CENTRAL YAVAPAI FIRE DISTRICT

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL YAVAPAI FIRE DISTRICT

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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, 2015, 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.

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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, 2015, 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, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amending by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, budgetary comparison information, the schedule of the proportionate share of the net pension liability-ASRS, the schedule of contributions-ASRS, the schedule of changes in the net pension liability and related ratios-PSPSRS, the schedule of contributions-PSPRS, the schedule of agent OPEB plan funding progress-PSPRS and the related notes to the pension plan schedules 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 30, 2015, 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.

Hinton Burdick PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
December 30, 2015

BOARD OF DIRECTORS

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Bob Page	**Clerk**
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Darlene Packard	**Member**
Tom Steele	**Member**
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Scott Bliss	**Assistant Chief Support Services**
Dave Tharp	**Assistant Chief of Administration**
Cougan Carothers	**Battalion Chief, A-Shift**
Brad Davis	**Battalion Chief, B-Shift**
Todd Abel	**Battalion Chief, C-Shift**
John Feddema	**Training Chief**
Rick Chase	**Fire Marshal, Division Chief**

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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, 2015. We encourage readers to consider the information presented here in conjunction with District's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $298,362. Of this amount, $11,547,139 is invested in capital assets, net of related debt, $474,470 is restricted for debt service, and a negative balance of $11,723,247 is unrestricted.
- During the year, the District's total net position decreased by $1,579,796.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,930,568, a decrease of $551,468 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,310,511 or 8.1 percent of the 2015 fiscal year's total budgeted operating expenditures.
- The District's total debt for general obligation bonds decreased by $840,000 during the current fiscal year. The decrease is due to the satisfaction of regularly scheduled bond debt service payments.
- Total revenue received in the General Fund was $61,464 less than the final budget and expenditures were $2,280,749 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.

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 fun*ds 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 three (3) individual governmental funds: the General Fund, Capital Reserve Fund, and Debt Service 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 District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

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 49.

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 District'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 22-46 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 the Central Yavapai Fire District, assets exceeded liabilities by $298,362 at the close of the most recent fiscal year.

Of the District's net position, $11,547,139 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 $474,470 is restricted for scheduled debt service payments. The remaining net position of negative $11,723,247 is unrestricted.

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

	Governmental activities	
	6/30/2015	6/30/2014
Current and other assets	$ 10,652,309	$ 11,211,541
Capital assets	23,499,509	24,239,920
Total assets	34,151,818	35,451,461
Deferred outflows of resources	5,119,612	440,754
Long-term liabilities outstanding	35,326,329	13,022,775
Other liabilities	1,661,925	1,582,830
Total liabilities	36,988,254	14,605,605
Deferred inflows of resources	1,984,814	-
Net position:		
Net investment in capital assets	11,547,139	11,395,286
Restricted	474,470	479,897
Unrestricted	(11,723,247)	9,411,427
Total net position	$ 298,362	$ 21,286,610

In comparison to 2014, the total net position of the District decreased by $20,988,248. Key elements of this decrease from the prior year are as follows:

- Unrestricted net position decreased $21,134,674 primarily due to the implementation of GASB 68, which is a change in accounting principle.

- As a result of an increase in assessed valuations, property taxes increased by $869,913 in 2015 in comparison to 2014.

- Expenses for personnel and public safety retirement increased $355,028 due to increased expenditures for employed personnel and increased contribution rates for retirement programs.

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

	Governmental activities	
	6/30/2015	6/30/2014
Revenues:		
Program revenues:		
Charges for services	$ 674,469	$ 756,151
Operating grants and contributions	35,607	-
General revenues:		
Taxes	13,848,116	13,062,881
Unrestricted interest earnings	29,793	34,722
Total revenues	14,587,985	13,853,754
Expenses:		
Public Safety	16,167,781	14,916,316
Total expenses	16,167,781	14,916,316
Increase/(decrease) in net position	(1,579,796)	(1,062,562)
Net position, beginning	21,286,610	22,349,172
Restatement adjustment	(19,408,452)	-
Net position, ending	$ 298,362	$ 21,286,610

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 $9,930,568 a decrease of $551,468 in comparison with the prior year's balance. The largest components of the decrease is the use of $689,324 of unassigned fund balance from the prior period, and an increase of personnel and public safety retirement costs of $221,954 from the prior year.

