5,033)
Total long-term debt	<u>\$ 30,167</u>	<u>\$ 37,796</u>	<u>\$ (7,629)</u>

Additional information can be found in the notes for the Financial Statements that follow.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Management's Discussion and Analysis
June 30, 2024

ECONOMIC FACTORS AND FY2025 BUDGET/TAX RATE

The Wildland fires in the United States continue to fluctuate in frequency. The District has been called out to help prevent these fires and is reimbursed through the State Forestry Department.

For the fiscal year 2025, the District adopted a tax rate of \$3.75. The District has continued to maintain the operational needs of the District through vigilant management of expenses and exploration of non-tax revenue sources.

FINANCIAL CONTACT

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 10603 N. Houston Mesa Rd, Payson, AZ 85541 or 928-474-3088.

BASIC FINANCIAL STATEMENTS

WATER WHEEL FIRE AND MEDICAL DISTRICT**Statement of Net Position****June 30, 2024**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 75,922
Receivables, net of allowance for uncollectible	
Property Taxes	19,643
Capital assets:	
Non-depreciable	73,057
Depreciable (net)	434,611
Total Assets	603,233
Liabilities	
Accounts payable	10,531
Accrued expenses	19,251
Long-term liabilities:	
Due within one year - compensated absences	7,200
Due within one year - capital leases	5,302
Due in more than one year - capital leases	17,665
Total Liabilities	59,949
Net Position	
Net investment in capital assets	484,701
Unrestricted	58,583
Total Net Position	\$ 543,284

WATER WHEEL FIRE AND MEDICAL DISTRICT**Statement of Activities****June 30, 2024**

	Governmental Activities
Expenditures	
Public safety, fire protection:	
Personnel	\$ 417,637
Materials and supplies	186,757
Administration	73,876
Depreciation	30,937
Total program expenditures	709,207
Program Revenues	
Charges for services	113,322
Total program revenues	113,322
Net program expenditures	595,885
General Revenues	
Property taxes	528,849
Fire District assistance taxes	45,562
Interest earnings	1,273
Donations	9,982
Other	8,169
Total general revenues	593,835
Change in net position	(2,050)
Net position - beginning	545,334
Net position - ending	\$ 543,284

WATER WHEEL FIRE AND MEDICAL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2024

	General Fund
Assets	
Cash and cash equivalents	\$ 75,922
Receivables:	
Property taxes, net	19,643
Total assets	<u><u>\$ 95,565</u></u>
Liabilities	
Accounts payable	\$ 10,531
Accrued expenses	19,251
Total liabilities	<u><u>29,782</u></u>
Deferred inflows of resources	
Unavailable revenue - property taxes	15,931
Total deferred inflows of resources	<u><u>15,931</u></u>
Fund Balances	
Assigned	47,810
Unassigned	2,042
Total fund balances	<u><u>49,852</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 95,565</u></u>

WATER WHEEL FIRE AND MEDICAL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
Year Ended June 30, 2024

Total fund balances governmental funds	\$	49,852
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets		1,466,250
Accumulated depreciation		(958,582)

Some receivables which are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet:

Unavailable property tax revenue		15,931
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Long-term liabilities are not due and payable in the current period and other assets held for pensions are not available for liquidation and, therefore, are not reported in the funds:

Compensated absences		(7,200)
Capital leases payable		(22,967)

Net position of governmental activities	\$	<u><u>543,284</u></u>
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WATER WHEEL FIRE AND MEDICAL DISTRICT
Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended June 30, 2024

	General Fund
Revenues	
Property taxes	\$ 518,785
Fire district assistance taxes	45,562
Charges for services	113,322
Interest earnings	1,273
Miscellaneous	18,151
Total revenues	<u>697,093</u>
Expenditures	
Current:	
Public safety, fire protection:	
Personnel	420,233
Materials and supplies	186,757
Administration	72,381
Debt service:	
Principal	5,033
Interest	1,495
Total expenditures	<u>685,899</u>
Revenues over (under) expenditures	<u>11,194</u>
Net change in fund balances	11,194
Fund balances - beginning	<u>38,658</u>
Fund balances - ending	<u><u>\$ 49,852</u></u>

WATER WHEEL FIRE AND MEDICAL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$	11,194
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Amounts reported for governmental activities in the statement of activities are different because:

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 difference between depreciation expense and capital outlay in the current period.

