

WESTWOOD ESTATES FIRE DISTRICT
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD ESTATES FIRE DISTRICT

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Independent Auditors' Report

To the Board of Directors of
Westwood Estates Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Westwood Estates Fire District, as of and for the year ended June 30, 2017, 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.

Auditors' 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 of 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 auditors' 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 and each major fund of Westwood Estates Fire District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018 on our consideration of the Westwood Estates Fire 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 Westwood Estates Fire District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
January 29, 2018

BOARD OF DIRECTORS

Shawn Winiecki

Chair

Chris Boalich

Member

Todd Dobbs

Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Westwood Estates Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$38,622 at the close of the fiscal year.
- Total net position increased by \$5,350.
- Total revenues from all sources were \$72,627 and the total cost of all District programs was \$67,277.
- Total revenue received in the General Fund was \$12,082 greater than the final budget and expenditures were \$7,166 less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$38,622, which is a \$5,350 increase from fiscal year 2016's unassigned fund balance of \$33,272.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District’s basic services are considered to be governmental activities. Property taxes and fire assistance taxes finance most of this activity.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District’s major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District’s basis services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which 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 District’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements on page 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. The District’s combined assets exceed liabilities by \$38,622 as of June 30, 2017 as shown on the following condensed statement of net position.

	Governmental activities
	<u>6/30/2017</u>
Current and other assets	<u>\$ 39,522</u>
Total assets	<u>39,522</u>
Other liabilities	<u>900</u>
Total liabilities	<u>900</u>
Net position:	
Unrestricted	<u>38,622</u>
Total net position	<u><u>\$ 38,622</u></u>

Governmental Activities

The cost of all Governmental activities this year was \$67,277. General revenues, including taxes and investment earnings totaled \$72,627.

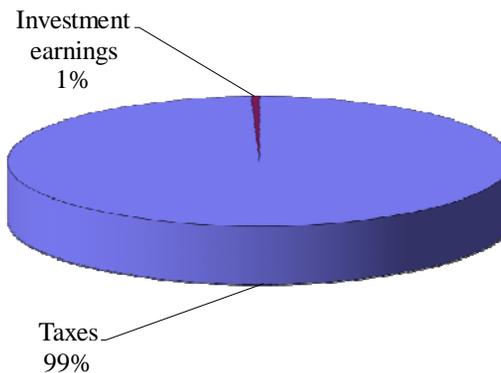
The District’s programs include: Public Safety (fire protection services). Each program’s revenues and expenses are presented below.

	<u>Governmental activities</u>
	<u>06/30/17</u>
Revenues:	
General revenues:	
Taxes	\$ 72,217
Unrestricted interest earnings	410
Total revenues	<u>72,627</u>
Expenses:	
Public safety	<u>67,277</u>
Total expenses	<u>67,277</u>
Increase/(decrease) in net position	5,350
Net position, beginning	<u>33,272</u>
Net position, ending	<u>\$ 38,622</u>

Total resources available during the year to finance governmental operations were \$105,899 consisting of net position at July 1, 2016 of \$33,272 and general revenues of \$72,627. Total Governmental Activities expenses during the year were \$67,277; thus Governmental Net Position increased by \$5,350 to \$38,622.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$7,166 greater than actual expenditures. Actual revenues were greater than the final budget by \$12,082.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the District had no capital assets.

Debt

At year end, the District had no debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2018, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Gioria, Summit Fire and Medical District 8905 Koch Field Road, Flagstaff, Arizona or call (928) 526-9537.

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BASIC FINANCIAL STATEMENTS

WESTWOOD ESTATES FIRE DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 39,061
Receivables	461
Total assets	<u>39,522</u>
Liabilities	
Accounts payable and other current liabilities	<u>900</u>
Total liabilities	<u>900</u>
Net Position	
Unrestricted	<u>38,622</u>
Total net position	<u><u>\$ 38,622</u></u>

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

	<u>Governmental Activities</u>
Expenses	
Public safety - fire protection and emergency services	<u>\$ 67,277</u>
Total program expenses	<u>67,277</u>
General revenues	
Property taxes	61,521
Fire District Assistance Tax (FDAT)	10,696
Unrestricted interest earnings	<u>410</u>
Total general revenues	<u>72,627</u>
Change in net position	5,350
Net position - beginning	<u>33,272</u>
Net position - ending	<u><u>\$ 38,622</u></u>

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Total Governmental Funds
Assets		
Cash	39,061	\$ 39,061
Taxes receivable	461	461
Total assets	39,522	39,522
Liabilities		
Accounts payable	900	900
Total liabilities	900	900
Fund balances		
Unassigned	38,622	38,622
Total fund balances	38,622	38,622
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,522	
Reconciling items		-
Net position of governmental activities		\$ 38,622

