

CENTRAL YAVAPAI FIRE DISTRICT
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
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 fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018 on our consideration of the Central Yavapai Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Yavapai Fire District's internal control over financial reporting and compliance.



HintonBurdick Arizona, PLLC
Flagstaff, Arizona
January 16, 2018

BOARD OF DIRECTORS

Steve Rutherford

Chairman

Bob Page

Clerk

Vici Lee Jacobs

Member

Darlene Packard

Member

Tom Steele

Member

CHIEF OFFICER

Scott Freitag

Fire Chief

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**Central Yavapai Fire District
Management's Discussion and Analysis
June 30, 2017**

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, 2017. 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 \$36,358,265. Of this amount, \$392,766 is restricted for debt service, and a balance of \$35,965,499 is unrestricted.
- During the year, the District's total net position increased by \$35,996,683.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$513,711, a decrease of \$8,233,339 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$120,945 or 0.84% of the 2017 fiscal year's total budgeted operating expenditures.
- The District's total debt for general obligation bonds decreased by \$1,067,264 during the current fiscal year. The decrease is due to the satisfaction of regularly scheduled bond debt service payments and amortization of the bond premium.
- Total revenue received in the General Fund was \$85,965 less than the final budget and expenditures were \$48,062 more 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

Management's Discussion and Analysis - Continued

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 15-16 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 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

Management's Discussion and Analysis - Continued

supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on page 40.

The basic governmental fund financial statements can be found on pages 17-20 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 21-22 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23-37 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Central Yavapai Fire District, assets exceeded liabilities by \$36,358,265 at the close of the most recent fiscal year.

Of the District's net position, \$392,766 is restricted for scheduled debt service payments. The remaining net position of \$35,965,499 is unrestricted.

Management's Discussion and Analysis - Continued

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

	Governmental Activities	
	6/30/2017	6/30/2016
Assets		
Current and other assets	\$ 1,014,768	\$ 10,158,345
Capital assets	6,412,245	24,394,254
Investment in CAFMA	39,013,994	0
Total assets	46,441,007	34,552,599
Deferred outflows of resources	243,609	6,219,315
Long-term liabilities outstanding	1,305,468	35,954,491
Other liabilities	9,020,883	2,965,990
Total liabilities	10,326,351	38,920,481
Deferred inflows of resources	0	1,489,851
Net position:		
Net investment in capital assets	0	13,154,004
Restricted for debt service	392,766	471,628
Unrestricted	35,965,499	(13,264,050)
Total net position	\$ 36,358,265	\$ 361,582

In comparison to fiscal year 2016, the total net position of the District increased by \$35,996,683. Key elements of this increase from the prior year are as follows:

- Because of an increase in assessed valuations, property taxes increased by \$869,670 in fiscal year 2017 in comparison to fiscal year 2016.
- Expenses for administrative and support services decreased by \$1,732,264 and are primarily attributed to the transfer of personnel under the management of CAFMA.
- Total equity interest realized from CAFMA in fiscal year 2017 was \$3,751,158 and income from the investment in CAFMA was \$35,262,836.

Management's Discussion and Analysis - Continued

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

	Governmental Activities	
	6/30/2017	6/30/2016
Revenues:		
Program revenues:		
Income (loss) from CAFMA	\$35,262,836	\$ 0
Charges for services	0	1,545,002
Operating grants and contributions	65,487	332,856
General revenues:		
Taxes	15,734,553	14,859,244
Interest earnings	20,101	32,718
Other revenues	17,133	0
Total revenues	51,100,110	16,769,820
Expenses:		
Public Safety	15,103,427	16,706,600
Total expenses	15,103,427	16,706,600
Special items:		
Assets transferred to CAFMA	(27,014,341)	0
Pension related deferred outflows transferred to CAFMA	(5,909,991)	0
Liabilities transferred to CAFMA	2,547,020	0
Pension related liabilities and deferred inflows transferred to CAFMA	26,626,154	0
Equity interest realized from CAFMA	3,751,158	0
Total special items	0	0
Increase/ (decrease) in net position	35,996,683	63,220
Net position, beginning	361,582	298,362
Net position, ending	\$ 36,358,265	\$ 361,582

Management's Discussion and Analysis - Continued

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 \$513,711, a decrease of \$8,233,339 in comparison with the prior year's balance. The largest components of the decrease are attributed to the transfer of assets to CAFMA in 2017; which provided funding resources for meeting the Authority's ongoing obligations to provide fire services to citizens.

