

**CENTRAL YAVAPAI FIRE DISTRICT**  
**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2014**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# CENTRAL YAVAPAI FIRE DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Board of Directors.....	3
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position – Pension Trust Fiduciary Fund .....	20
Statement of Activities – Pension Trust Fiduciary Fund.....	21
Notes to the Basic Financial Statements .....	22
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund – Budget and Actual.....	39
Schedule of Funding Progress .....	40
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 <i>Government Auditing Standards</i> .....	43

*This page intentionally blank*

## Independent Auditors' Report

To the Board of Directors of  
Central Yavapai Fire District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the general fund.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the Central Yavapai Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Yavapai Fire District's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, Arizona  
December 16, 2014

## **BOARD OF DIRECTORS**

<b>Steve Rutherford</b>	<b>Chairman</b>
<b>Debbie Horton</b>	<b>Clerk</b>
<b>Bob Gardiner</b>	<b>Member</b>
<b>Bob Page</b>	<b>Member</b>
<b>Tom Steele</b>	<b>Member</b>
<b>Scott Bliss</b>	<b>Interim Fire Chief</b>
<b>Jeff Polacek</b>	<b>Interim Chief of Operations</b>
<b>Brad Davis</b>	<b>Battalion Chief, B-Shift</b>
<b>Cougan Carothers</b>	<b>Battalion Chief, C-Shift</b>
<b>Gary Cordes</b>	<b>Training Chief, Wildland</b>
<b>Rick Chase</b>	<b>Fire Marshal, Division Chief</b>

*This page intentionally left blank*

**Central Yavapai Fire District  
Management's Discussion and Analysis  
June 30, 2014**

---

As management of Central Yavapai Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with District's financial statements.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$21,286,610. Of this amount, \$11,395,286 is invested in capital assets, net of related debt, \$479,897 is restricted for debt service, and \$9,411,427 is unrestricted.
- During the year, the District's total net position decreased by \$1,062,562.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,482,036, a decrease of \$1,459,971 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,017,135 or 11.8 percent of the 2014 fiscal year's total budgeted operating expenditures.
- The District's total debt decreased by \$635,584 during the current fiscal year. The decrease is due to the satisfaction of regularly scheduled bond debt service payments and refunding of the District's general obligation long term bond debt. .
- Total revenue received in the General Fund was \$300,415 more than the final budget and expenditures were \$2,988,428 less than the final budget.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District'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 District'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 District.



## Management's Discussion and Analysis - Continued

---

The *statement of net position* presents information on all of the District'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 District 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 District, 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 District maintains four (4) individual governmental funds: the General Fund, Capital Project Fund, Debt Service Fund, and Special Revenue (Non-major). 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 District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

## Management's Discussion and Analysis - Continued

---

The District adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison schedule 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 39.

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

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The fiduciary funds financial statements can be found on pages 20-21 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 23-37 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 the Central Yavapai Fire District, assets exceeded liabilities by \$21,286,610 at the close of the most recent fiscal year.

Of the District's net position, \$11,395,286 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. Net position of \$479,897 is restricted for scheduled debt service payments. The remaining net position, \$9,176,793 is unrestricted, and can be used to meet the District's ongoing public safety fire protection obligations.

## Management's Discussion and Analysis - Continued

The following page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

	Governmental activities	
	6/30/2014	6/30/2013 (as restated)
Current and other assets	\$ 11,211,541	\$ 12,643,935
Capital assets	24,239,920	24,509,278
Total assets	35,451,461	37,153,213
 Deferred Outflows of Resources	 440,754	 -
 Long-term liabilities outstanding	 13,022,775	 14,419,609
Other liabilities	1,582,830	384,432
Total liabilities	14,605,605	14,804,041
Net position:		
Net investment in capital assets	11,395,286	11,624,278
Restricted	479,897	360,039
Unrestricted	9,411,427	10,364,855
Total net position	\$ 21,286,610	\$ 22,349,172

During 2014, governmental activities decreased the District's net position by \$1,062,562. Key elements of this decrease from the prior year are as follows:

- Property tax levy requirement decreased by \$503,543 as a result of a decrease in the assessed valuations (7.58%) of properties in 2014 in comparison to 2013
- Expenses for personnel and public safety retirement increased \$535,977 due to increased employer contributions for Employee Related Expenses and Station 58 Staffing.

