CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2017

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
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Independent Auditors' Report

To the Board of Directors of
Central Arizona Fire and Medical Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of Central Arizona Fire and Medical Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Central Arizona Fire and Medical Authority, as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the general fund.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Arizona Fire and Medical Authority's basic financial statements. The schedule of joint venture special items, revenue and cost allocation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of joint venture special items, revenue and cost allocation is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of joint venture special items, revenue and cost allocation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018, on our consideration of the Central Arizona Fire and Medical Authority'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 Central Arizona Fire and Medical Authority's internal control over financial reporting and compliance.

HintonBurdick Arizona PLLC

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
January 16, 2018

BOARD OF DIRECTORS

Julie Pettit	**Chair**
Darlene Packard	**Clerk**
Jeff Wasowicz	**Member**
Dave Dobbs	**Member**
Matt Zurcher	**Member**

SENIOR STAFF

Scott Freitag	**Fire Chief**
David Tharp	**Assistant Chief of Administration**
Jeff Polacek	**Assistant Chief of Operations**
Scott Bliss	**Assistant Chief of Planning and Logistics**

As management of Central Arizona Fire and Medical Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflow of resources of the Authority exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by $49,632,229. Of this amount, $20,874,369 is invested in capital assets, and $28,757,860 is unrestricted.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of $10,923,709.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,730,317 or 7.22% of the 2017 fiscal year's total budgeted operating expenditures.
- Total revenue received in the General Fund was $1,222,606 more than the final budget and expenditures were $3,813,887 less than the final budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the Authority.

The *statement of net position* presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows with the difference between them 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 Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government–wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains two (2) individual governmental funds: the General Fund, and the Capital Reserve Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each fund, each of which are considered to be the major funds of the Authority; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

The Authority adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on page 48.

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-43 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis,* concerning a comparison of the Authority's budget to actual revenues and expenditures, as described earlier and can be found on page 46 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Central Arizona Fire and Medical Authority, assets exceeded liabilities by $49,632,229 at the close of the 2017 fiscal year.

Of the Authority's net position, $20,874,369 reflects its investment in capital assets (e.g., land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment); less any related debt still outstanding used to acquire those assets. The remaining net position of $28,757,860 is unrestricted.

The following table contains the condensed Statement of Net Position for the current fiscal year.

Condensed Statement of Net Position

	Governmental Activities
	2017
Assets:	
Cash and cash equivalents	$11,205,392
Other assets	835,514
Capital assets, net	20,874,369
Total assets	32,915,275
Deferred outflows of resources	59,112,559
Liabilities:	
Accrued expenses	2,267,482
Long-term obligations	39,800,649
Total liabilities	42,068,131
Deferred inflows of resources	327,474
Net position:	
Net investment in capital assets	20,874,369
Unrestricted	28,757,860
Total net position	$ 49,632,229

For more detailed information see page 14 for the Statement of Net Position.

The Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), was 42.06% of the net position in 2017, less any debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide fire services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a comparative summary of the Authority's revenues and expenditures for the current year.

Condensed Statement of Changes in Net Position

	Governmental Activities
	2017
Revenues:	
Program revenue:	
Charges for services	$ 1,172,436
General revenues:	
Funding requirement from Fire Districts	18,320,350
Pension income	20,776,370
Other	640,393
Interest earnings	34,092
Total revenues	39,771,205
Expenses:	
Public safety	22,361,773
Total expenses	22,361,773
Special items:	
Assets transfer from Fire Districts	34,123,805
Liabilities transfer from Fire Districts	3,162,585
Total special items	30,961,220
Gain (loss) on sale of fixed assets	89,141
(Decrease) Increase in net position	49,632,229
Net position, beginning	-
Net position, ending	$ 49,632,229

For more detailed information see the Statement of Activities on page 15 of this report.

Financial Analysis of the Governmental Funds

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

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of $10,923,709. Of the total combined fund balance, $9,193,392 (84.16%) is committed to capital projects. Unassigned fund balance of $1,730,317 is available for spending at the Authority's discretion.

The **General Fund** accounts for all of the financial resources of the Authority, which are not accounted for in any other fund. At the end of the current fiscal year, spendable fund balance of the general fund was $1,730,317. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 8.58% of total general fund expenditures of $20,165,864.

The **Capital Reserve Fund** accounts for reserves set aside for significant capital purchases anticipated to be made in future years. It is funded through budgeted transfers from other funds and is available as fund liquidity for Authority expenditures.