Of the total combined governmental fund balance of $9,930,568, the amount restricted for debt services payments was $474,470, and the remaining amount of $8,145,587 is committed to capital reserves. The remaining amount is comprised of an unassigned fund balance of $1,310,511, which is available for spending at the District's discretion.

The **General Fund** accounts for all of the financial resources of the District, 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 $1,310,511. 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 9.5% of total general fund expenditures of $13,851,578.

The **Capital Reserve Fund** accounts for reserves set aside for significant capital purchases. 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 $61,464 less than budgeted revenues while total actual expenditures were $2,280,749 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, 2015, totals $23,499,509 (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:

- Payment for one (1) Type I Fire Engine
- Chassis and equipment expenditures for Joint HAZ MAT Vehicle
- ATV for Central Yavapai Regional Training Academy
- Scissor Lift and trailer for Facilities Maintenance

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 $36,541,329. Long-term debt consists of the following items:

- General Obligation Bonds - $11,770,000
- Bond Premiums - $182,370
- Net Pension Liabilities - $23,237,581
- Compensated Absences - $1,351,378

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 31-32.

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 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
2009-2010	$901,855,127		$13,408,327		$1.49	$14,808,627	
2010-2011	793,036,861	-12.07%	13,409,077	0.01%	$1.69	15,994,167	8.01%
2011-2012	647,776,495	-18.32%	12,030,906	-10.28%	$1.86	16,893,482	5.62%
2012-2013	529,166,122	-18.31%	11,565,704	-3.87%	$2.19	18,607,437	10.15%
2013-2014	489,046,527	-7.58%	11,463,180	-0.89%	$2.34	17,053,442	8.35%
2014-2015	521,054,327	6.54%	12,355,859	7.79%	$2.37	16,132,327	-5.40%

Property values in the District are down by 56.3% since fiscal year 2010. In the past fiscal year, the District saw a 6.54% increase in net assessed value, however, the implementation of Proposition 117 will ~~be~~ enforce a maximal allowed increase in property value of 5% beginning in fiscal year 2016. While the District has been able to budget through minimal tax levy increases for the past three years, beginning in fiscal year 2016, property values are forecasted to increase by 2-3%. Therefore, 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 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.

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.

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BASIC FINANCIAL STATEMENTS

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Net Position
June 30, 2015

		Governmental Activities
Assets		
Cash and cash equivalents	$	10,168,287
Accounts receivable		109,831
Taxes receivable		374,191
Capital assets:		
Non-depreciable		3,208,912
Depreciable (net)		20,290,597
Total assets		34,151,818
Deferred Outflows of Resources		
Deferred charge on refunding		375,039
Deferred outflows related to pensions		4,744,573
Total deferred outflows of resources		5,119,612
Liabilities		
Accounts payable		187,190
Salaries and wages payable		185,114
Other accrued liabilities		74,621
Noncurrent liabilities:		
Due within one year		1,215,000
Due in more than one year		35,326,329
Total liabilities		36,988,254
Deferred Inflows of Resources		
Deferred inflows related to pensions		1,984,814
Total deferred inflows of resources		1,984,814
Net Position		
Net investment in capital assets		11,547,139
Restricted for debt service		474,470
Unrestricted		(11,723,247)
Total net position	$	298,362

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

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

	Governmental Activities
Expenses:	
Public safety - fire protection and emergency services	
Fire safety and emergency services	$ 12,300,681
Risk management services	496,533
Administrative and support services	1,628,053
Depreciation	1,207,200
Interest	473,186
Loss on diposal of asset	62,128
Total program expenses	16,167,781
Program revenues:	
Charges for services	674,469
Operating grants and contributions	35,607
Total program revenues	710,076
Net program expenses	15,457,705
General revenues	
Property taxes	13,540,673
Fire District Assistance Tax (FDAT)	307,443
Interest earnings	29,793
Total general revenues	13,877,909
Change in net position	(1,579,796)
Net position - beginning	21,286,610
Restatement adjustment	(19,408,452)
Net position - ending	$ 298,362