Of the total combined governmental fund balance of \$513,711, the amount restricted for debt services payments was \$392,766, and the remaining amount of \$120,945 is unassigned, 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 \$120,945. 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 0.83% of total general fund expenditures of \$14,601,195.

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 2017 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$85,965 less than budgeted revenues, while total actual expenditures were \$48,062 more than budgeted expenditures. The revenue variance was attributed to less than collected revenues for fire contracts and the expenditure variance was primarily attributed to more than anticipated cost for support services (legal expenses).

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets as of June 30, 2017, totals \$6,412,245 (net accumulated depreciation). These assets include land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment.

Management's Discussion and Analysis - Continued

For more detailed information, see page 32 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 \$10,125,225. Long-term debt consists of the following items:

- General Obligation Bonds - \$9,840,000
- Bond Premiums - \$77,842
- Capital Lease - \$207,383

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 33-34.

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.

Property values in the District are down by 47.2% since fiscal year 2011. In the past fiscal year, the District saw a 4.87% increase in net assessed value; however, the implementation of Proposition 117 will enforce a maximal allowed increase in property value of 5% since fiscal year 2017. While the District has been able to budget through tax levy increases for the past two years, beginning in fiscal year 2017, property values are forecasted to increase by 4-5% annually. Therefore, the District will be forced to look at all expenses, including personnel expenses and capital replacement, and make decisions based on the new values with a conservative outlook on revenue projections.

Legislation also plays a major role in the development of budgets. With the legislative restrictions of a maximum tax rate of \$3.25, restrictive budget capacity increase of 8% per year (cumulative allowance), and Proposition 117 restriction of assessing property based on the Limited Property Value (LPV) from Full Cash Value (FCV) Assessments - the future trend will not sustain significant M&O budget increases. However, ongoing pension liability increases and contributions with legal challenges will force further budget and expenditure restrictions. 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 and personnel costs.

Due to the aforementioned challenges and financial limitations, the District had entered into an Intergovernmental Agreement (IGA) with the Chino Valley Fire District for joint management in fiscal year 2016. This agreement allowed the sharing of resources through administrative and

Management's Discussion and Analysis - Continued

upper management, providing an opportunity for financial review and decreased costs for services, supplies and personnel for the district. The Joint Management Agreement for fiscal year 2016 has led to a new IGA to create a Joint Powers Authority (JPA) under A.R.S § 48-805.01 for fiscal year 2017. This will create an organization that will manage all operations and personnel of both the Central Yavapai and Chino Valley Fire Districts. Additionally, all assets, liabilities and personnel will be transferred to the new organization – the Central Arizona Fire and Medical Authority – effective July 1, 2016.

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 8603 E. Eastridge Drive, Prescott Valley 86314, call (928) 772-771, or visit the District's website at www.cazfire.org.

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BASIC FINANCIAL STATEMENTS

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 634,691
Taxes receivable	380,077
Capital assets:	
Non-depreciable	2,002,670
Depreciable (net)	4,409,575
Investment in Central Arizona Fire and Medical Authority	39,013,994
Total assets	46,441,007
 Deferred Outflows of Resources	
Deferred charge on refunding	243,609
Total deferred outflows of resources	243,609
 Liabilities	
Accounts payable	10,920
Due to other governments	190,206
Noncurrent liabilities:	
Due within one year	1,104,342
Due in more than one year	9,020,883
Total liabilities	10,326,351
 Net Position	
Restricted for debt service	392,766
Unrestricted	35,965,499
Total net position	\$ 36,358,265