Budgetary Highlights

During fiscal year 2017 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were $1,222,606 greater than budgeted revenues while total actual expenditures were $3,813,887 lesser than budgeted expenditures. The revenue and expenditure variances were primarily attributed to greater than anticipated collections and cost for intergovernmental support services (wildland firefighting).

Capital Asset and Debt Administration

Capital assets – The Authority's investment in capital assets as of June 30, 2017, totals $20,874,369 (net accumulated depreciation). These assets include land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment.

Major capital asset transactions during the year include the following:

- During 2017 the Authority made capital purchases for communications and related operating equipment in the amount of $557,384. The Authority disposed an asset in 2017 in the amount of $10,622.

For more detailed information, see page 28 in the notes to the financial statements.
Long-term Debt – At the end of the current fiscal year, the Authority had total outstanding debt of $39,800,649. All of the debt as follows is backed by the full faith and credit of the Authority.

- Net Pension Liabilities - $38,008,715
- Compensated Absences - $1,791,934

Additional information regarding long-term debt of the Authority can be found in the notes to the financial statements on pages 29.

Economic Factors and Next Year's Budgets and Rates – Need To be Revised

While the Authority is subject to general economic conditions such as increases or declines in property tax value for the participating districts, increases in costs of personnel, goods or services, or diminishing types of non-levy revenues that vary with economic conditions, the overall financial support of the Authority is contingent upon the stability of the Central Yavapai and Chino Valley Fire Districts.

Property assessment values in the Chino Valley area have increased only slightly over the past year. Fire Districts are funded largely by property taxes and when values decrease the District must respond in their budgeting process by cutting costs and/or increasing the tax levy. Property assessment values in the Central Yavapai Fire District area have increased largely due to the new property growth in the Prescott Valley community.

While assessed property values in the Districts have dropped between 55% - 60% since 2010, in the past fiscal year, the Districts saw a combined average 3.36% increase in net assessed value. However, the implementation of Proposition 117 will enforce a maximal allowed increase in property value of 5% since fiscal year 2016. While the Districts has been able to budget through minimal tax levy increases and assessed value increases for the past two years, beginning in fiscal year 2017, property values are forecasted to increase by 3-4% annually. Therefore, the Districts will be forced to look at all expenses, including personnel expenses and capital replacement, and make decisions based on the new values with a conservative outlook on revenue projections. This overall restriction in the participating District funding has a direct impact in the financial planning and implementation of the Authority.

Legislation also plays a major role in the development of budgets. With the legislative restrictions of a maximum tax rate of $3.25, restrictive budget capacity increase of 8% per year (cumulative allowance), and Proposition 117 restriction of assessing property based on the Limited Property Value (LPV) from Full Cash Value (FCV) Assessments - the future trend will not sustain significant M&O budget increases. However, ongoing pension liability increases, and contributions will force further budget and expenditure restrictions. Ultimately, without ongoing new construction growth or ever-expanding District boundaries, the Authority will be limited and directly impacted by the system of limited revenue and increasing expenses (due to service demands and personnel costs) that face its participating organizations.

Due to the aforementioned challenges and financial limitations, the Districts had entered into an Intergovernmental Agreement (IGA) between the Chino Valley Fire District and the Central Yavapai Fire District for joint management. This agreement allowed the sharing of resources through administrative and upper management, providing an opportunity for financial review and decreased costs for services, supplies and personnel for the individual districts. The Joint Management Agreement for fiscal year 2016 led to a new IGA to create a Joint Powers Authority (JPA) under A.R.S § 48-805.01 for fiscal year 2017. The Central Arizona Fire and Medical Authority will be the organization that will manage all operations and personnel of both the Central

Yavapai and Chino Valley Fire Districts. Additionally, all assets, liabilities and personnel were transferred to the new organization – effective July 1, 2016.

Request for Information

The Authority's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about this report or need additional financial information, please contact the Authority's administrative office at 8603 E. Eastridge Drive, Prescott Valley 86314, call (928) 772-771, or visit the Authority's website at www.cazfire.org.