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

CENTRAL YAVAPAI FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Cash	$ 1,560,379	$ 8,145,587	$ 462,321	$ 10,168,287
Property tax receivables	338,607	-	35,584	374,191
Accounts receivable	84,831	-	-	84,831
Due from other funds	25,000	-	-	25,000
Prepaid insurance	-	-	-	-
Total Assets	2,008,817	8,145,587	497,905	10,652,309
Liabilities:				
Accounts payable	187,190	-	-	187,190
Salaries and wages payable	185,114	-	-	185,114
Other accrued liabilities	74,621	-	-	74,621
Total Liabilities	446,925	-	-	446,925
Deferred Inflows of Resources				
Unavailable revenue - property taxes	223,002	-	23,435	246,437
Unavailable revenue - fire contracts	28,379	-	-	28,379
Total deferred inflows of resources	251,381	-	23,435	274,816
Fund Balance:				
Restricted-debt service	-	-	474,470	474,470
Committed-capital reserves	-	8,145,587	-	8,145,587
Unassigned	1,310,511	-	-	1,310,511
Total Fund Balances	1,310,511	8,145,587	474,470	9,930,568
Total liabilities, deferred inflows of resources and fund balances	$ 2,008,817	$ 8,145,587	$ 497,905	$ 10,652,309

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, 2015

Total fund balances - governmental funds		$	9,930,568
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet as follows:			
Governmental capital assets	32,737,447		
Accumulated depreciation	(9,237,938)		23,499,509
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet as follows:			
Bonds payable	(11,770,000)		
Compensated absences	(1,351,378)		
Unamortized bond premiums and deferred charges	192,669		
Net pension liability	(23,237,581)		(36,166,290)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.			
Deferred outflows related to pensions	(1,984,814)		
Deferred inflows related to pensions	4,744,573		2,759,759
Receivables which are not available to pay for current period expenditures are deferred on the governmental funds balance sheet.			274,816
Net position of governmental activities		$	298,362

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, 2015

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property taxes	$ 12,261,671	$ -	$ 1,290,861	$ 13,552,532
Fire district assistance tax	307,443	-	-	307,443
Maintenance agreements	36,418	-	-	36,418
Charges for services	452,270	-	-	452,270
Rents	32,302	-	-	32,302
Licenses and permits	150	-	-	150
Grants	35,607	-	-	35,607
Interest income	11,567	26,346	3,447	41,360
Miscellaneous income	141,763	-	-	141,763
Total Revenues	13,279,191	26,346	1,294,308	14,599,845
Expenditures:				
Current:				
Fire safety and emergency services	11,276,469	-	-	11,276,469
Risk management services	495,303	-	-	495,303
Administration and support services	1,599,576	-	-	1,599,576
Debt service:				-
Principal	-	-	840,000	840,000
Interest	-	-	459,735	459,735
Capital outlay	480,230	-	-	480,230
Total Expenditures	13,851,578	-	1,299,735	15,151,313
Excess of Revenues Over (Under) Expenditures	(572,387)	26,346	(5,427)	(551,468)
Other Financing Sources (Uses):				
Transfers from other funds	-	134,237	-	134,237
Transfers to other funds	(134,237)	-	-	(134,237)
Total Other Financing Sources (Uses):	(134,237)	134,237	-	-
Net change in fund balances	(706,624)	160,583	(5,427)	(551,468)
Fund Balances - Beginning of Year	2,017,135	7,985,004	479,897	10,482,036
Fund Balances - End of Year	$ 1,310,511	$ 8,145,587	$ 474,470	$ 9,930,568

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, 2015

Net change in fund balances - total governmental funds	$ (551,468)
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.	528,917
Depreciation expense on capital assets is reported in the statement of activities but it does not require the use of current financial resources.	(1,207,200)
Governmental funds do not report the loss on disposal of fixed assets but the loss is reported in the Statement of Activities.	(62,128)
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	840,000
Amortization of bond premiums and deferred charges (net)	(13,451)
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 District's report date. Pension expense, which is the change in net pension liability adjusted for the change in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	(1,069,370)
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.	(11,859)
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.	(33,237)
Change in net position of governmental activities	$ (1,579,796)

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, 2015

	Pension Trust Fund
Assets	
Cash	$ 18,200
Investments	420,709
Other assets	222
Total Assets	439,131
Liabilities	
Due to general fund	25,000
Total Liabilities	25,000
Net Position	
Held in trust for pension benefits	$ 414,131

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, 2015

	Pension Trust Fund
Additions:	
Contributions:	
Employer	$ 4,647
Employee	4,647
Premium tax	1,279
Investment earnings	3,516
Interest income	33
Total additions	14,122
Deduction:	
Payments to plan participants	21,950
General and administrative	7,082
Total deductions	29,032
Change in net position	(14,910)
Net position - beginning	429,041
Net position - ending	$ 414,131

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

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.

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.