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

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities
Expenses:	
Public safety - fire protection and emergency services	
Fire safety and emergency services	\$ 14,448,523
Administrative and support services	152,672
Depreciation	102,633
Interest	399,599
	15,103,427
 Program revenues:	
Income (loss) from CAFMA	35,262,836
Operating grants and contributions	65,487
	35,328,323
Net program revenues	20,224,896
 General revenues	
Property taxes	15,413,518
Fire District Assistance Tax (FDAT)	321,035
Interest earnings	20,101
Other revenues	17,133
	15,771,787
 Special items	
Assets transferred to CAFMA	(27,014,341)
Pension related deferred outflows transferred to CAFMA	(5,909,991)
Liabilities transferred to CAFMA	2,547,020
Pension related liabilities and deferred inflows transferred to CAFMA	26,626,154
Equity interest realized from CAFMA	3,751,158
	-
Change in net position	35,996,683
Net position - beginning	361,582
Net position - ending	\$ 36,358,265

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

CENTRAL YAVAPAI FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Cash	\$ 248,738	\$ -	\$ 385,953	\$ 634,691
Property tax receivables	347,766	-	32,311	380,077
Total Assets	<u>596,504</u>	<u>-</u>	<u>418,264</u>	<u>1,014,768</u>
Liabilities:				
Accounts payable	10,920	-	-	10,920
Due to other governments	190,206	-	-	190,206
Total Liabilities	<u>201,126</u>	<u>-</u>	<u>-</u>	<u>201,126</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	274,433	-	25,498	299,931
Total deferred inflows of resources	<u>274,433</u>	<u>-</u>	<u>25,498</u>	<u>299,931</u>
Fund Balance:				
Restricted-debt service	-	-	392,766	392,766
Unassigned	120,945	-	-	120,945
Total Fund Balances	<u>120,945</u>	<u>-</u>	<u>392,766</u>	<u>513,711</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 596,504</u>	<u>\$ -</u>	<u>\$ 418,264</u>	<u>\$ 1,014,768</u>

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

CENTRAL YAVAPAI FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds		\$ 513,711
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet as follows:</p>		
Governmental capital assets	7,134,333	
Accumulated depreciation	<u>(722,088)</u>	6,412,245
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet as follows:</p>		
Bonds payable	(9,840,000)	
Unamortized bond premiums and deferred charges	165,767	
Capital leases	<u>(207,383)</u>	(9,881,616)
<p>The District has an equity interest in CAFMA. The investment is not a current financial resource and therefore is not reported in the funds.</p>		39,013,994
<p>Receivables which are not available to pay for current period expenditures are deferred on the governmental funds balance sheet.</p>		299,931
Net position of governmental activities		<u><u>\$ 36,358,265</u></u>

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

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 14,077,750	\$ -	\$ 1,309,503	\$ 15,387,253
Fire district assistance tax	321,035	-	-	321,035
Fire contracts	17,133	-	-	17,133
Grants	65,487	-	-	65,487
Interest income	15,763	-	4,338	20,101
Total Revenues	<u>14,497,168</u>	<u>-</u>	<u>1,313,841</u>	<u>15,811,009</u>
Expenditures:				
Current:				
Fire Authority funding	14,448,523	-	-	14,448,523
Administration and support services	152,672	-	-	152,672
Debt service:				
Principal	-	-	1,062,761	1,062,761
Interest	-	-	386,148	386,148
Total Expenditures	<u>14,601,195</u>	<u>-</u>	<u>1,448,909</u>	<u>16,050,104</u>
Excess of Revenues Over (Under) Expenditures	<u>(104,027)</u>	<u>-</u>	<u>(135,068)</u>	<u>(239,095)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	56,206	56,206
Transfers to other funds	(56,206)	-	-	(56,206)
Total Other Financing Sources (Uses)	<u>(56,206)</u>	<u>-</u>	<u>56,206</u>	<u>-</u>
Special items				
Assets transferred to CAFMA	(2,621,351)	(6,513,614)	-	(9,134,965)
Liabilities transferred to CAFMA	1,140,721	-	-	1,140,721
Total special items	<u>(1,480,630)</u>	<u>(6,513,614)</u>	<u>-</u>	<u>(7,994,244)</u>
Net change in fund balances	(1,640,863)	(6,513,614)	(78,862)	(8,233,339)
Fund Balances - Beginning of Year	<u>1,761,808</u>	<u>6,513,614</u>	<u>471,628</u>	<u>8,747,050</u>
Fund Balances - End of Year	<u>\$ 120,945</u>	<u>\$ -</u>	<u>\$ 392,766</u>	<u>\$ 513,711</u>