**Central Yavapai Fire District  
Management's Discussion and Analysis  
June 30, 2014**

The following table presents a comparative summary of the District's revenues and expenditures for the current and preceding fiscal years.

	Governmental activities	
	6/30/2014	6/30/2013 (as restated)
Revenues:		
Program revenues:		
Charges for services	\$ 756,151	\$ 518,040
Operating grants and contributions	-	18,355
General revenues:		
Taxes	13,062,881	13,590,805
Unrestricted interest earnings	34,722	41,465
Total revenues	13,853,754	14,168,665
Expenses:		
Public Safety	14,916,316	15,210,700
Total expenses	14,916,316	15,210,700
Increase/(decrease) in net position	(1,062,562)	(1,042,035)
Net position, beginning	22,349,172	23,391,207
Net position, ending	\$ 21,286,610	\$ 22,349,172

**Financial Analysis of the Governmental Funds**

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

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District'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 District's governmental funds reported combined ending fund balances of \$10,482,036 a decrease of \$1,459,971 in comparison with the prior year's balance. The largest components of the decrease are attributed to a decrease in property tax revenue of \$503,543 from the prior year and an increase of personnel and public safety retirement costs of \$535,977 from the prior year.

## **Management's Discussion and Analysis - Continued**

---

Of the total combined governmental fund balance of \$10,482,036, the amount restricted for debt services payment was \$479,897. The remaining amount is comprised of unassigned fund balance of \$2,017,135, which is available for spending at the District's discretion.

The General and Capital Project Funds account for all of the financial resources of the District. At the end of the current fiscal year, the combined spendable fund balance of the General and Capital Project accounts was \$10,002,139. The Capital Projects Fund is considered to be committed to capital asset expenditures, but is available as fund liquidity for District expenditures.

The Debt Service Fund accounts for the property tax levy dedicated to the payment of principal and interest on general obligation bonds.

### **Budgetary Highlights**

During fiscal year 2014 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$300,415 more than budgeted revenues while total actual expenditures were \$2,988,428 less than budgeted expenditures. The favorable expenditure variance was primarily attributed to less than anticipated cost for public safety emergency services, capital expenses and continued carryover of contingency funds.

### **Capital Asset and Debt Administration**

**Capital assets** – The District's investment in capital assets as of June 30, 2014, totals \$24,239,920 (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:

- Final payment for two (2) Type I Fire Engines
- Chassis and equipment expenditures for Type 6 Patrol
- Firefighting equipment replacements – TICs and Extrication Tools

For more detailed information, see page 30 in the notes to the financial statements.

**Long-term Debt** – At the end of the current fiscal year, the District had total outstanding debt of \$14,162,775. Long-term debt consists of the following items:

- Bonds Payable - \$12,610,000
- Accrued Compensated Absences - \$1,318,141
- Bond Premiums - \$234,634.

All of the debt is backed by the full faith and credit of the District. Additional information regarding long-term debt of the District can be found in the notes to the financial statements on pages 30-31.

## Management's Discussion and Analysis - Continued

### Economic Factors and Next Year's Budgets and Rates

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions.

Property values the Central Yavapai Fire District have decreased dramatically over the few past years. 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.

Fiscal Year	Net Assessed Valuations	% Change	Levy Amount	% Change	Tax Rate	Budget	% Change
08-09	\$ 906,891,063		\$ 13,475,220		\$ 1.4859	\$ 15,839,290	
09-10	901,855,127	-0.55%	13,408,327	-0.50%	1.4867	14,808,627	-6.51%
10-11	793,063,861	-12.07%	13,409,077	0.01%	1.6908	15,994,167	8.01%
11-12	647,776,495	-18.32%	12,030,906	-10.28%	1.8573	16,893,482	5.62%
12-13	529,166,122	-18.31%	11,565,704	-3.87%	2.1856	18,607,437	10.15%
13-14	489,046,527	-7.58%	11,463,180	-0.89%	2.3440	17,053,442	8.35%

Property values in the District have dropped over 46% during the past few years. Property Tax Levy's for fire districts are typically two years behind property values, so while the District has been able to budget without a tax levy increase for the past three years, during the next few years as property values increase, the District will be forced to look at all expenses including personnel expenses and capital and make decisions based on the new values with a conservative outlook on revenue projections..

