

# Central Yavapai Fire District

Financial Statements

June 30, 2022



CENTRAL YAVAPAI FIRE DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Central Yavapai Fire District  
Prescott Valley, Arizona

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Yavapai Fire District, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Central Yavapai Fire District, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Central Yavapai Fire District, Arizona, as of June 30, 2022, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Yavapai Fire District, Arizona, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2022 the Central Yavapai Fire District adopted the new accounting guidance, Government Accounting Standards Board No 87, *Leases*. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## **Responsibilities of Management for the Financial Statements (Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Yavapai Fire District, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Yavapai Fire District, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Yavapai Fire District, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Central Yavapai Fire District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the Central Yavapai Fire District, Arizona'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, Arizona's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 19, 2022



**BOARD OF DIRECTORS**

Matt Zurcher, Board Chair

Rick Anderson, Member

Pete Gordon, Member

Darlene Packard, Clerk

Dane Beck, Member

**CHIEF OFFICER**

Scott Freitag, Fire Chief



**Central Yavapai Fire District  
Management's Discussion and Analysis  
June 30, 2022**

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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, 2022. 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 \$13,026,678. Of this amount \$25,733 is restricted for debt service and a balance of \$13,000,945 is unrestricted.
- During the year, the District's total net position decreased by \$4,308,924.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$949,982, an increase of \$30,688 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$845,232 or 3.9% of the 2022 fiscal year's total budgeted operating expenditures.
- Total revenue received in the General Fund was \$69,298 more than the final budget and expenditures were \$31,701 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 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 as noted in the Table of Contents.

### **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 two (2) individual governmental funds: the General 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 as noted in the Table of Contents.

The basic governmental fund financial statements can be found as noted in the Table of Contents.

*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 as noted in the Table of Contents.

**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 as noted in the Table of Contents.

**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 \$13,026,678 at the close of the most recent fiscal year.

Of the District's net position, \$0 reflects its investment in capital assets (e.g. land, and buildings and improvements); as all assets were transferred to CAFMA; \$25,733 is restricted for scheduled debt service payments. The remaining net position of \$13,000,945 is unrestricted.

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

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets:</b>		
Current and other assets	\$ 1,233,935	\$ 1,228,038
Investment in joint venture	15,997,436	21,510,875
Total assets	<u>17,231,371</u>	<u>22,738,913</u>
<b>Deferred outflows of resources</b>	<u>25,019</u>	<u>68,737</u>
<b>Liabilities:</b>		
Other liabilities	2,048	2,048
Long-term liabilities outstanding	4,245,000	5,470,000
Total liabilities	<u>4,247,048</u>	<u>5,472,048</u>
<b>Net position:</b>		
Restricted for debt service	25,733	24,503
Unrestricted	13,000,945	17,311,099
Total net position	<u><u>\$ 13,026,678</u></u>	<u><u>\$ 17,335,602</u></u>

In comparison to fiscal year 2021, the total net position of the District decreased by \$4,308,924.

Key elements of this change from the prior year are as follows:

- Because of an 8% increase in net assessed valuations, property taxes increased by \$1,753,134 in fiscal year 2022 in comparison to fiscal year 2021.
- Expenses for administrative and support services decreased by \$2,315 and are primarily attributed to the decrease in operating and funding expenses.
- Total loss realized from the joint venture in fiscal year 2022 was \$5,513,439.

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

	<b>Condensed Statement of Changes in Net Position</b>	
	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Income (loss) from joint venture	\$ (5,513,439)	\$ (7,285,192)
<b>General revenues:</b>		
Taxes	22,848,027	21,094,893
Interest earnings	23,924	8,692
Other revenues	65,928	58,408
Total revenues	<u>17,424,440</u>	<u>13,876,801</u>
<b>Expenses:</b>		
Public Safety	<u>21,733,364</u>	<u>20,028,443</u>
Increase/ (decrease) in net position	(4,308,924)	(6,151,642)
Net position, beginning	<u>17,335,602</u>	<u>23,487,244</u>
Net position, ending	<u><u>\$ 13,026,678</u></u>	<u><u>\$ 17,335,602</u></u>

### **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 \$949,982, an increase of \$30,688 in comparison with the prior year's balance. The largest components of the increase are attributed to the funding requirements of the joint venture in 2021 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 \$949,982, the amount restricted for debt services payments was \$8,223, the committed balance is \$96,527 and the remaining amount of \$845,232 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 \$845,232. 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 3.9% of total general fund expenditures of \$21,531,622.