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

CENTRAL YAVAPAI FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ (8,233,339)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the statement of activities but it does not require the use of current financial resources.	(102,633)
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	1,062,761
Amortization of bond premiums and deferred charges (net)	(13,451)
Special items from Joint Power Authority Agreement	
Assets transferred to CAFMA	(23,789,367)
Liabilities transferred to CAFMA	28,032,453
The District has a share in the revenues of the investment in CAFMA. This revenue is not a current financial resource and therefore is not reported in the funds.	
Initial investment - special items	3,751,158
Current year change in investment	35,262,836
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.	
	<u>26,265</u>
Change in net position of governmental activities	<u><u>\$ 35,996,683</u></u>

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

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Net Position
Pension Trust Fiduciary Fund
June 30, 2017

	Pension Trust Fund
Assets	
Cash	\$ 16,238
Investments	348,303
Other assets	222
Total Assets	<u>364,763</u>
Liabilities	<u>-</u>
Net Position	
Held in trust for pension benefits	<u><u>\$ 364,763</u></u>

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

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Activities
Pension Trust Fiduciary Fund
For the Year Ended June 30, 2017

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 53
Employee	53
Investment earnings	2,862
Interest income	165
Total additions	3,133
 Deduction:	
Payments to plan participants	25,475
General and administrative	7,712
Total deductions	33,187
 Change in net position	(30,054)
 Net position - beginning	394,817
 Net position - ending	\$ 364,763

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

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

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. Effective July 1, 2016, the District transferred the majority of its assets, liabilities, equity and operations to the Central Arizona Fire and Medical Authority (CAFMA). See Note 10 for additional information.

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

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 one type of item, which qualifies for reporting in this category. It is a deferred outflow related to the refunding of the Series 2005A bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. *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.

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term obligations

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

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

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, 2017, if any.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 3. Deposits and Investments

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

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit with the			
Yavapai County Treasurer (Governmental	\$ 634,691	N/A	N/A
Cash on deposit with the			
Yavapai County Treasurer (Fiduciary Fund)	16,238	N/A	N/A
Oppenheimer Limited Bond Class A	148,890	(1)	N/A
Oppenheimer Limited Term Govt Fund Class A	<u>199,411</u>	(1)	N/A
	<u><u>\$ 999,230</u></u>		

(1) Ratings are unknown.

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

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. The deposits, consisting of the bank balance of \$648,887 as of June 30, 2017, with the Yavapai County Treasurer's investment pool represent a proportionate interest in the pool's portfolio. However, the District's allocation is not identified with any specific investments and is not subject to custodial credit risk.

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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 3. Deposits and Investments (Continued)

Investments

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

Fair value measurements

As noted above, the District holds investments that are measured at fair value on a recurring basis. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Oppenheimer Funds as listed above are valued using quoted prices that are observable for the assets (Level 2 inputs)

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CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 4. Capital Assets

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

Governmental Activities:	Balance 6/30/16	Additions	Deletions	*Transferred to Central Arizona Fire & Medical	Balance 6/30/17
Capital assets, not being depreciated:					
Land	\$ 2,807,151	\$ -	\$ -	\$ (804,481)	\$ 2,002,670
Construction in progress	1,671,447	-	-	(1,671,447)	-
Total capital assets, not being depreciated	<u>4,478,598</u>	<u>-</u>	<u>-</u>	<u>(2,475,928)</u>	<u>2,002,670</u>
Capital assets, being depreciated:					
Buildings and improvements	18,199,365	-	-	(13,067,702)	5,131,663
Vehicles	7,718,501	-	-	(7,718,501)	-
Furniture and equipment	4,477,787	-	-	(4,477,787)	-
Total capital assets, being depreciated	<u>30,395,653</u>	<u>-</u>	<u>-</u>	<u>(25,263,990)</u>	<u>5,131,663</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,022,688)	(102,633)		3,403,233	(722,088)
Vehicles	(4,043,607)	-		4,043,607	-
Furniture and equipment	(2,413,702)	-		2,413,702	-
Total accumulated depreciation	<u>(10,479,997)</u>	<u>(102,633)</u>	<u>-</u>	<u>9,860,542</u>	<u>(722,088)</u>
Total capital assets, being depreciated, net	<u>19,915,656</u>	<u>(102,633)</u>	<u>-</u>	<u>(15,403,448)</u>	<u>4,409,575</u>
Governmental activities capital assets, net	<u>\$ 24,394,254</u>	<u>\$ (102,633)</u>	<u>\$ -</u>	<u>\$ (17,879,376)</u>	<u>\$ 6,412,245</u>