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 newly introduced Proposition 117 restrictions – transition to Limited Property Value from Full Cash Value Assessments and maximum allowable increase of assessed values capped at 5% - the future trend will not sustain significant M&O budget increases. Ultimately, without ongoing new construction growth or ever-expanding District boundaries, the organization will be regressively locked in a system of limited revenue and expanding expenses due to increased service demands.

Next year's budget reflects the District's continued conservative position in recognition of limited revenue resources, increasing personnel, service and supply costs, and being cognizant of a financial plan that will provide taxpayer relief for the future.

### **Request for Information**

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, please contact the District's administrative office at 8555 E. Yavapai Road, Prescott Valley, 86314 or call (928)772-7711.

*This page intentionally left blank*

**BASIC FINANCIAL STATEMENTS**



**CENTRAL YAVAPAI FIRE DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 10,706,226
Accounts receivable	141,547
Taxes receivable	363,768
Capital assets:	
Non-depreciable	3,275,591
Depreciable (net)	20,964,329
Total assets	35,451,461
 <b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	440,754
Total deferred outflows of resources	440,754
 <b>Liabilities</b>	
Accounts payable	206,951
Salaries and wages payable	184,340
Other accrued liabilities	51,539
Noncurrent liabilities:	
Due within one year	1,140,000
Due in more than one year	13,022,775
Total liabilities	14,605,605
 <b>Net Position</b>	
Net investment in capital assets	11,395,286
Restricted for:	
Debt service	479,897
Unrestricted	9,411,427
Total net position	\$ 21,286,610

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	<b>Governmental Activities</b>
<b>Expenses:</b>	
Public safety - fire protection and emergency services	
Fire safety and emergency services	\$ 11,078,196
Risk management services	555,289
Administrative and support services	1,608,140
Depreciation	1,220,987
Interest	453,704
Total program expenses	14,916,316
<b>Program revenues:</b>	
Charges for services	756,151
Total program revenues	756,151
Net program expenses	14,160,165
<b>General revenues</b>	
Property taxes	12,748,960
Fire District Assistance Tax (FDAT)	313,921
Investment earnings	34,722
Total general revenues	13,097,603
Change in net position	(1,062,562)
Net position - beginning (as restated)	22,349,172
Net position - ending	\$ 21,286,610

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash	\$ 2,249,703	\$ 7,985,004	\$ 471,519	\$ -	\$ 10,706,226
Property tax receivables	324,235	-	39,533	-	363,768
Accounts receivable	141,547	-	-	-	141,547
Total Assets	<u>2,715,485</u>	<u>7,985,004</u>	<u>511,052</u>	<u>-</u>	<u>11,211,541</u>
<b>Liabilities:</b>					
Accounts payable	206,951	-	-	-	206,951
Salaries and wages payable	184,340	-	-	-	184,340
Other accrued liabilities	51,539	-	-	-	51,539
Total Liabilities	<u>442,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,830</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	255,520	-	31,155	-	286,675
Total deferred inflows of resources	<u>255,520</u>	<u>-</u>	<u>31,155</u>	<u>-</u>	<u>286,675</u>
<b>Fund Balance:</b>					
Restricted	-	-	479,897	-	479,897
Committed	-	7,985,004	-	-	7,985,004
Unassigned	2,017,135	-	-	-	2,017,135
Total Fund Balances	<u>2,017,135</u>	<u>7,985,004</u>	<u>479,897</u>	<u>-</u>	<u>10,482,036</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,715,485</u>	<u>\$ 7,985,004</u>	<u>\$ 511,052</u>	<u>\$ -</u>	<u>\$ 11,211,541</u>