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 2022 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$69,298 more than budgeted revenues, while total actual expenditures were \$31,701 more than budgeted expenditures. The revenue variance was primarily attributed to less than anticipated collections and the expenditure variance was primarily attributed to a decrease in administration and support services expenditures.

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

**Lease receivables** – The District has a cell tower lease with an extended contract. Due to GASB 87 implementation in the current fiscal year, the present value of the expected collections is being presented on the financials as a lease receivable with associated deferred inflow.

**Capital assets** – The District had no investments in capital assets as of June 30, 2022, as all land and buildings were transferred to CAFMA during the prior fiscal year.

**Long-term Debt** – At the end of the current fiscal year, the District had total outstanding debt of \$4,245,000. Long-term debt consists of a 2013 and 2018 private placement refunding of General Obligation bonds.

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 as noted in the Table of Contents.

## **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.

The Net Assessed Values of the Central Yavapai Fire District have increased by 8% over the past year. Fire Districts are funded largely by property taxes and when values increase, usually tax rates can be conservatively maintained or if the values decrease, the District must respond in their budgeting process by cutting costs and/or increasing the tax levy.

The implementation of Proposition 117 enforced a maximal allowed increase in property value of 5% since fiscal year 2017 plus new construction assessment value. While the organization has maintained a fiscally conservative approach to the tax rate, the increasing service demands over the past 3 years (28% in call volume) will require increases to tax rates in addition to the forecasted property value increases.

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 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 created an organization that manages all assets, operations and personnel of both the Central Yavapai and Chino Valley Fire Districts.

### **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.gov](http://www.cazfire.gov).



## BASIC FINANCIAL STATEMENTS



CENTRAL YAVAPAI FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 819,918
Taxes receivable	409,799
Lease receivable	599,958
Miscellaneous receivable	4,218
Investment in joint venture	<u>15,997,436</u>
 Total assets	 <u>17,831,329</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	<u>25,019</u>
 <b>LIABILITIES</b>	
Accounts payable	2,048
Noncurrent liabilities	
Due within one year	1,255,000
Due in more than one year	<u>2,990,000</u>
 Total liabilities	 <u>4,247,048</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to leases	<u>582,622</u>
 <b>NET POSITION</b>	
Restricted for debt service	25,733
Unrestricted	<u>13,000,945</u>
 Total net position	 <u><u>\$ 13,026,678</u></u>

CENTRAL YAVAPAI FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022

	<u>Governmental Activities</u>
EXPENSES	
Fund transfer to:	
Fire authority funding	\$ 21,524,109
Public safety fire protection:	
Administrative and support services	7,843
Interest	<u>201,412</u>
Total program expenses	<u>21,733,364</u>
PROGRAM REVENUES	
Income (loss) from joint venture	<u>(5,513,439)</u>
Net program expense	<u>(27,246,803)</u>
GENERAL REVENUES	
Property taxes	22,447,367
Fire District Assistance Tax (FDAT)	400,660
Interest earnings	23,924
Other revenues	<u>65,928</u>
Total general revenues	<u>22,937,879</u>
CHANGE IN NET POSITION	(4,308,924)
NET POSITION BEGINNING OF YEAR	<u>17,335,602</u>
NET POSITION END OF YEAR	<u><u>\$ 13,026,678</u></u>

CENTRAL YAVAPAI FIRE DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 723,391	\$ 96,527	\$ 819,918
Property taxes receivables	384,066	25,733	409,799
Lease receivables	599,958	-	599,958
Miscellaneous receivables	4,218	-	4,218
Total assets	<u>1,711,633</u>	<u>122,260</u>	<u>1,833,893</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	<u>2,048</u>	<u>-</u>	<u>2,048</u>
Total liabilities	<u>2,048</u>	<u>-</u>	<u>2,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	281,731	17,510	299,241
Deferred inflows related to leases	<u>582,622</u>	<u>-</u>	<u>582,622</u>
Total deferred inflow of resources	<u>864,353</u>	<u>17,510</u>	<u>881,863</u>
<b>FUND BALANCES</b>			
Restricted - debt service	-	8,223	8,223
Committed	-	96,527	96,527
Unassigned	<u>845,232</u>	<u>-</u>	<u>845,232</u>
Total fund balances	<u>845,232</u>	<u>104,750</u>	<u>949,982</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,711,633</u>	<u>\$ 122,260</u>	<u>\$ 1,833,893</u>

See accompanying notes.