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

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 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 two types of items, which qualifies for reporting in this category. One item is a deferred outflow related to the refunding of the Series 2005A bonds. See Note 10. The other item 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 two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. One 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. The other item is pension related items reported on the government-wide financial statements. See footnote 7 for more information.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

For the year ended June 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the District's government-wide and proprietary fund financial statements (see Note 10).

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.

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, 2015, if any.

Note 3. Deposits and Investments

Deposits as of the District at June 30, 2015 consist of the following:

		Fair Value	Quality Rating	Weighted Average Maturity
Deposits:				
Cash on deposit with the Yavapai County Treasurer (Governmental Funds)	$	10,168,287	N/A	N/A
Cash on deposit with the Yavapai County Treasurer (Fiduciary Fund)	$	18,200	N/A	N/A
Investments (Fiduciary Fund):				
Oppenheimer Limited Bond Class A		223,735	(1)	N/A
Oppenheimer Limited Term Govt Fund Class A		196,974	(1)	N/A
Total cash and investments	$	10,607,196		

(1) Ratings are unkown.

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, consisting of the bank balance of $10,255,344 as of June 30, 2015, with the Yavapai County Treasurer's investment pool represent a proportionate interest in the pool's portfolio. However, the Districts allocation is not identified with any specific investments and is not subject to custodial credit risk.

Interest rate risk

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

Credit risk

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

Note 3. Deposits and Investments (Continued)

Investments

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

Note 4. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2015:

Governmental Activities:	**Balance 6/30/2014**	**Additions**	**Deletions**	**Reclassifications**	**Balance 6/30/2015**
Capital assets, not being depreciated:					
Land	$ 2,807,151	$ -	$ -	$ -	$ 2,807,151
Construction in progress	468,440	472,045	-	(538,724)	401,761
Total capital assets, not being depreciated	3,275,591	472,045	-	(538,724)	3,208,912
Capital assets, being depreciated:					
Buildings and improvements	18,171,093	-	-	28,272	18,199,365
Vehicles	7,037,647	-	-	98,780	7,136,427
Furniture and equipment	4,065,903	56,872	(341,704)	411,672	4,192,743
Total capital assets, being depreciated	29,274,643	56,872	(341,704)	538,724	29,528,535
Less accumulated depreciation for:					
Buildings and improvements	(3,047,260)	(487,800)	-	-	(3,535,060)
Vehicles	(3,233,243)	(396,943)	-	-	(3,630,186)
Furniture and equipment	(2,029,811)	(322,457)	279,576	-	(2,072,692)
Total accumulated depreciation	(8,310,314)	(1,207,200)	279,576	-	(9,237,938)
Total capital assets, being depreciated, net	20,964,329	(1,150,328)	(62,128)	538,724	20,290,597
Governmental activities capital assets, net	$ 24,239,920	$ (678,283)	$ (62,128)	$ -	$ 23,499,509

Depreciation expense of $1,207,200 was charged to the public safety function of the District.

Note 5. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
General Obligation Bonds:					
Series 2005A	$ 1,815,000	$ -	$ (575,000)	$ 1,240,000	$ 605,000
Series 2008B	4,865,000	-	(265,000)	4,600,000	275,000
Series 2013	5,930,000	-	-	5,930,000	35,000
Bond Premiums	234,634	-	(52,264)	182,370	-
Net Pension Liabilities	20,953,098	2,284,483	-	23,237,581	-
Compensated Absences	1,318,141	377,956	(344,719)	1,351,378	300,000
Total Governmental Activities	$ 35,115,873	$ 2,662,439	$ (1,236,983)	$ 36,541,329	$ 1,215,000

Long-term debt of the District at June 30, 2015 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.	$ 1,240,000
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.	4,600,000
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	11,770,000
Net Pension Liabilities	23,237,581
Accrued Compensated Absences	1,351,378
Bond Premiums	182,370
Total Long-Term Debt	36,541,329
Less Current portion:	
Governmental Activities	(1,215,000)
Net Long-Term Debt	$ 35,326,329

Note 5. Long-Term Debt (Continued)

The annual requirements to amortize bonds payable at June 30, 2015 are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Interest
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	$ 11,770,000	$ 2,585,786

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2015, $5,400,000 of defeased bonds remain outstanding.

Note 6. Interfund Transfers

Interfund transfers for the fiscal year ending June 30, 2015 are as follows:

	Transfers in: Capital Reserve Fund
Transfers out:	
General Fund	$ 134,237
Total	$ 134,237

Transfers were made to move unrestricted general fund revenues to the capital project fund to be used for future purchases of capital assets.