* See Note 10

Depreciation expense of \$102,633 was charged to the public safety function of the District.

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CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 5. Long-Term Debt

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

Governmental Activities:	Balance 6/30/16	Additions	Retirements	*Transferred to Central Arizona Fire & Medical	Balance 6/30/17	Current Portion
General Obligation Bonds:						
Series 2005A	\$ 635,000	\$ -	\$ (635,000)	\$ -	\$ -	\$ -
Series 2008B	4,325,000	-	(285,000)	-	4,040,000	295,000
Series 2013	5,895,000	-	(95,000)	-	5,800,000	760,000
Bond Premiums	130,106	-	(52,264)	-	77,842	-
Capital Lease	255,144	-	(47,761)	-	207,383	49,342
Net Pension Liabilities	25,136,303	-	-	(25,136,303)	-	-
Compensated Absences	1,406,299	-	-	(1,406,299)	-	-
 Total Governmental Activities	 <u>\$ 37,782,852</u>	 <u>\$ -</u>	 <u>\$ (1,115,025)</u>	 <u>\$ (26,542,602)</u>	 <u>\$ 10,125,225</u>	 <u>\$ 1,104,342</u>

*See Note 10

Long-term debt of the District at June 30, 2017 is comprised of the following issues:

General Obligation Bonds:

Governmental Activities:

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. \$ 4,040,000.00

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. 5,800,000

Total Governmental Activities 9,840,000

Capital Lease 207,383

Bond Premiums 77,842

Total Long-Term Debt 10,125,225

Less Current portion:
 Governmental Activities (1,104,342)

Net Long-Term Debt \$ 9,020,883

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 5. Long-Term Debt (Continued)

The annual requirements to amortize bonds payable at June 30, 2017 are as follows:

Year Ended June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 1,055,000	\$ 331,270
2019	1,095,000	299,026
2020	1,125,000	265,510
2021	1,165,000	230,735
2022-2026	4,520,000	602,312
2027-2028	880,000	59,850
Totals	\$ 9,840,000	\$ 1,788,703

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.

In June 2016, the District entered into a capital lease agreement with Motorola Solutions, Inc. as lessor to finance the purchase of radio equipment. The capital lease payable totaled \$255,144. Under the terms of the lease, annual payments of \$56,206 shall be made including interest at an effective rate of 3.31 percent. The final payment is scheduled to be made in May 2021. The balance outstanding at June 30, 2017 was \$207,383. The radio equipment was transferred to Central Arizona Fire and Medical effective July 1, 2016.

The future minimum lease obligation and the net present value of these lease payments as of June 30, 2017 were as follows:

Year Ended June 30,	Governmental Activities
2018	\$ 56,206
2019	56,206
2020	56,206
2021	56,206
2022	-
Total remaining minimum lease payments:	224,824
Less: amount representing interest:	(17,441)
Present value of remaining minimum lease payments:	\$ 207,383

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 6. Interfund Transfers

Interfund transfers for the fiscal year ending June 30, 2017 are as follows:

	Transfers in:
<u>Transfers out:</u>	Debt Service Fund
General Fund	\$ 56,206
Total	\$ 56,206

Transfers were made to move unrestricted general fund revenues to the debt service fund to be used for debt service payments.