Capital outlay	-	
Depreciation expense	(30,937)	

Revenues in the governmental funds that provide current financial resources were previously accrued in the statement of activities when they were earned.

Deferred revenues		10,064
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Capital lease principal payments		5,033
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in compensated absences		2,596
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Change in net position of governmental activities	\$	(2,050)
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WATER WHEEL FIRE AND MEDICAL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Volunteer Pension Fund
Assets	
Cash and cash equivalents	\$ 16,018
Receivables:	
Due from general fund	5,825
Total assets	<u>21,843</u>
Liabilities	
Distributions payable	-
Total liabilities	<u>-</u>
Net Position	
Held in trust for pension and other purposes	<u>\$ 21,843</u>

WATER WHEEL FIRE AND MEDICAL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2024

	Volunteer Pension Fund
<u>Additions</u>	
Other:	
Contributions	\$ -
State fire marshal	10,697
Total other contributions	<u>10,697</u>
Investment earnings:	
Interest and Dividends	626
Total investment earnings	626
Less investment expense	-
Net investment earnings	<u>626</u>
Total Additions	<u>11,323</u>
<u>Deductions</u>	
Benefits paid to participants	3,912
Total deductions	<u>3,912</u>
Change in Net Position	7,411
Net Position - beginning	<u>14,432</u>
Net Position - ending	<u><u>\$ 21,843</u></u>

WATER WHEEL FIRE AND MEDICAL DISTRICT

Notes to the Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Water Wheel Fire and Medical District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows:

A. Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a local governmental unit formed as a political subdivision of Gila County which is a political subdivision of the State of Arizona. 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 their staff. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the District.

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 customers or applicants who purchase, use, or directly benefit from goods, services or privileges 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 (e.g. special assessments). Taxes and other revenues not included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

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. Special assessments are recognized as revenues in the year for which the related capital projects are substantially complete. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded 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.

User fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to actual and so have been recognized as revenues of the current fiscal period. All other revenue items are measurable and available only when cash is received by the District.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

The District reports the following major governmental funds:

The *General Fund* is the District's only operating fund. It accounts for all financial resources of the general government, 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, like the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and cash equivalents

The District's cash and cash equivalents are cash on hand, demand deposits, investments in the County Treasurer's local government investment pool and highly liquid investments with a maturity of three months or less when purchased. Investments are stated at fair value. Investment earnings are comprised primarily of interest earnings. Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

E. Receivables and payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Tax receivables represent the delinquent ad valorem tax levied against all of the taxable real and personal property within the District. Accounts and other receivables are primarily the charges for ambulance and emergency services not collected at fiscal year-end. Arizona Revised Statutes require that property taxes be levied on or before the third Monday of August. Taxes are levied and collected by Gila County Treasurer on real and personal property. Real property taxes become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due before November 1, and the second installment is due before May 1 of the following year. Personal property taxes are billed throughout the year. Interest and penalties are assessed if a taxpayer fails to pay the tax within a period specified by law.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Restricted assets

The District has no restricted assets.

WATER WHEEL FIRE AND MEDICAL DISTRICT

Notes to the Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Capital assets

The District's capital assets, which include land, buildings and related improvements, furniture, vehicles, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost greater than the established threshold and an estimated useful life of more than one year.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings	\$5,000	27.5 to 40
Equipment	\$5,000	5 to 7
Fire Trucks	\$5,000	10
Automobiles	\$5,000	5
Office Equipment	\$5,000	5

I. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Pensions is an item that qualifies for reporting in this category. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pensions, and Unavailable property tax revenue are two items that qualify for reporting in this category.

J. Compensated absences

It is the District's policy to permit employees to accumulate earned but unused personal leave, compensatory and vacation. Upon termination such unused time will be paid according to the District's policies, which vary based on employee function and years of service. Compensated absences are accrued and reported as liabilities in the government-wide financial statements. Governmental funds report only the current portion of compensated absences payable because of employee termination, resignation, or retirement.

K. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets and balance sheet.