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**June 30, 2014**

---

Total fund balances - governmental funds		\$ 10,482,036
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet as follows:</p>		
Governmental capital assets	32,550,234	
Accumulated depreciation	<u>(8,310,314)</u>	24,239,920
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet as follows:</p>		
Bonds payable	(12,610,000)	
Compensated absences	(1,318,141)	
Unamortized bond premiums and deferred charges	<u>206,120</u>	(13,722,021)
<p>Receivables which are not available to pay for current period expenditures are deferred on the governmental funds balance sheet.</p>		
Net position of governmental activities		<u><u>\$ 21,286,610</u></u>

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 11,391,758	\$ -	\$ 1,388,023	\$ -	\$ 12,779,781
Fire district assistance tax	313,921	-	-	-	313,921
Maintenance agreements	32,969	-	-	-	32,969
Charges for services	618,601	-	-	-	618,601
Rents	38,743	-	-	-	38,743
Licenses and permits	32,747	-	-	-	32,747
Interest income	15,764	31,342	3,380	31	50,517
Miscellaneous income	17,296	-	-	-	17,296
Total Revenues	<u>12,461,799</u>	<u>31,342</u>	<u>1,391,403</u>	<u>31</u>	<u>13,884,575</u>
<b>Expenditures:</b>					
Current:					
Fire safety and emergency services	10,864,533	-	-	480	10,865,013
Risk management services	552,303	-	-	-	552,303
Administration and support services	1,599,484	-	-	-	1,599,484
Debt service:					
Principal	-	-	6,205,000	-	6,205,000
Interest	-	-	465,899	-	465,899
Capital outlay	1,048,696	-	-	8,151	1,056,847
Total Expenditures	<u>14,065,016</u>	<u>-</u>	<u>6,670,899</u>	<u>8,631</u>	<u>20,744,546</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,603,217)</u>	<u>31,342</u>	<u>(5,279,496)</u>	<u>(8,600)</u>	<u>(6,859,971)</u>
Other Financing Sources (Uses):					
Refunding bonds issued	-	-	5,930,000	-	5,930,000
Payment to refunded bond escrow agent	-	-	(480,823)	-	(480,823)
Refunding bond issuance costs	-	-	(49,177)	-	(49,177)
Transfers from other funds	250,166	619,800	-	-	869,966
Transfers to other funds	(619,800)	(250,000)	-	(166)	(869,966)
Total Other Financing Sources (Uses):	<u>(369,634)</u>	<u>369,800</u>	<u>5,400,000</u>	<u>(166)</u>	<u>5,400,000</u>
Net change in fund balances	(1,972,851)	401,142	120,504	(8,766)	(1,459,971)
Fund Balances - Beginning of Year (as restated)	3,989,986	7,583,862	359,393	8,766	11,942,007
Fund Balances - End of Year	<u>\$ 2,017,135</u>	<u>\$ 7,985,004</u>	<u>\$ 479,897</u>	<u>\$ -</u>	<u>\$ 10,482,036</u>

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2014**

---

Net change in fund balances - total governmental funds	\$ (1,459,971)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period.	951,629
Depreciation expense on capital assets is reported in the statement of activities but it does not require the use of current financial resources.	(1,220,987)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal paid on long-term debt	6,205,000
Proceeds from the issuance of long-term debt	(5,930,000)
Deferred charge on refunding	480,823
Amortization of bond premiums and deferred charges (net)	12,195
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes.	(30,821)
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.	<u>(70,430)</u>
Change in net position of governmental activities	<u>\$ (1,062,562)</u>

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Statement of Net Position**  
**Pension Trust Fiduciary Fund**  
**June 30, 2014**

---

	Pension Trust Fund
<b>Assets:</b>	
Cash	\$ 11,625
Investments	417,194
Other assets	222
Total Assets	<u>429,041</u>
<b>Net Position</b>	
Held in trust for pension benefits	<u>\$ 429,041</u>