Note 7. Retirement and Pension Plans

Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS)

Effective July 1, 2016 the District transferred the net pension liability and related deferred inflows and outflows to CAFMA. See Note 10.

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 2017 plan participants made contributions of \$53 into the plan. The District also contributed \$53. 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.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 7. Retirement and Pension Plans (Continued)

- 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 District is party to a variety of intergovernmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 10. Joint Power Authority Agreement

Effective July 1, 2016, Chino Valley Fire District and Central Yavapai Fire District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in ARS 48-805.01. Pursuant to the JPA, both Districts transferred and combined their personnel, equipment, fire stations, all other assets and liabilities (excluding bond debt), and services into the new entity, Central Arizona Fire and Medical Authority (CAFMA). CAFMA will provide the administrative and public safety functions of the Districts. The Districts will provide funding for these activities pursuant to budgets. The purpose of creating CAFMA is to facilitate the efficient operation of both organizations through combined resources while reducing costs through combining purchasing, providing services and vendor accounts. Both Chino Valley Fire District and Central Yavapai Fire District will continue to exist as legal entities for the purpose of collecting taxes and bonding authority.

During the fiscal year ended June 30, 2017, Central Yavapai Fire District made member contributions to CAFMA totaling \$14,448,523. For financial reporting purposes, CAFMA is treated as a joint venture. As such, an equity interest is reported on the government-wide financial statements as an asset on the statement of net position, and the change in the equity interest is reported as program income in the statement of activities. At June 30, 2017 the District's equity interest in CAFMA was \$39,013,994. CAFMA is considered a related party and separate financial statements are available. A reconciliation of the investment in CAFMA is as follows:

Initial assets and liabilities transferred to CAFMA	\$ 24,467,321
Initial pension related deferred inflows, deferred outflows and liabilities transferred to CAFMA	(20,716,163)
Change in net position excluding pension items transferred included above	<u>35,262,836</u>
Change in net position of CAFMA	<u>14,546,673</u>
Investment in CAFMA	<u><u>\$ 39,013,994</u></u>

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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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 14,166,233	\$ 14,166,233	\$ 14,077,750	\$ (88,483)
Fire district assistance tax	313,900	313,900	321,035	7,135
Fire contracts	38,000	38,000	17,133	(20,867)
Grants	65,000	65,000	65,487	487
Interest income	-	-	15,763	15,763
Total Revenues	<u>14,583,133</u>	<u>14,583,133</u>	<u>14,497,168</u>	<u>(85,965)</u>
Expenditures:				
Current:				
Fire Authority funding	14,449,633	14,449,633	14,448,523	1,110
Administration and support services	83,500	83,500	152,672	(69,172)
Contingency	20,000	20,000	-	20,000
Total Expenditures	<u>14,553,133</u>	<u>14,553,133</u>	<u>14,601,195</u>	<u>(48,062)</u>
Excess of Revenues Over/(Under) Expenditures	<u>30,000</u>	<u>30,000</u>	<u>(104,027)</u>	<u>(134,027)</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	-	(56,206)	(56,206)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(56,206)</u>	<u>(56,206)</u>
Special items				
Assets transferred to CAFMA	-	-	(2,621,351)	(2,621,351)
Liabilities transferred to CAFMA	-	-	1,140,721	1,140,721
Total special items	<u>-</u>	<u>-</u>	<u>(1,480,630)</u>	<u>(1,480,630)</u>
Net change in fund balance	30,000	30,000	(1,640,863)	(1,670,863)
Fund Balance - Beginning of Year	(30,000)	(30,000)	1,761,808	1,791,808
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,945</u>	<u>\$ 120,945</u>

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, 2017, 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 January 16, 2018.

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 Arizona, PLLC
Flagstaff, Arizona
January 16, 2018

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

Central Yavapai Fire District
Prescott Valley, Arizona

We have audited the basic financial statements of Central Yavapai Fire District (the District) for the year ended June 30, 2017, and have issued our report thereon dated January 16, 2018. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

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

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

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

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

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

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Sincerely,



HintonBurdick Arizona, PLLC
Flagstaff, Arizona
January 16, 2018