Note 7. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan description – The District 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.

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 earning. 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 survivor benefit is determined by the retirement benefit option chosen. 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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the

Note 7. Retirement and Pension Plans (Continued)

District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

The District's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	$ 110,357	$ 6,998	$ 2,584
2014	120,036	6,633	2,653
2015	125,127	6,779	1,379

Pension liability – At June 30, 2015, the District reported a liability of $1,841,445 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014, was 0.012445 percent, which was an increase of 0.000566 percent from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the District recognized pension expense for ASRS of $149,629. At June 30, 2015, the District 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	$ 93,588	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	322,012
Changes in proportion and differences between contributions and proportional share of contributions	65,439	-
Contributions subsequent to the measurement date	125,127	-
Total	$ 284,154	$ 322,012

The $125,127 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of

Note 7. Retirement and Pension Plans (Continued)

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
2016	$ (11,361)
2017	(11,361)
2018	(59,760)
2019	(80,503)
2020	-
Thereafter	-

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
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, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

Note 7. Retirement and Pension Plans (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined 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:

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term Expected Portfolio Real Rate of Return**
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
Inflation			3.00%
Expected arithmetic nominal return			8.79%

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 8.79 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 District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District'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	$ 2,327,492	$ 1,841,445	$ 1,577,740

Note 7. Retirement and Pension Plans (Continued)

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 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. The reports are available on the PSPRS website at www.psprs.com.

Note 7. 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
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. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

Note 7. Retirement and Pension Plans (Continued)

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	13
Active employees	78
Total	121

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, 2015, active PSPSR members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the District was required to contribute 41.31 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 actuarially set at 1.77 percent.

For the agent plans, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

Pension	
Contributions made	1,458,306
Health Insurance Premium Benefit	
Annual OPEB cost	75,252
Contributions made	75,252

Pension liability – At June 30, 2015, the District reported a net pension liability of $21,396,136. The net pension liability was measured as of June 30, 2014, 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, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Note 7. 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, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
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, 2014, 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 7.85 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 geometrical real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	100.00%	

Note 7. Retirement and Pension Plans (Continued)

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single 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, 2014	$ 39,742,613	$ 20,764,352	$ 18,978,261
Changes for the year:			
Service cost	1,039,524	-	1,039,524
Interest on total pension liability	3,093,089	-	3,093,089
Changes of benefit terms*	517,342	-	517,342
Difference between expected and actual experience in the measurement of the pension liability	(830,565)	-	(830,565)
Changes of assumptions**	3,435,988	-	3,435,988
Contributions - employer	-	1,424,610	(1,424,610)
Contributions - employee	-	570,958	(570,958)
Net investment income	-	2,865,009	(2,865,009)
Benefit payments, including refunds of employee contributions	(1,719,923)	(1,719,923)	-
Other changes	-	(23,074)	23,074
Net changes	5,535,455	3,117,580	2,417,875
Balances at June 30, 2015	$ 45,278,068	$ 23,881,932	$ 21,396,136

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

Note 7. 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 District's net pension liability calculated using the discount rate noted above, as well as what the District'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 (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	$ 26,970,902	$ 21,396,136	$ 16,760,347

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, 2015, the District recognized pension expense for PSPRS of $2,503,174. At June 30, 2015, the District 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	$ -	$ 725,686
Changes in assumptions	3,002,113	-
Net difference between projected and actual earnings on pension plan investments	-	937,116
Contributions subsequent to the measurement date	1,458,306	-
Total	$ 4,460,419	$ 1,662,802

Note 7. Retirement and Pension Plans (Continued)

The $1,458,306 reported as deferred outflows of resources related to PSPRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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 June 30	Deferred Outflows (Inflows) of Resources
2016	$ 94,717
2017	94,717
2018	94,717
2019	94,717
2020	328,996
Thereafter	631,447

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, 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 District 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 District 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 2015 contribution requirements:

Note 7. Retirement and Pension Plans (Continued)

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% 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 two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	$ 62,829	100%	-
	2014	72,644	100%	-
	2015	75,252	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	Insurance Subsidy
Actuarial accrued liability (AAL)	$ 958,774
Actuarial value of plan assets	913,281
Unfunded acturarial accrued liability (UAAL)	$ 45,493
Funded ratio (acturarial value of plan assets/AAL)	95.26%
Covered payroll (active plan members)	$ 5,536,675
UAAL as a percentage of covered payroll	0.82%

Note 7. Retirement and Pension Plans (Continued)

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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 2015 plan participants made contributions of $4,647 into the plan. The District also contributed $4,647. 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.