BASIC FINANCIAL STATEMENTS

Central Arizona Fire and Medical Authority
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	$ 11,205,392
Receivables:	
Service contracts	16,086
Wildland	380,721
Other receivables	267,922
Prepaid insurance	170,785
Capital assets, not being depreciated	2,980,107
Capital assets, being depreciated, net	17,894,262
Total assets	32,915,275
Deferred outflows of resources	
Pension plan items	59,112,559
Total deferred outflows of resources	59,112,559
Liabilities	
Accounts payable	181,049
Accrued payroll and related	936,148
PSPRS refund payable	1,150,285
Noncurrent liabilities:	
Due within one year	955,846
Due in more than one year	38,844,803
Total liabilities	42,068,131
Deferred inflows of resources	
Pension plan items	327,474
Total deferred inflows of resources	327,474
Net position	
Net investment in capital assets	20,874,369
Unrestricted	28,757,860
Total net position	$ 49,632,229

The accompanying notes are an
integral part of these basic financial statements.

Central Arizona Fire and Medical Authority
Statement of Activities
Year Ended June 30, 2017

		Governmental Activities
Expenses:		
Public safety-fire protection:		
Salaries and wages	$	12,208,525
Employee benefits		4,935,648
Administrative and support services		783,335
Communications		504,551
Station utilities and maintenance		390,519
Fleet fuel and maintenance		347,088
Protective equipment and uniforms		247,597
Outside services		127,751
Training and prevention		109,019
Emergency medical supplies		93,684
Claims and judgement expense		1,150,285
Depreciation		1,463,771
Total program expenses		22,361,773
Program revenues:		
Charges for services		1,172,436
Total program revenues		1,172,436
Net program expense		21,189,337
General revenues:		
Funding requirement from:		
Central Yavapai Fire District		14,448,523
Chino Valley Fire District		3,871,827
Pension income		20,776,370
Interest earnings		34,092
Other		640,393
Total general revenue		39,771,205
Special items:		
Asset transfer from:		
Central Yavapai Fire District		27,014,341
Chino Valley Fire District		7,109,464
Liabilities transfer from:		
Central Yavapai Fire District		(2,547,020)
Chino Valley Fire District		(615,565)
Total special items		30,961,220
Gain (Loss) on sale of fixed assets		89,141
Change in net position		49,632,229
Net position - beginning of year		-
Net position - end of year	$	49,632,229

The accompanying notes are an
integral part of these basic financial statements.

Central Arizona Fire and Medical Authority
Balance Sheets -
Governmental Funds
June 30, 2017

	Major Funds		Total
	General	Capital Reserve	Governmental Funds
Assets:			
Cash and cash equivalents	$ 3,162,285	$ 8,043,107	$ 11,205,392
Receivables:			
Service contracts	16,086	-	16,086
Wildland	380,721	-	380,721
Other	6,425	-	6,425
Due from other governments	261,497	-	261,497
Due from other funds	-	1,150,285	1,150,285
Prepaid expense	170,785	-	170,785
Total assets	$ 3,997,799	$ 9,193,392	$ 13,191,191
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 181,049	$ -	$ 181,049
Accrued payroll and related	936,148	-	936,148
Due to other funds	1,150,285	-	1,150,285
Total liabilities	2,267,482	-	2,267,482
Fund balances:			
Committed		9,193,392	9,193,392
Unassigned	1,730,317	-	1,730,317
Total fund balances	1,730,317	9,193,392	10,923,709
Total liabilities and fund balances	$ 3,997,799	$ 9,193,392	$ 13,191,191

The accompanying notes are an
integral part of these basic financial statements.

Central Arizona Fire and Medical Authority
Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2017

Fund balances - governmental funds	$	10,923,709
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not current financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		20,874,369
Pension contributions subsequent to the measurement date, assumption changes, and differences between expected and actual experience are not available resources, and therefore, are not reported in the funds.		58,785,085
Some liabilities are not due and payable in the current period and therefore are are not reported as governmental fund liabilities. These liabilities consist of the following:		
Compensated absences		(1,791,934)
Net pension liability		(38,008,715)
PSPRS refund payable		(1,150,285)
Net position of governmental activities	$	49,632,229

The accompanying notes are an
integral part of these basic financial statements.