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Statement of Activities**  
**Pension Trust Fiduciary Fund**  
**For the Year Ended June 30, 2014**

---

	Pension Trust Fund
<b>Additions:</b>	
Contributions:	
Employer	\$ 11,731
Employee	11,731
Premium tax	202
Investment earnings	9,946
Interest income	50
Total additions	33,660
<b>Deduction:</b>	
Payments to plan participants	21,950
General and administrative	2,907
Total deductions	24,857
Change in net position	8,803
Net position - beginning	420,238
Net position - ending	\$ 429,041

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



**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies**

---

**Reporting entity**

Central Yavapai Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection, emergency medical services, and public education programs for areas in and surrounding the City of Prescott, Arizona. The District is governed by an elected five member board of directors, which appoints the chairman. The District does not have any component units, meaning entities for which the District 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.

**Description of government-wide financial statements**

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

**Basis of presentation – fund financial statements**

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

The District reports the following major governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government that are not accounted for in another fund.

The **Capital Project Fund** is used to account for board designated monies transferred from the General Fund and expended for the construction of buildings and improvements as well as for the acquisition of major equipment for use by the District.

The **Debt Service Fund** is used to account for legally restricted tax levies of the District which are used to meet ongoing debt service requirements.

Additionally, the District reports the following fund type:

The **Pension Trust Fund** is a Fiduciary Fund and is used to account for assets held on behalf of others, namely the Volunteer Firefighter Pension Trust Fund.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

---

**Measurement focus and basis of accounting**

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

***Cash, cash equivalents, and investments***

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

---

*Inventories and prepaid items*

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

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

*Capital Assets*

Capital assets, which include 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 District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 item which qualifies for reporting in this category. This item is a deferred outflow related to the refunding of the Series 2005A bonds. See Note 10.

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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

---

*Net position flow assumption*

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

*Fund balance flow assumptions*

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

*Fund balance policies*

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

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

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

---

**Revenues and expenditures/expenses**

*Program revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property taxes*

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

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

*Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation and sick leave 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.

*Receivables and payables*

All program service receivables are shown net of an allowance for uncollectible amounts. However, at year end, no allowance was made for uncollectible accounts as management expects all receivables to be fully collectible.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" on the governmental fund financial statements. The effect these interfund transactions between governmental funds are eliminated on the statement of net position.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**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.

**New Pronouncements**

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2014, the District implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

---

**NOTE 2. 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 exactly 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.

For management purposes, the District adopts a budget for departments within the General Fund. The Fire Chief is authorized to transfer budgeted amounts within departments; however, any revisions that alter total expenditures must be approved by the Board. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 2. 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, 2014, if any.

**Note 3. Deposits and Investments**

Deposits as of the District at June 30, 2014 consist of the following:

	Fair Value	Quality Rating	Weighted Average Maturity
Deposits:			
Cash on deposit with the Yavapai County Treasurer	\$ 10,717,851	N/A	N/A
Investments:			
Oppenheimer Limited Bond Class A	221,719	(1)	N/A
Oppenheimer Limited Term Govt Fund Class A	195,475	(1)	N/A
Total cash and investments	\$ 11,135,045		

(1) Ratings are unknown.

(2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. The deposits with the Yavapai County Treasurer's investment pool represent a proportionate interest in the pool's portfolio. However, the District's allocation is not identified with any specific investments and is not subject to custodial credit risk.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 3. 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 District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

**Credit risk**

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

**Investments**

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States.