CENTRAL YAVAPAI FIRE DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2022

Total fund balances - governmental funds		\$ 949,982
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables which are not available to pay for current period expenditures are deferred in the governmental funds balance sheet.		299,241
The District has an equity interest in a joint venture. The investment is not a current financial resource and therefore is not reported in the funds.		15,997,436
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	\$ (4,245,000)	
Unamortized deferred charge on refunding	<u>25,019</u>	<u>(4,219,981)</u>
Net position of governmental activities - statement of net position		<u>\$ 13,026,678</u>

CENTRAL YAVAPAI FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Property taxes	\$ 21,081,060	\$ 1,312,386	\$ 22,393,446
Fire district assistance tax	400,660	-	400,660
Fire contracts	65,928	-	65,928
Interest income	21,571	2,353	23,924
Total revenues	<u>21,569,219</u>	<u>1,314,739</u>	<u>22,883,958</u>
<b>EXPENDITURES</b>			
Current			
Fire Authority funding	21,524,109	-	21,524,109
Administrative and support services	7,513	330	7,843
Debt Service			
Principal	-	1,225,000	1,225,000
Interest	-	157,694	157,694
Total expenditures	<u>21,531,622</u>	<u>1,383,024</u>	<u>22,914,646</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	37,597	(68,285)	(30,688)
Fund balances - beginning of year	<u>807,635</u>	<u>173,035</u>	<u>980,670</u>
Fund balances - end of year	<u>\$ 845,232</u>	<u>\$ 104,750</u>	<u>\$ 949,982</u>

See accompanying notes.

CENTRAL YAVAPAI FIRE DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ (30,688)

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

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. 53,921

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 the 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	\$ 1,225,000	
Amortization of deferred charges on refunding	<u>(43,718)</u>	1,181,282

The District has a share in the revenues of the investment  
 in a joint venture. This revenue is not a current financial  
 resource and therefore is not reported in the funds.

Current year change in investment	<u>(5,513,439)</u>
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Change in net position of governmental activities	<u><u>\$ (4,308,924)</u></u>
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CENTRAL YAVAPAI FIRE DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2022

	<u>Pension Trust Fund</u>
ASSETS	
Cash	\$ 18,613
Investments	<u>244,494</u>
Total Assets	<u>263,107</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for:	
Pension pool participants	<u>263,107</u>
Total net position	<u><u>\$ 263,107</u></u>

CENTRAL YAVAPAI FIRE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2022

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 27,600
Investment earnings:	
Interest	3,500
Net change in fair value of investments	<u>(61,860)</u>
Net investment earnings	<u>(58,360)</u>
Total Additions	<u>(30,760)</u>
DEDUCTIONS	
Distributions to plan participants	<u>26,779</u>
Total deductions	<u>26,779</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(57,539)
NET POSITION - BEGINNING	<u>320,646</u>
NET POSITION - ENDING	<u><u>\$ 263,107</u></u>

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures of the Central Yavapai Fire District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The 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).

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential component units.

B. Government-Wide and Fund Financial Statements

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

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member contributions are recognized in the period they are billed. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met. The exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – 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 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 District 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, 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 FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The District reports the following major governmental funds:

General Fund – This fund is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in other funds.

Debt Service Fund – This 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:

Pension Trust Fund – This fund is a Fiduciary Fund and is used to account for assets held on behalf of others, namely the Volunteer Firefighter Pension Fund (See Note 5).

D. Budgeting and Budgetary Control

The District Board formally adopts an annual budget for all operating funds which is submitted to the county treasurer and county board of supervisors. The budgets are adopted by the District on a basis consistent with ARS 48-807. This basis allows the District Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The District management generally cannot exceed the total expenditure budget.

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

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

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

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

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Inventory 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.

G. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, including those that are leased by the District, are reported in the government-wide financial statements. 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 initial individual cost of \$5,000 or more and an estimated useful life equal to or exceeding two years. All assets purchased for the benefit of the District are accumulated under Central Arizona Fire and Medical Authority (CAFMA). Any assets purchased through Central Yavapai Fire District will be transferred to CAFMA. However, those same assets may contain contracts in the name of Central Yavapai Fire District that meet the definition of a lease in accordance with GASB 87, and those leases have been reported in Central Yavapai Fire District.

Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CENTRAL YAVAPAI FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	35 – 40
Vehicles and equipment	3 – 25

Intangible right-to-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

H. Fund Balances – Governmental Funds

Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in Nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the District Board. The Board is the highest level of decision-making District for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the District Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the Board or any official or body to which the District Board delegates District may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

J. 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.

K. 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.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results could differ from those estimates.

M. 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 District has one type of item that qualified for this category. It is the deferred amount on refunding of bonds reported on the government-wide financial statements.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for this category. Lease related items that are reported both on the modified accrual basis of accounting and full accrual basis of accounting.



CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Property taxes

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

O. Leases

As lessee, the District recognizes lease liabilities with an initial, individual value of \$10,000 or more. The District uses an estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the average interest rate of other financing instruments with similar terms and risks as those currently entered into by the District.

As lessor, the District recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The District's estimated incremental borrowing rate is calculated using the same method used on their lessee transactions above.

P. Funding requirement contributions

Amounts reported as funding requirement contributions include contributions of funds to the Central Arizona Fire and Medical Authority for public safety and administrative services provided to the District. In addition, for the year ended June 30, 2022 the transfer of the member districts' assets and liabilities are included as current year special items. See schedules in Note 8 for further information.

Q. Change in Accounting Principle

For the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the District's financial statements have been modified to reflect the recognition of certain lease assets for leases that were previously classified as rental income and recognized as inflows of resources based on the contract payment provisions. The District's current lessee obligations are insignificant to the financial statements and have not been further disclosed.

CENTRAL YAVAPAI FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2022

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2022, the carrying amount of the District's deposits totaled \$819,918 and the amount on deposit with the Yavapai County Treasurer's Office was \$854,377. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

	Fair Value	Credit Rating	Weighted Average Maturity
Cash on deposit with			
Yavapai County Treasurer (Governmental)	\$ 819,918	N/A	N/A
Yavapai County Treasurer (Fiduciary Fund)	14,383	N/A	N/A
AssetMark Trust Company (Fiduciary Fund)	4,230	N/A	N/A
Investments (Fiduciary Fund)			
AssetMark - Mutual Funds	30,252	Unknown	N/A
AssetMark - ETF/Fixed Income	214,242	Unknown	N/A
	<u>\$ 1,083,025</u>		

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

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 investments listed above are valued using quoted prices that are observable for the assets (Level 2 inputs).

CENTRAL YAVAPAI FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2022

NOTE 3 LEASES

As of June 30, 2022, the District is reporting leases receivable of \$599,958 and Deferred Inflows Related to Leases of \$582,622. For the fiscal year 2022, the District reported lease revenue of \$46,804 and interest revenue of \$16,759, related to lease payments received. From time to time, the District's lease contracts include variable lease payments, including residual value guarantees, that are not included in the lease receivable because they are not fixed in substance. The District recognized an insignificant amount of revenue related to these variable lease payments and they have not been further disclosed or included in the measurement of the District's lease receivables. The District only has one lessor agreement.

On July 10, 2006, the District entered into a five-year lease as Lessor for the use of real property with Cingular Wireless. The lessee has four extension options for an additional five years and the District is reasonably certain that the lessee will renew the lease. The lessee is required to make annual fixed payments of \$2,500 with 7.5% increases each year. The lease has an interest rate of 2.679%. Based on this agreement, the City is receiving payments through 2032. In accordance with the provisions of GASB No. 87, the lease was retroactively measured as of July 1, 2021.

Future payments due to the District are as follows for the years ending June 30:

<u>Fiscal year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 50,350	\$ 15,463	\$ 65,813
2024	53,994	14,069	68,063
2025	57,737	12,576	70,313
2026	61,580	10,983	72,563
2027	65,530	9,283	74,813
2028-2032	310,767	17,980	328,747
Total	<u>\$ 599,958</u>	<u>\$ 80,354</u>	<u>\$ 680,312</u>

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers to the debt service fund were made to help pay debt service during the year. As of June 30, 2022, there were no interfund receivables or payables.