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 61,521	\$ 61,521
Fire district assistance tax	10,696	10,696
Interest income	410	410
	72,627	72,627
Expenditures		
Current		
Fire protection services	61,193	61,193
Administrative services	5,153	5,153
Insurance	931	931
	67,277	67,277
Excess of revenues over/(under) expenditures	5,350	5,350
Net change in fund balances	5,350	5,350
Fund balances - beginning	33,272	33,272
Fund balances - ending	\$ 38,622	\$ 38,622

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 5,350
Reconciling items	-
Change in net position of governmental activities	\$ 5,350

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund – Budget and Actual
For the Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 52,045	52,045	61,521	\$ 9,476
Fire district assistance tax	8,000	8,000	10,696	2,696
Interest income	500	500	410	(90)
Total revenues	<u>60,545</u>	<u>60,545</u>	<u>72,627</u>	<u>12,082</u>
Expenditures				
Current				
Fire protection services	61,193	61,193	61,193	-
Administrative services	9,750	9,750	5,153	4,597
Insurance	3,500	3,500	931	2,569
Total expenditures	<u>74,443</u>	<u>74,443</u>	<u>67,277</u>	<u>7,166</u>
Excess of revenues over/(under) expenditures	<u>(13,898)</u>	<u>(13,898)</u>	<u>5,350</u>	<u>19,248</u>
Net change in fund balances	(13,898)	(13,898)	5,350	19,248
Fund balances - beginning	33,272	33,272	33,272	-
Fund balances - ending	<u>\$ 19,374</u>	<u>\$ 19,374</u>	<u>\$ 38,622</u>	<u>\$ 19,248</u>

The accompanying notes are an integral part of the financial statements.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial 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 primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting entity

The Westwood Estates Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection for the residents and property owners of the Westwood Estates subdivision located southwest of the City of Flagstaff, Arizona. The District also provides legal enforcement of fire regulations and safety standards and initial response to medical emergencies. The District is supported primarily through Fire District Assistance Tax and property taxes collected through Coconino County.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. The emphasis of the District's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government.

The District does not have any other funds.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, Fire District Assistance Taxes (FDAT), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

Cash includes cash on hand, demand deposits with banks and deposits with the Coconino County Treasurer. The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets, which include vehicles and equipment, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. The District had no capital assets as of June 30, 2017.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At times, the government has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on or before the third Monday in August, which 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 County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 2. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by resolution by the Board on or before July 10th for the same fiscal year in accordance with State law. Prior to adoption of the budget, a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. The District Administrative Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the District Council. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the total activity level.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Note 3. Deposits and Investments

Deposits of the District at June 30, 2017 consist of the following:

Deposits:	
Cash on deposit with the Coconino County Treasurer	39,061
Total Deposits	<u>\$ 39,061</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2017, none of the District's deposit balance of \$39,061 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 3. Deposits and Investments (Continued)

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2017.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had no assets measured at fair value as of June 30, 2017.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

Note 4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and natural disasters. The District has insurance protection and the limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

WESTWOOD ESTATES FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 5. Commitments

Intergovernmental Agreement

On September 3, 2015, the District entered into an agreement with the City of Flagstaff for around-the-clock fire and emergency medical services to be provided by Flagstaff Fire Department for the residents and property owners of the Westwood Estates subdivision beginning in 2015. The agreement calls for an annual fee determined by the assessed valuation of Westwood Estates, which is payable in equal bi-annual installments due no later than November 15 and May 15. The agreement expires on June 30, 2020, but has an option to renew for five additional years.

Administrative Services Agreement

On August 17, 2016, the District entered into an agreement with Summit Fire and Medical District for comprehensive administrative services and support in connection with the conduct of the District's operations. The agreement calls for annual payments of \$3,600 and expires on June 30, 2018.

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

**Independent Auditors' 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 Board of Directors of
Westwood Estates Fire District

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 and each major fund of Westwood Estates Fire District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Westwood Estates Fire District's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood Estates Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2017-001 Noncompliance with ARS 48-253

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.



HintonBurdick, PLLC
Flagstaff, Arizona
January 29, 2018



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA
PHILLIP S. PEINE, CPA

STEVEN D. PALMER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA
JEFF C. HUNT, CPA

**Independent Auditors' Report on
State Legal Compliance**

Westwood Estates Fire District
Flagstaff, Arizona

We have audited the basic financial statements of Westwood Estates Fire District (the District) for the fiscal year ended June 30, 2017, and have issued our report thereon dated January 29, 2018. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

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

ARS 48-805.02 requires the audit or report to include an attestation by the auditor of the District as to the following:

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

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

In our opinion, the Westwood Estates Fire District complied, in all material respects, with the requirements identified above for the fiscal year ended June 30, 2017.

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.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
Flagstaff, Arizona
January 29, 2018