**Note 4. Capital Assets**

The following table summarizes changes to capital assets for the year ended June 30, 2014:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:					
Land	\$ 2,807,151	\$ -	\$ -	\$ -	\$ 2,807,151
Construction in progress	1,011,674	856,447	-	(1,399,681)	468,440
Total capital assets, not being depreciated	<u>3,818,825</u>	<u>856,447</u>	<u>-</u>	<u>(1,399,681)</u>	<u>3,275,591</u>
Capital assets, being depreciated:					
Buildings and improvements	18,135,319	35,774	-	-	18,171,093
Vehicles	6,084,089	-	(428,088)	1,381,646	7,037,647
Furniture and equipment	4,001,462	59,408	(13,002)	18,035	4,065,903
Total capital assets, being depreciated	<u>28,220,870</u>	<u>95,182</u>	<u>(441,090)</u>	<u>1,399,681</u>	<u>29,274,643</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,560,106)	(487,154)	-	-	(3,047,260)
Vehicles	(3,274,378)	(386,953)	428,088	-	(3,233,243)
Furniture and equipment	(1,695,933)	(346,880)	13,002	-	(2,029,811)
Total accumulated depreciation	<u>(7,530,417)</u>	<u>(1,220,987)</u>	<u>441,090</u>	<u>-</u>	<u>(8,310,314)</u>
Total capital assets, being depreciated, net	<u>20,690,453</u>	<u>(1,125,805)</u>	<u>-</u>	<u>1,399,681</u>	<u>20,964,329</u>
Governmental activities capital assets, net	<u>\$ 24,509,278</u>	<u>\$ (269,358)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,239,920</u>

Depreciation expense of \$1,220,987 was charged to the public safety function of the District.



**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 5. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

**Governmental Activities:**

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
General Obligation Bonds:					
Series 2005A	\$ 7,765,000	\$ -	\$ (5,950,000)	\$ 1,815,000	\$ 575,000
Series 2008B	5,120,000	-	(255,000)	4,865,000	265,000
Series 2013	-	5,930,000	-	5,930,000	-
Bond Premiums	286,898	-	(52,264)	234,634	-
Compensated Absences	1,247,711	349,683	(279,253)	1,318,141	300,000
 Total Governmental Activities	 <u>\$ 14,419,609</u>	 <u>\$ 6,279,683</u>	 <u>\$ (6,536,517)</u>	 <u>\$ 14,162,775</u>	 <u>\$ 1,140,000</u>

Long-term debt of the District at June 30, 2014 is comprised of the following issues:

**General Obligation Bonds:**

**Governmental Activities:**

Series 2005A General Obligation Bonds, due in annual principal installments ranging from \$550,000 to \$635,000, bearing interest semi-annually at 2.25% to 4.30%, maturing July 1 ,2017. \$ 1,815,000

Series 2008B General Obligation Bonds, due in annual principal installments ranging from \$255,000 to \$450,000, bearing interest semi-annually at 2.00% to 4.40%, maturing July 1 ,2028. 4,865,000

Series 2013 General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$895,000, bearing interest semi-annually at 2.69%, maturing July 1 ,2024. 5,930,000

Total Governmental Activities 12,610,000

Accrued Compensated Absences 1,318,141  
Bond Premiums 234,634

Total Long-Term Debt 14,162,775  
Less Current portion:  
    Governmental Activities (1,140,000)  
Net Long-Term Debt \$ 13,022,775

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 5. Long-Term Debt (Continued)**

The annual requirements to amortize bonds payable at June 30, 2014 are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 840,000	\$ 458,517
2016	915,000	419,167
2017	1,015,000	377,917
2018	1,055,000	331,270
2019	1,095,000	299,026
2020-2024	6,000,000	964,231
2025-2028	1,690,000	194,175
Totals	\$ 12,610,000	\$ 3,044,303

**Advance Refunding**

The District issued \$5,930,000 in general obligation bonds with an interest rate of 2.69%. The proceeds were used to partially refund \$5,400,000 of outstanding Series 2005A general obligation bonds which had interest rates ranging from 4.00% to 5.00%. The net proceeds of \$5,880,823 (issuance costs were \$49,177) were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the refunded portion of the Series 2005A bonds are considered defeased and liability of those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$480,823. This amount is being netted against the new debt and amortized over the life of the refunding debt. The District advance refunding of this portion of the Series 2005A general obligation bonds will increase total debt service payments by \$1,269,718. However, the advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$297,374.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 6. Interfund Transfers**

Interfund transfers for the fiscal year ending June 30, 2014 are as follows:

	Transfers in:	
	General Fund	Capital Project Fund
<u>Transfers out:</u>		
General Fund	\$ -	\$ 619,800
Capital Project Fund	250,000	-
Nonmajor governmental funds	166	-
Total	\$ 250,166	\$ 619,800

Transfers were made to move unrestricted general fund revenues to the capital project fund to be used for future purchases of capital assets. Unrestricted funds were also moved back to the general fund from the capital project fund as directed by management.