L. Fund equity

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Non-spendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form (such as prepaid items or inventory) or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) eternally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Fund equity - continued

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District’s decision-making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District’s General Fund that includes amounts not contained in other classifications.

M. Intergovernmental grants and aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

N. Use of estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

O. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is the legally mandated basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt more than its tax levy outstanding and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

P. Pension and relief fund for volunteer firefighters

Pursuant to ARS, the District contributes to a pension and relief fund for volunteer firefighters. The funds are held by Gila County Treasurer.

WATER WHEEL FIRE AND MEDICAL DISTRICT

Notes to the Financial Statements

June 30, 2024

NOTE 2 – CASH AND DEPOSITS

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. 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 deposits 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 on June 30, 2024:

Deposit account	General Fund	Fiduciary Fund	Total
Insured Deposits (FDIC)	\$ 31,918	\$ -	\$ 31,918
Gila County Treasurer - General	28,112	-	28,112
Gila County Treasurer - Reserves	15,892	-	60,030
Gila County Treasurer - Fiduciary	-	16,018	16,018
Total cash and cash equivalents	\$ 75,922	\$ 16,018	\$ 136,078

WATER WHEEL FIRE AND MEDICAL DISTRICT

Notes to the Financial Statements

June 30, 2024

NOTE 2 – CASH AND DEPOSITS – continued

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-ended 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. GCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2024, 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 represents 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.

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 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 3 – 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. The District reported a property tax receivable in the amount of \$19,643 on June 30, 2024.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 73,057	\$ -	\$ -	\$ 73,057
Total capital assets, not depreciated	<u>73,057</u>	<u>-</u>	<u>-</u>	<u>73,057</u>
Capital assets, depreciated				
Vehicles	342,678	-	-	342,678
Buildings	518,115	-	-	518,115
Improvements-other	54,069	-	-	54,069
Equipment	<u>478,331</u>	<u>-</u>	<u>-</u>	<u>478,331</u>
Total capital assets, depreciated	<u>1,393,193</u>	<u>-</u>	<u>-</u>	<u>1,393,193</u>
Less accumulated depreciation for:				
Vehicles	(304,242)	(5,990)		(310,232)
Buildings	(139,699)	(12,362)		(152,061)
Improvements-other	(46,859)	(1,274)		(48,133)
Equipment	<u>(436,845)</u>	<u>(11,311)</u>		<u>(448,156)</u>
Total accumulated depreciation	<u>(927,645)</u>	<u>(30,937)</u>	<u>-</u>	<u>(958,582)</u>
Total capital assets, depreciated net	<u>465,548</u>	<u>(30,937)</u>	<u>-</u>	<u>434,611</u>
Total capital assets, net	<u>\$ 538,605</u>	<u>\$ (30,937)</u>	<u>\$ -</u>	<u>\$ 507,668</u>

Depreciation expense for the year ended June 30, 2024, was \$30,937. Depreciation expense was charged to public safety-fire protection function.

NOTE 5 – UNAVAILABLE REVENUE

Governmental funds report unavailable revenues in connection with receivables for revenues that are not collected within 60 days as these revenues are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2024, the District reported \$15,931 in unavailable property tax revenues.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 9,796	\$ -	\$ (2,596)	\$ 7,200	\$ 7,200
Capital leases	<u>28,000</u>	<u>-</u>	<u>(5,033)</u>	<u>22,967</u>	<u>5,302</u>
Total long-term liabilities	<u>\$ 37,796</u>	<u>\$ -</u>	<u>\$ (7,629)</u>	<u>\$ 30,167</u>	<u>\$ 12,502</u>

A. Compensated absences

All eligible employees of the District are provided vacation, sickness and compensatory leave based on the amounts stated in policy as determined by their years of service. Upon separation from the District, unused accrued vacation, and compensatory leave are paid to eligible employees.