Central Arizona Fire and Medical Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	Major Funds		Total Governmental Funds
	General	Capital Reserve	
Revenues:			
Funding contribution from:			
Central Yavapai Fire District	$ 14,448,523	$ -	$ 14,448,523
Chino Valley Fire District	3,871,827	-	3,871,827
Charges for services	1,172,436	-	1,172,436
Interest earnings	19,973	14,119	34,092
Contracts and other	544,729	89,141	633,870
Total revenues	20,057,488	103,260	20,160,748
Expenditures:			
Public safety - fire protection:			
Fire protection and emergency services	17,589,388	-	17,589,388
Administrative and support services	2,121,925	-	2,121,925
Capital outlay	454,551	-	454,551
Total expenditures	20,165,864	-	20,165,864
Excess (deficiency) of revenues over expenditures	(108,376)	103,260	(5,116)
Special items:			
Assets transfer from:			
Central Yavapai Fire District	2,621,351	6,513,614	9,134,965
Chino Valley Fire District	628,304	2,576,518	3,204,822
Liabilities transfer from:			
Central Yavapai Fire District	(1,140,721)	-	(1,140,721)
Chino Valley Fire District	(270,241)	-	(270,241)
Total special items	1,838,693	9,090,132	10,928,825
Net change in fund balances	1,730,317	9,193,392	10,923,709
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ 1,730,317	$ 9,193,392	$ 10,923,709

The accompanying notes are an
integral part of these basic financial statements.

Central Arizona Fire and Medical Authority
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds	$	10,923,709
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, the statement of activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.		
Capital outlay		458,458
Capital contribution		95,664
Depreciation expense		(1,463,771)
Special items from Chino Valley Fire District and Central Yavapai Fire District		
Assets transferred		21,784,018
Liabilities transferred		(1,751,623)
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Authority's report date. Pension income (expense), which is the change in the net pension liability adjusted for changed in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities.		20,776,370
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. This amount represents the change in accrued compensated absences and the claims and judgement expense related to the PSPRS refunds payable.		(1,190,596)
Change in net position of governmental activities	$	49,632,229

The accompanying notes are an
integral part of these basic financial statements.

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 member contributions, 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

Central Arizona Fire and Medical Authority (the Authority) was organized as a joint powers authority by Central Yavapai Fire District and Chino Valley Fire District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Separate legal entities: joint exercise of powers, which sets forth the legal framework for a joint powers authority. The Authority provides fire protection, emergency medical services, and public education programs for areas in and around the communities of Prescott and Chino Valley. The Authority is governed by an appointed five member board of directors, appointed from the elected members of the member districts, which appoints the chairman. The day to day operations are supervised by a fire chief and his staff. The Authority does not have any component units, meaning entities for which the Authority is considered to be financially accountable.

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 Authority's fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the Authority has two funds, the General Fund and the Capital Projects Fund.

The Authority 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 that are not accounted for in other funds.

The **Capital Project Fund** accounts for funds received and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the Authority.

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. Member contributions are recognized in the period they are billed. 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.

Member contributions, 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 Yavapai County Treasurer. The Authority'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.

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 Authority'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 land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the Authority has opted not to retroactively report infrastructure assets. Capital assets are defined by the Authority as assets with an individual cost of more than $5,000 and an estimated useful life in excess of two years. 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. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	35-40 years
Vehicles and equipment	3-25 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position 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 one type of item which qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 7 for more information.

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. The government has one type of item which qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 7 for more information.

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the Authority 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 Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Authority 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 Authority'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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Note 1. Summary of Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the Authority 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.

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.

Funding requirement contributions

Amounts reported as funding requirement contributions include contributions of funds from the member districts for public safety and administrative services provided to the member districts. In addition, for the year ended June 30, 2017 the transfer of the member districts' assets and liabilities are included as current year special items. See the supplementary schedules for more information.

Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation, which is eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Authority as a whole.

Cost of capital assets	$ 36,526,199
Accumulated depreciation	(15,651,830)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$ 20,874,369

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	$ 458,458
Capital contribution	95,664
Depreciation expense	(1,463,771)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position - governmental activities	$ (909,649)

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the Board must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased.

Final Budget Adoption: State law specifies that at least seven days prior to the day the property tax levy is adopted, the Board must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the Board.

Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

Note 3. Stewardship, Compliance and Accountability (Continued)

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2017, if any.

Note 4. Deposits and Investments

Deposits as of the Authority at June 30, 2017 consist of the following:

	Fair Value
Deposits:	
Cash in bank	$ 481,116
Cash on deposit with the Yavapai County Treasurer	10,724,276
Total deposits	$ 11,205,392

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 Authority does not have a formal policy for custodial credit risk. As of June 30, 2017, none of the Authority's bank balance of $11,670,455 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Authority'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 Authority had no investments as of June 30, 2017.