**Note 7. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan Description** – The District contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 7. Retirement and Pension Plans (Continued)**

---

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the District was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The District 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 five-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. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

**Funding Policy** - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the District was required to contribute 20.23 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.28 percent of covered payroll.

**Actuarial Methods and Assumptions** – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.00 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 9.0 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 24 years for unfunded actuarial accrued liability and 20 years for excess.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 7. Retirement and Pension Plans (Continued)**

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

**Annual Pension/OPEB Cost** – During the year ended June 30, 2013, the District’s annual pension cost of \$1,436,996 and the annual OPEB cost of \$72,644 was equal to the District’s required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 1,001,551	100%	-
	2013	1,151,501	100%	-
	2014	1,436,996	100%	-
Health Insurance	2012	\$ 70,263	100%	-
	2013	62,829	100%	-
	2014	72,644	100%	-

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2014:

Actuarial accrued liability (AAL)	\$ 45,278,068
Actuarial value of plan assets	24,217,738
Unfunded actuarial accrued liability (UAAL)	<u>\$ 21,060,330</u>
Funded ratio (actuarial value of plan assets/AAL)	53.49%
Covered payroll (active plan members)	\$ 5,536,675
UAAL as a percentage of covered payroll	380.4%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents 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. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 7. Retirement and Pension Plans (Continued)**

---

**Volunteer Firefighters' Relief and Pension Fund**

**Description of Plan** – Central Yavapai Fire District, under Arizona Revised Statutes (ARS) 9-981, has established the Volunteer Firefighters' Relief and Pension Fund, a defined benefit plan. All reserve firefighters of the District participate in the plan. Participants are required to contribute 10% of compensation and not less than \$75 annually. The District matches the contributions of each participant. During fiscal year 2014 plan participants made contributions of \$11,731 into the plan. The District also contributed \$11,731. Distributions are made to plan participants based on the following criteria:

- Partial retirement pension payments will be made with a minimum of 10 years of credited service. Payments are not made until the participant reaches age 55. The payment is \$150 per month with a \$20 increase per month for every additional year of credited service.
- Full retirement pension payments will be made with 25 years of credited service. Payments are not made until the participant reaches age 55. The payment is \$350 per month.
- Death benefits will be paid to beneficiaries, whether in active service or if vested. The benefit will be the member's contributions plus interest. If the vested amount has not been paid out, the balance, plus interest will be paid to the beneficiary.
- Severance of employment of a reserve in good standing (prior to 10 year vested status) will result in a lump sum payment of employee contributions plus interest of 1% above passbook savings rate.
- Severance of employment of a reserve not in good standing will result in lump sum payment for accumulated employee contributions plus interest determined by the pension board.

---

**Note 8. Risk Management**

---

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

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

**Note 9. Intergovernmental Agreements**

---

The Chino Valley and Central Yavapai Fire Districts entered into a Joint Management Agreement for the purpose of utilizing Administrative and Senior Management Personnel more effectively for fulfilling the essential and redundant requirements of both organizations. While both organizations have existing IT, Purchasing, Fleet Maintenance, Fire Prevention and Firefighting Operations IGAs, to jointly use the Fire Chief, Finance, HR and Senior Management Staff was an experimental concept for fire districts. This was approved and in effect June 2014.

---

**Note 10. Restatements and Reclassifications**

---

During the fiscal year 2014 audit it was discovered that a worker's compensation insurance invoice which should have been accrued as an expense in fiscal year 2013 had not been. In order to correct this error an adjustment to beginning equity in the General Fund was needed. This adjustment reduced beginning fund balance in the General Fund by \$78,085 and decreased current year expenditures in the General Fund by the same amount.