B. Capital leases

The District has acquired various capital assets under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

Information on capital assets acquired through capital leases with accumulated depreciation are as follows:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Zoll Monitor	<u>30,662</u>	<u>(6,643)</u>	<u>24,019</u>
	<u>\$ 30,662</u>	<u>\$ (6,643)</u>	<u>\$ 24,019</u>

Information on capital lease payables is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Balance 6/30/2024</u>
Zoll Monitor	5.34%	5/31/2028	22,967

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 6 – LONG-TERM DEBT - continued

B. Capital leases - continued

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2024, are as follows:

Year Ended June 30,	Total
2025	\$ 6,528
2026	6,528
2027	6,528
2028	6,528
Total remaining minimum lease payments	26,112
Less amount representing interest:	(3,145)
Present value of remaining minimum lease payments:	\$ 22,967

NOTE 7 – NET POSITION

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 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.

The District reported \$484,701 in Net Investment in Capital Assets, and \$58,583 in Unrestricted balances in Net Position for the year ending June 30, 2024.

NOTE 8 – COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The District is party to a variety of inter-governmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreement. The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District carries commercial insurance for all risks of loss, including workers’ compensation and employees’ health and accident insurance. The District has not incurred claims more than insurance coverage in any of the last three fiscal years. No provision has been made in the financial statements for possible losses of this nature. The District from time to time, may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District’s financial statements.

WATER WHEEL FIRE AND MEDICAL DISTRICT
Notes to the Financial Statements
June 30, 2024

NOTE 9 – RETIREMENT AND PENSION PLANS

The District has established an alternative pension and benefit plan under ARS 9-981. Pursuant to this statute, the pension and relief funds are held with Gila County Treasurer.

NOTE 10 – SUBSEQUENT EVENTS

The District evaluated the June 30, 2024, financial statements for subsequent events through February 28, 2025, the financial statement issuance date. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WATER WHEEL FIRE AND MEDICAL DISTRICT

Budget and Actual - General Fund

Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 528,468	\$ 528,468	\$ 518,785	\$ (9,683)
Fire district assistance taxes	45,000	45,000	45,562	562
Charges for services	47,000	47,000	113,322	66,322
Interest earnings	500	500	1,273	773
Miscellaneous	10,000	10,000	18,151	8,151
Total revenues	<u>630,968</u>	<u>630,968</u>	<u>697,093</u>	<u>66,125</u>
<u>Expenditures</u>				
Current:				
Personnel	399,720	399,720	420,233	(20,513)
Materials and supplies	157,248	157,248	186,757	(29,509)
Administration	74,000	74,000	72,381	1,619
Debt service				
Principal	-	-	5,033	(5,033)
Interest	-	-	1,495	(1,495)
Capital outlay	-	-	-	-
Total expenditures	<u>630,968</u>	<u>630,968</u>	<u>685,899</u>	<u>(54,931)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>11,194</u>	<u>11,194</u>
<u>Other financing sources (uses)</u>				
Proceeds from capital lease	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	11,194	11,194
Fund balance - beginning	<u>38,658</u>	<u>38,658</u>	<u>38,658</u>	<u>-</u>
Fund balance - ending	<u>\$ 38,658</u>	<u>\$ 38,658</u>	<u>\$ 49,852</u>	<u>\$ 11,194</u>

Note 1 - Budgetary Basis of Accounting

The District prepares its annual budget on the modified accrual basis of accounting. The level of budgetary control is at the fund level. A budgetary comparison schedule for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

Note 2 - Over-Expenditures of Approved Budget

The District's expenditures exceeded the approved budget for FY23-24 by \$54,931. The District's revenues exceeded the budget for FY23-24 by \$66,125 which more than covered the unfavorable expenditure variance.

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 of the Water Wheel Fire and Medical District
Payson, AZ

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, the major fund, and the aggregate remaining fund information of Water Wheel Fire and Medical District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Water Wheel Fire and Medical District's basic financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Water Wheel Fire and Medical 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 Water Wheel Fire and Medical District's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Wheel Fire and Medical 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water Wheel Fire and Medical 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 statements. 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*.

Report on Compliance with State of Arizona Regulatory Requirements

In connection with our audit, nothing contrary came to our attention that caused us to believe that Water Wheel Fire and Medical District 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's general fund, except for those liabilities as prescribed in Arizona Revised Statutes section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with Arizona Revised Statutes 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona Statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

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.

BDR Richards, CPA's, PLLC

Snowflake, AZ

February 28, 2025