The Authority 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 Authority had no assets measured at fair value as of June 30, 2017.

Note 4. Deposits and Investments (Continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority'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 Authority's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

Note 5. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2017:

Governmental Activities:	Balance 6/30/2016	Additions	Deletions	*Transferred from members	Balance 6/30/2017
Capital assets, not being depreciated:					
Land and land improvements	$ -	$ 98,972	$ -	$ 1,190,816	$ 1,289,788
Construction in progress	-	458,039	(439,167)	1,671,447	1,690,319
Total capital assets, not being depreciated	-	557,011	(439,167)	2,862,263	2,980,107
Capital assets, being depreciated:					
Buildings and improvements	-	17,369	(10,622)	16,930,695	16,937,442
Vehicles	-	308,054	-	10,397,065	10,705,119
Furniture and equipment	-	110,854	-	5,792,677	5,903,531
Total capital assets, being depreciated	-	436,277	(10,622)	33,120,437	33,546,092
Less accumulated depreciation for:					
Buildings and improvements	-	(496,742)	10,622	(4,305,891)	(4,792,011)
Vehicles	-	(539,585)	-	(6,321,702)	(6,861,287)
Furniture and equipment	-	(427,444)	-	(3,571,089)	(3,998,532)
Total accumulated depreciation	-	(1,463,771)	10,622	(14,198,682)	(15,651,830)
Total capital assets, being depreciated, net	-	(1,027,494)	-	18,921,755	17,894,262
Governmental activities capital assets, net	$ -	$ (470,483)	$ (439,167)	$ 21,784,018	$ 20,874,369

* See Note 11

Depreciation expense of $1,463,771 was charged to the public safety function of the Authority.

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Governmental Activities:	Balance 6/30/2016	Additions	Retirements	*Transferred from members	Balance 6/30/2017	Current Portion
Compensated absences	$ -	$ 955,846	$ (915,535)	$ 1,751,623	$ 1,791,934	$ 955,846
Net pension liabilities	-	8,710,677	-	29,298,038	38,008,715	-
Total	$ -	$ 9,666,523	$ (915,535)	$ 31,049,661	$ 39,800,649	$ 955,846

* See Note 11

Note 7. Interfund Receivables and Payables

The composition of interfund receivables and payables as of June 30, 2017 follows:

	Due from other funds	Due to other funds
General Fund	$ -	$ 1,150,285
Capital Reserve Fund	1,150,285	-
Total	$ 1,150,285	$ 1,150,285

Note 8. Retirement and Pension Plans

The Authority contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2017, the Authority reported the following aggregate amounts related to pensions for all to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension liabilities	$ 38,008,715
Deferred outflows of resources	59,112,559
Deferred inflows of resources	327,474
Pension income	(20,776,370)
Pension expense	2,902,960

The Authority's accounts payable and other current liabilities includes $203,154 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the Authority reported $2,902,960 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

The current year information from Arizona State Retirement System was not available as of the date of the financial statements. Since the Authority became employer of the member district's employees as of July 1, 2016, no information was available for the Authority. As such, we used the member district's 2016 information where available as these ending balances were transferred to the Authority effective July 1, 2016. Some information has been omitted as it is not available.

Plan description – The Authority participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Note 8. Retirement and Pension Plans (Continued)

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	**Initial Membership Date On or After July 1, 2011**
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll. Due to the fact that the Authority is new and pension items were transferred from the member districts, the information was not available at the financial statement date for the Authority's actuarially determined rate.

Pension liability – At June 30, 2017, the Authority reported a liability of $2,313,006 for its proportionate share of the ASRS' net pension liability that was transferred over from the member Districts. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

Note 8. Retirement and Pension Plans (Continued)

The Authority's proportion of the net pension liability was based on the member districts' actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the Authority recognized pension expense for ASRS of $157,984. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,056	$ 159,118
Changes in assumptions	-	122,377
Net difference between projected and actual earnings on pension plan investments	250,653	-
Changes in proportion and differences between contributions and proportional share of contributions	148,685	45,979
Contributions subsequent to the measurement date	148,351	-
Total	$ 561,745	$ 327,474

The $148,351 reported as deferred outflows of resources related to ASRS pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2018	$ (65,808)
2019	(31,198)
2020	112,643
2021	70,283
2022	-
Thereafter	-

Note 8. Retirement and Pension Plans (Continued)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term expected arithmetic real rate of return
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.84%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Totals	100%	

Note 8. Retirement and Pension Plans (Continued)

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	$ 2,949,258	$ 2,313,006	$ 1,802,870

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The Authority contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a nine-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The report is available on the PSPRS website at www.psprs.com.