The District implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been amortized over the life of the related debt. In order to implement GASB statements No. 65, bond issuance costs previously reported as assets on the Statement of Net Position had to be removed. This resulted in a restatement of beginning equity in the Statement of Net Position in the amount of \$130,645.

*This page intentionally left blank*



**Required Supplementary Information**

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund – Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 11,463,180	\$ 11,463,180	\$ 11,391,758	\$ (71,422)
Fire district assistance tax	309,352	309,352	313,921	4,569
Maintenance agreements	22,750	22,750	32,969	10,219
Charges for services	301,402	301,402	618,601	317,199
Rents	38,000	38,000	38,743	743
Licenses and permits	200	200	32,747	32,547
Interest income	15,000	15,000	15,764	764
Miscellaneous income	11,500	11,500	17,296	5,796
Total Revenues	<u>12,161,384</u>	<u>12,161,384</u>	<u>12,461,799</u>	<u>300,415</u>
<b>Expenditures:</b>				
Current:				
Fire safety and emergency services	11,738,585	11,738,585	10,864,533	874,052
Risk management services	699,371	699,371	552,303	147,068
Administration and support services	1,608,128	1,608,128	1,599,484	8,644
Contingency	1,615,300	1,615,300	-	1,615,300
Capital outlay	1,392,060	1,392,060	1,048,696	343,364
Total Expenditures	<u>17,053,444</u>	<u>17,053,444</u>	<u>14,065,016</u>	<u>2,988,428</u>
Excess of Revenues Over/(Under) Expenditures	<u>(4,892,060)</u>	<u>(4,892,060)</u>	<u>(1,603,217)</u>	<u>3,288,843</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,392,060	1,392,060	250,166	(1,141,894)
Transfers to other funds	-	-	(619,800)	(619,800)
Total Other Financing Sources (Uses):	<u>1,392,060</u>	<u>1,392,060</u>	<u>(369,634)</u>	<u>(1,761,694)</u>
Net change in fund balance	(3,500,000)	(3,500,000)	(1,972,851)	1,527,149
Fund Balance - Beginning of Year (as restated)	<u>3,989,986</u>	<u>3,989,986</u>	<u>3,989,986</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 489,986</u>	<u>\$ 489,986</u>	<u>\$ 2,017,135</u>	<u>\$ 1,527,149</u>

**CENTRAL YAVAPAI FIRE DISTRICT**  
**Schedule of Funding Progress**  
**June 30, 2014**

**Public Safety Personnel Retirement System**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2010 through June 30, 2014, based on the actuarial valuations follows:

<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Entry Age Actuarial Accrued Liability (AAL)</b>	<b>Percent Funded</b>	<b>Unfunded AAL</b>	<b>Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll</b>
2010	20,377,774	27,641,254	73.72%	7,263,480	5,349,854	135.8%
2011	22,005,658	32,150,569	68.45%	10,144,911	4,912,727	206.5%
2012	23,105,591	36,847,144	62.71%	13,741,553	5,147,698	266.9%
2013	24,073,481	39,742,613	60.57%	15,669,132	5,426,031	288.8%
2014	24,217,738	45,278,068	53.49%	21,060,330	5,536,675	380.4%

**Post-retirement health insurance subsidy measurements under GASB Statement No. 45**

<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll</b>
2010	-	700,186	700,186	0.0%	5,349,854	13.09%
2011	-	779,755	779,755	0.0%	4,912,727	15.87%
2012	-	953,269	953,269	0.0%	5,147,698	18.52%
2013	-	933,400	933,400	0.0%	5,426,031	17.20%
2014	913,281	958,774	45,493	95.3%	5,536,675	0.82%

In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, pension and health insurance benefit amounts are disaggregated and reported separately.

**Other Communications from Independent Auditors**

*This page intentionally left blank*

**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 Yavapai Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Central Yavapai Fire District's basic financial statements, and have issued our report thereon dated December 16, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Yavapai Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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, PLLC  
Flagstaff, Arizona  
December 16, 2014