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. Restatement Adjustment

As mentioned in Note 1 to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	Governmental Activities
Restatement adjustment -	
implementation of GASB 68:	
Net pension liability	$ (20,953,098)
Deferred outflows - contributions	
made during fiscal year 2014	1,544,646
Total Restatement Adjustment	$ (19,408,452)

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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, 2015

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	$ 12,355,859	$ 12,355,859	$ 12,261,671	$ (94,188)
Fire district assistance tax	313,900	313,900	307,443	(6,457)
Maintenance agreements	22,750	22,750	36,418	13,668
Charges for services	342,600	342,600	452,270	109,670
Rents	38,000	38,000	32,302	(5,698)
Licenses and permits	200	200	150	(50)
Grants	173,346	173,346	35,607	(137,739)
Interest income	15,000	15,000	11,567	(3,433)
Miscellaneous income	79,000	79,000	141,763	62,763
Total Revenues	13,340,655	13,340,655	13,279,191	(61,464)
Expenditures:				
Current:				
Fire safety and emergency services	12,195,008	12,195,008	11,276,469	918,539
Risk management services	547,136	547,136	495,303	51,833
Administration and support services	1,673,051	1,673,051	1,599,576	73,475
Contingency	720,760	720,760	-	720,760
Capital outlay	996,372	996,372	480,230	516,142
Total Expenditures	16,132,327	16,132,327	13,851,578	2,280,749
Excess of Revenues Over/(Under) Expenditures	(2,791,672)	(2,791,672)	(572,387)	2,219,285
Other Financing Sources (Uses):				
Transfers from other funds	996,372	996,372	-	(996,372)
Transfers to other funds	-	-	(134,237)	(134,237)
Total Other Financing Sources (Uses):	996,372	996,372	(134,237)	(1,130,609)
Net change in fund balance	(1,795,300)	(1,795,300)	(706,624)	1,088,676
Fund Balance - Beginning of Year	1,795,300	1,795,300	2,017,135	221,835
Fund Balance - End of Year	$ -	$ -	$ 1,310,511	$ 1,310,511

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension Liability-ASRS
June 30, 2015

Arizona State Retirement System

		Reporting Fiscal Year (Measurement Date) 2015 (2014)
Proportion of the net pension liability (asset)		0.012445%
Proportionate share of the net pension liability (asset)	$	1,841,445
Covered employee payroll	$	1,144,117
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		160.95%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Contributions-ASRS
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Contractually required contribution	$ 120,036
Contributions in relation to the contractually required contribution	$ (120,036)
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 1,144,117
Contributions as a percentage of covered-employee payroll	10.49%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Changes in the Net Pension Liability and Related Ratios-PSPRS
June 30, 2015

Public Safety Personnel Retirement System

		Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total pension liability		
Service cost	$	1,039,524
Interest on total pension liability		3,093,089
Changes of benefit terms		517,342
Difference between expected and actual experience of the total net pension liability		(830,565)
Changes of assumptions		3,435,988
Benefit payments, including refunds of employee contributions		(1,719,923)
Net change in total pension liability		5,535,455
Total pension liability - beginning		39,742,613
Total pension liability - ending (a)	$	45,278,068
Plan fiduciary net position		
Contributions - employer	$	1,424,610
Contributions - employee		570,958
Net investment income		2,865,009
Benefit payments, including refunds of employee contributions		(1,719,923)
Other (net transfer)		(23,074)
Net change in plan fiduciary net position		3,117,580
Plan fiduciary net position - beginning		20,764,352
Plan fiduciary net position - ending (b)	$	23,881,932
Net pension liability - ending (a) - (b)	$	21,396,136

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Contributions-PSPRS
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Actuarially determined contribution	$ 1,424,610
Contributions in relation to the actuarially determined contribution	$ (1,424,610)
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 5,536,670
Contributions as a percentage of covered-employee payroll	25.73%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Required Supplementary Information
Schedule of Agent OPEB Plan Funding Progress-PSPRS
June 30, 2015

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

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)
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	95.26%	5,536,675	0.82%
2015	**	**	**	**	**	**

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	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2014 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 5.0%-9.0% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 5.0% to 4.0%
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

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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Other Communications from Independent Auditors

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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, 2015, 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 30, 2015.

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 30, 2015