Note 8. Retirement and Pension Plans (Continued)

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Note 8. Retirement and Pension Plans (Continued)

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	15
Active employees	104
Total	164

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active PSPSR members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the Authority was required to contribute 34.58 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statue. The health insurance premium portion of the contribution rate was not available.

For the agent plans, the Authority's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

Pension	
Contributions made	2,744,976
Health Insurance Premium Benefit	
Annual OPEB cost	-
Contributions made	-

Pension liability – At June 30, 2017, the Authority reported a net pension liability of $35,695,709. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Authority's net pension liabilities as a result of these changes is not known.

Note 8. Retirement and Pension Plans (Continued)

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	7.50%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
Total	100.00%	

Note 8. Retirement and Pension Plans (Continued)

Discount Rate –At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50%, which was a decrease of 0.35% from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liablity (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ -	$ -	$ -
Changes for the year:		-	
Service cost	1,469,569	-	1,469,569
Interest on total pension liability	(94,243)	-	(94,243)
Changes of benefit terms	4,794,832	-	4,794,832
Difference between expected and actual experience in the measurement of the pension liability	63,590,313	-	63,590,313
Changes of assumptions	2,497,362	-	2,497,362
Contributions - employer	-	2,625,336	(2,625,336)
Contributions - employee	-	1,019,835	(1,019,835)
Net investment income	-	188,575	(188,575)
Benefit payments, including refunds of employee contributions	(3,870,654)	(3,870,654)	-
Other changes*	-	32,728,378	(32,728,378)
Net changes	68,387,179	32,691,470	35,695,709
Balances at June 30, 2017	$ 68,387,179	$ 32,691,470	$ 35,695,709

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Note 8. Retirement and Pension Plans (Continued)

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Authority's net pension liability calculated using the discount rate noted above, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	$ 45,056,633	$ 35,695,709	$ 28,013,292

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the Authority recognized pension expense for PSPRS of $2,744,976. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 55,386,276	$ -
Changes in assumptions	2,175,167	-
Net difference between projected and actual earnings on pension plan investments	869,731	-
Contributions subsequent to the measurement date	2,744,976	-
Total	$ 61,176,150	$ -

Note 8. Retirement and Pension Plans (Continued)

The $2,744,976 reported as deferred outflows of resources related to PSPRS pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflows (Inflows) of Resources
2018	$ 8,743,665
2019	8,743,665
2020	8,743,665
2021	8,743,664
2022	8,526,232
Thereafter	14,930,283

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the Authority and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Authority and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

Note 8. Retirement and Pension Plans (Continued)

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability; 20 years for excess
Asset valuation method	7-Year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2015	$ -	100%	-
	2016	-	100%	-
	2017	-	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations was not available.

Note 8. Retirement and Pension Plans (Continued)

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	20 years for unfunded actuarial accrued liability; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and natural disasters. The Authority 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.

Note 10. Commitments

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—*Hall* for EORP and *Parker* for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in *Hall* that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the *Parker* case was stayed pending the outcome of *Hall*. Nevertheless, the facts and circumstances are essentially the same where both parties to *Parker* agreed, at the time of stay, to appropriately apply the remedies of *Hall* when finalized.

After seeking further clarification from the Supreme Court on their ruling, the PSPRS Board of Trustees in April directed employers in both EORP and PSPRS plans to revert the rates back to pre-SB1609 levels for affected members. As a result, members who were hired prior to July 20, 2011 are also entitled to receive a return of those excess contributions with interest. Therefore, at its May 31, 2017 meeting, the PSPRS Board of Trustees authorized local boards who have stopped withholding at the higher rate to begin working with their employer in returning those contributions as soon as practicable. However, while the *Hall* case has been

Note 10. Commitments (Continued)

remanded to the Superior Court, the ruling on the interest amount from a hearing on June 6, 2017 has yet to be decided and released. As such, the *Hall* case is not finalized yet, but the excess contributions should be returned as soon as possible to stop interest from accruing.