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 5 LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

Governmental activities:	Balance 06/30/21	Additions	Retirements	Balance 06/30/22	Current Portion
General Obligation Bonds:					
Series 2013	\$ 2,620,000	\$ -	\$ (850,000)	\$ 1,770,000	\$ 875,000
Series 2018	2,850,000	-	(375,000)	2,475,000	380,000
Governmental activities long-term liabilities	\$ 5,470,000	\$ -	\$ (1,225,000)	\$ 4,245,000	\$ 1,255,000

The annual requirements to amortize bonds payable at June 30, 2022 are as follows:

Year Ended June 30,	General Obligation Bonds	
	Principal	Interest
2023	\$ 1,255,000	\$ 123,348
2024	1,290,000	88,183
2025	405,000	52,020
2026	420,000	39,627
2027	430,000	26,775
2028-2032	445,000	13,617
Totals	\$ 4,245,000	\$ 343,570

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 August 2013, the District issued \$5,930,000 of GO Refunding Bond Series 2013 and for the purpose of advance refunding on the Greater Arizona Development Authority (GADA) loan in 2005. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issued had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities, which together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount of the defeased bonds still outstanding as of June 30, 2022 was \$1,770,000.

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 5 LONG TERM DEBT (Continued)

In June 2018, the District issued \$3,900,000 of GO Refunding Bond Series 2018 and for the purpose of advance refunding the GO Bond Series 2008B. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount of the defeased bonds still outstanding as of June 30, 2022 was \$2,475,000.

NOTE 6 PENSION PLANS

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. Retired reserve firefighters of the District participate in the plan. Participants were required to contribute 10% of compensation and not less than \$75 annually. The District matched the contributions of each participant. During fiscal year 2022 plan participants and the District made no contributions into the plan. This plan is closed to new participants, and is a pay as you go plan. 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 7 RISK MANAGEMENT

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

CENTRAL YAVAPAI FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

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

NOTE 9 JOINT POWER DISTRICT 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.

CENTRAL YAVAPAI FIRE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2022

NOTE 9 JOINT POWER DISTRICT AGREEMENT (Continued)

During the fiscal year ended June 30, 2022, Central Yavapai Fire District made member contributions to CAFMA totaling \$21,524,109. 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, 2022 the District's equity interest in CAFMA was \$15,997,436. CAFMA is considered a related party and separate financial statements are available. A reconciliation of the investment in CAFMA is as follows:

Investment in CAFMA as of June 30, 2021		\$ 21,510,875
Funding contribution		21,524,109
Allocation of revenues from CAFMA	\$ 3,190,208	
Allocation of costs from CAFMA	<u>(30,227,756)</u>	
Change in net position of CAFMA		<u>(27,037,548)</u>
Investment in CAFMA as of June 30, 2022		<u>\$ 15,997,436</u>

REQUIRED SUPPLEMENTARY INFORMATION



CENTRAL YAVAPAI FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 21,044,253	\$ 21,081,060	\$ 36,807
Fire district assistance tax	400,000	400,660	660
Fire contracts	55,668	65,928	10,260
Interest Income	-	21,571	21,571
Total Revenues	<u>21,499,921</u>	<u>21,569,219</u>	<u>69,298</u>
<b>EXPENDITURES</b>			
Current			
Fire Authority funding	21,466,421	21,524,109	(57,688)
Administration and support services	<u>33,500</u>	<u>7,513</u>	<u>25,987</u>
Total expenditures	<u>21,499,921</u>	<u>21,531,622</u>	<u>(31,701)</u>
Net change in fund balance	-	37,597	37,597
Fund Balance - Beginning of Year	<u>807,635</u>	<u>807,635</u>	-
Fund Balance - End of Year	<u><u>\$ 807,635</u></u>	<u><u>\$ 845,232</u></u>	<u><u>\$ 37,597</u></u>

## REPORT ON INTERNAL CONTROL AND COMPLIANCE

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  
Central Yavapai Fire District  
Prescott Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Central Yavapai Fire District, Arizona, (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Central Yavapai Fire District's basic financial statements and have issued our report thereon dated December 19, 2022.

**Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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.

## **Report on 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 financial statements. 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*.

## **Report on Compliance with State of Arizona Regulatory Requirements**

In connection with our audit, nothing came to our attention that caused us to believe that Central Yavapai Fire District 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's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

## **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.

*Baker Tilly US, LLP*

Tempe, Arizona  
December 19, 2022