Because the plans administered by PSPRS are 401(a) qualified plans, the IRS dictates the method used to return the excess contributions to members. PSPRS is not allowed to return the contributions directly to members or employers. Instead, employers are required to return the excess contributions to members, and then may take advantage of credit memos set up by PSPRS to offset future employer contributions. PSPRS will prepare credit memos equal to the contributions plus pre-judgment interest. Employers that want to take advantage of those credit memos may use those credit memos in lieu of sending PSPRS future employer contributions until the credit memos are used up. As of June 30, 2017 the Authority owed refunds totaling $1,150,285 to current and former employees, excluding interest. The payable and related claims and judgement expense are reported on the government-wide statement of net position and the statement of activities.

Note 11. Intergovernmental Agreements

The Authority 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 Authority is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

Note 12. Joint Power Authority Agreement

Effective July 1, 2016, Central Yavapai Fire District and Chino Valley Fire District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in ARS 48-805.01. Pursuant to the JPA, both Districts transferred and combined their personnel, equipment, fire stations, all other assets and liabilities, excluding certain debt, and services into the new entity, Central Arizona Fire and Medical Authority. Both Central Yavapai Fire District and Chino Valley Fire District will continue to exist as legal entities for the purpose of collecting taxes and bonding authority.

The Authority's net position is proportionately shared by its Member Districts. Net position is allocated based on its Member Districts originally contributed assets and liabilities, and is adjusted annually for contributions received from and cost allocated to those members. The originally contributed assets and liabilities of the members, Central Yavapai Fire District and Chino Valley Fire District are recognized in the beginning net position of the Authority on the effective date of the JPA, July 1, 2016. Expenses are allocated to the Member Districts based on a combination of cost formulas and expenses specifically allocated to each member according to geographic boundaries. The allocation is reviewed annually by the Authority and Member Districts for reasonableness. See the supplementary schedules for more information.

Required Supplementary Information

Central Arizona Fire and Medical Authority
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Taxes:			
CVFD Funding Requirement	$ 3,850,599	$ 3,871,827	$ 21,228
CYFD Funding Requirement	14,449,633	14,448,523	(1,110)
Charges for services	336,050	1,172,436	836,386
Interest earnings	21,000	19,973	(1,027)
Other	177,600	544,729	367,129
Total revenues	18,834,882	20,057,488	1,222,606
Public safety - fire protection:			
Fire prevention and emergency services	17,413,266	17,589,388	(176,122)
Administrative and support services	2,411,460	2,121,925	289,535
Capital outlay	4,155,025	454,551	3,700,474
Total expenditures	23,979,751	20,165,864	3,813,887
Excess of revenues over expenditures	(5,144,869)	(108,376)	5,036,493
Special items:			
Assets transfer from:			
Central Yavapai Fire District	-	2,621,351	2,621,351
Chino Valley Fire District	-	628,304	628,304
Liabilities transfer from:			
Central Yavapai Fire District	-	(1,140,721)	(1,140,721)
Chino Valley Fire District	-	(270,241)	(270,241)
Total special items	-	1,838,693	1,838,693
Changes in fund balance	(5,144,869)	1,730,317	5,036,493
Fund balance, beginning of year	-	-	-
Fund balance, end of year	$ (5,144,869)	$ 1,730,317	$ 5,036,493

The accompanying notes are an integral part of this schedule.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2017

Public Safety Personnel Retirement System

		Reporting Fiscal Year (Measurement Date) 2017 (2016)
Total pension liability		
Service cost	$	1,469,569
Interest on total pension liability		(94,243)
Changes of benefit terms*		4,794,832
Difference between expected and actual experience of the total net pension liability		63,590,313
Changes of assumptions		2,497,362
Benefit payments, including refunds of employee contributions		(3,870,654)
Net change in total pension liability		68,387,179
Total pension liability - beginning		-
Total pension liability - ending (a)	$	68,387,179
Plan fiduciary net position		
Contributions - employer	$	2,625,336
Contributions - employee		1,019,835
Net investment income		188,575
Benefit payments, including refunds of employee contributions		(3,870,654)
Other (net transfer)		32,728,378
Net change in plan fiduciary net position		32,691,470
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	$	32,691,470
Net pension liability - ending (a) - (b)	$	35,695,709
Plan fiduciary net position as a percentage of the total pension liability		47.80%
Covered payroll	$	8,913,410
Net pension liability as a percentage of covered-employee payroll		400.47%

Note: The Authority implemented GASB 68 in fiscal year 2017. Information prior to 2017 is not available.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
Schedule of Contributions
June 30, 2017

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)	
		2017 (2016)
Actuarially determined contribution	$	2,625,336
Contributions in relation to the actuarially determined contribution	$	(2,625,336)
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	8,913,410
Contributions as a percentage of covered-employee payroll		29.45%

Note: The Authority implemented GASB 68 in fiscal year 2017. Information prior to 2017 is not available.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
Schedule of Agent OPEB Plan Funding Progress
June 30, 2017

Public Safety Personnel Retirement System

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2016	1,317,974	1,512,799	194,825	87.12%	7,850,262	2.48%
2017	1,336,584	1,567,435	230,851	85.27%	8,088,869	2.85%

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry Age Normal
Amortization Method	Level percent closed for the unfunded actuarial liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

Note 2. Factors that Affect the Identification of Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the Authority's net pension liability and related ratios. These changes also increased the PSPRS' required contributions beginning in fiscal year 2016 in the schedule of Authority pension contributions.

Supplementary Information

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Central Arizona Fire and Medical Authority
Schedule of Joint Venture Special Items, Revenue and Cost Allocation
Year Ended June 30, 2017

	Central Yavapai Fire District	Chino Valley Fire District	Central Arizona Fire & Medical Authority
Special items transfers:			
Assets transfer in (out):			
Cash and cash equivalents	$ (8,811,420)	$ (3,076,827)	$ 11,888,247
Receivables	(323,545)	(127,995)	451,540
Capital assets, net of depreciation	(17,879,376)	(3,904,642)	21,784,018
Total assets transfer	(27,014,341)	(7,109,464)	34,123,805
Liabilities transfer in (out):			
Accounts payable	505,122	61,907	(567,029)
Accrued payroll and related	635,599	208,334	(843,933)
Long-term debt - comp absences	1,406,299	345,324	(1,751,623)
Total liabilities transfer	2,547,020	615,565	(3,162,585)
Beginning net position in joint venture from special items	(24,467,321)	(6,493,899)	30,961,220
Funding contribution and cost allocation			
Funding contribution	(14,448,523)	(3,871,827)	18,320,350
Jointly allocated revenues:			
Pension income	(16,101,686)	(4,674,684)	20,776,370
Charges for services	(908,638)	(263,798)	1,172,436
Interest earnings	(26,421)	(7,671)	34,092
Contracts and other	(496,305)	(144,088)	640,393
Allocation of cost to provide district services:			
Public safety personnel cost:			
Salaries and wages	9,461,606	2,746,919	(12,208,525)
Employee benefits	3,825,127	1,110,521	(4,935,648)
Public safety supplies and services cost:			
Administrative support, supplies and services	685,511	97,824	(783,335)
Operational support, supplies and services			
Claims and judgement expense	811,600	338,685	(1,150,285)
Communications	420,512	84,039	(504,551)
Station utilities, supplies and maintenance	315,188	75,331	(390,519)
Fleet fuel and maintenance	293,261	53,827	(347,088)
Protective equipment and uniforms	203,391	44,206	(247,597)
Outside services	103,861	23,890	(127,751)
Training and prevention	93,376	15,643	(109,019)
Emergency medical supplies	76,165	17,519	(93,684)
Depreciation	1,145,302	318,469	(1,463,771)
Gain on sale of fixed assets	-	(89,141)	89,141
Change in joint venture net position	(14,546,673)	(4,124,336)	18,671,009
Ending net position in joint venture	$ (39,013,994)	$ (10,618,235)	$ 49,632,229

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
Central Arizona Fire and Medical Authority

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 Central Arizona Fire and Medical Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Central Arizona Fire and Medical Authority's basic financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Arizona Fire and Medical Authority'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 Central Arizona Fire and Medical Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Arizona Fire and Medical Authority'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 Central Arizona Fire and Medical Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
January 16, 2018

Independent Auditors' Report on
State Legal Compliance

Central Arizona Fire and Medical Authority
Prescott Valley, Arizona

We have audited the basic financial statements of Central Arizona Fire and Medical Authority (the Authority) for the year ended June 30, 2017, and have issued our report thereon dated January 16, 2018. Our audit also included test work on the Authority'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 Central Arizona Fire and Medical Authority is responsible for the Authority'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 Authority as to the following:

1. That the Authority 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 Authority 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 Authority 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 Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Central Arizona Fire and Medical Authority complied, in all material respects, with the requirements identified above for the 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,

HintonBurdick Arizona PLLC

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
January 16, 2018