

## AGENDA

**Central Arizona Fire and Medical Authority  
Central Yavapai Fire District Board of Directors  
CY Special Meeting**

**Monday, February 5, 2024, 4:30 pm - 5:00 pm**

**Central Arizona Fire and Medical Authority, Administration, 8603 E. Eastridge Drive,  
Prescott Valley**

### NOTICE OF MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Central Yavapai Fire District Board of Directors and the general public that the **Central Yavapai Fire District** will hold a meeting open to the public on **Monday, February 5, 2024 at 4:30 p.m.** The meeting will be held at **Central Arizona Fire and Medical Authority, Administration, 8603 E. Eastridge Drive, Prescott Valley, Arizona.** The Board may vote to go into Executive Session on any agenda item, pursuant to A.R.S. §38-431.03(A)(3) for discussion and consultation for legal advice with the District's Attorney on matters as set forth in the agenda item. The following topics and any variables thereto, will be subject to Board consideration, discussion, approval, or other action. All items are set for possible action. Members may attend in person or via remote methods of communication.

1. CALL TO ORDER / ROLL CALL OF BOARD MEMBERS
2. PLEDGE OF ALLEGIANCE
3. CALL TO THE PUBLIC

In accordance with A.R.S. §38-431.01(H) and as a matter of policy, the Central Yavapai Fire District Board has decided to allow public comments as time permits. Therefore, those wishing to address the Board regarding an issue within the jurisdiction of this public body may do so in an orderly manner that includes completing a Call to the Public Form and submitting it to staff for the record. If a written statement is being read, please provide a copy to ensure it is entered into the record accurately. Individuals will be limited to speak for three (3) minutes and Call to the Public shall not exceed 15 minutes per meeting.

4. OLD BUSINESS
  - A. Discussion and Possible Approval of the Fiscal Year 2023 Final Audit Report
5. ADJOURNMENT

Disabled persons needing reasonable accommodations should call 928-772-7711 prior to the scheduled meeting.

# **Reporting and insights from 2023 audit:**

## **Central Yavapai Fire District**

**June 30, 2023**

# Executive summary

January 24, 2024

Board of Directors  
Central Yavapai Fire District  
Prescott Valley, Arizona

We have completed our audit of the financial statements of Central Yavapai Fire District (the "District") for the year ended June 30, 2023 and have issued our report thereon dated January 24, 2024. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your District's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Central Yavapai Fire District should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Engagement partner, Brian Hemmerle: [Brian.Hemmerle@bakertilly.com](mailto:Brian.Hemmerle@bakertilly.com) or +1 480 752 4307
- Senior, Marissa Anderson: [Marissa.Anderson@bakertilly.com](mailto:Marissa.Anderson@bakertilly.com) or +1 480 752 4331

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink, appearing to read "Brian Hemmerle".

Brian Hemmerle, Partner

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY US, LLP, TRADING AS BAKER TILLY, IS A MEMBER OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES.

# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the District's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of District's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report and key audit matters
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues



# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures other than for the Asset Mark investment account and fiduciary fund entries needed to be recorded by the auditors as noted in the District's issued material weakness.

## Audit approach and results

### Planned scope and timing

#### Audit focus

Based on our understanding of the District and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the District's current year results.

### Key areas of focus and significant findings

#### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

## Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

### Other areas of emphasis

Cash and investments

Revenues and receivables

Fiduciary Fund Activity

## Internal control matters

We considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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. We identified the following deficiencies as material weaknesses:

- **Missing key controls**

There are certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls were issued in our material weakness finding including with the financial statement report for fiscal year 2023.

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2023. We noted no transactions entered into by the District during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Leased assets/liabilities and/or lease receivable and related deferral	Evaluation of leases by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

## Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the District or that otherwise appear to be unusual due to their timing, size or nature.

## Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

## **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Audit report and key audit matters**

There have been no departures from the auditors' standard report.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule within the attachments summarizes the material corrected misstatements, that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, the misstatements that management has corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the District's financial reporting process as reported in our material weakness attached to the annual financial statement report.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The attachments include copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

## **Fraud**

We did not identify any known or suspected fraud during our audit of Central Yavapai Fire District.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the District's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Independence**

We are not aware of any relationships between Baker Tilly and the District that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the District's related parties.

## **Nonattest services**

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

# **Audit committee resources**

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Baker Tilly US, LLP  
2055 E Warner Rd, Suite 101  
Tempe, AZ 85284

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of Central Yavapai Fire District as of June 30, 2023 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the Central Yavapai Fire District and the results of operations in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 15, 2023.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 10) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.
- 11) We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 12) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 13) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 17) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

## Other

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 25) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 26) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 27) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 28) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.



a) Financial statement preparation

b) Adjusting journal entries

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

- 29) Central Yavapai Fire District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) Central Yavapai Fire District has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 32) The financial statements include all fiduciary activities required by GASB No. 84.
- 33) The financial statements properly classify all funds and activities.
- 34) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 36) Central Yavapai Fire District has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 37) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 42) The entity meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 43) Tax-exempt bonds issued have retained their tax-exempt status.

- 44) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
- 45) We have appropriately disclosed Central Yavapai Fire District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 48) We assume responsibility for, and agree with, the findings of specialists in evaluating the our pension obligations with the State or Arizona and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 49) We assume responsibility for, and agree with, the information provided by the Arizona Retirement System as audited by the State's auditors relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
- 50) We have implemented GASB Statement No. 84, *Fiduciary Activities*, and believe that all activities that meet the criteria for presentation as fiduciary activities have been identified and presented as such. In addition, we believe that all required disclosures and other accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 51) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 52) We have implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and believe that all direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed in the financial statements in compliance with the Standard.
- 53) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 54) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

- 55) We have implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 56) We have identified any leases or other contracts that are required to be reported as leases and are in agreement with the key assumptions used in the measurement of any lease related assets, liabilities or deferred inflows of resources.
- 57) We have reviewed existing contracts and determined there are no items requiring accounting or reporting as leases.

Sincerely,

Central Yavapai Fire District

Signed: \_\_\_\_\_

Scott Freitag, Fire Chief

# **Central Yavapai Fire District**

Financial Statements and  
Supplementary Information

June 30, 2023

# Central Yavapai Fire District

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June 30, 2023

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## **Independent Auditors' Report**

To the Board of Directors of  
Central Yavapai Fire District  
**Report on the Audit of the Financial Statements**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund of the Central Yavapai Fire District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the District, Arizona, as of June 30, 2023 and the respective changes in financial position thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 District 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.

### **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.

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 District'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 auditors' 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 GAAS and *Government 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 GAAS and *Government 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 District'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 District'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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024 on our consideration of the 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 solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Tempe, Arizona  
January 24, 2024



**Board of Directors**

Matt Zurcher, Board Chair

Rick Anderson, Member

Pete Gordon, Member

Gayle Pickett, Member

Andrew Reinhardt, Member

**Chief Officer**

Scott Freitag, Fire Chief

# Central Yavapai Fire District

## Management's Discussion and Analysis

June 30, 2023

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, 2023. 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 \$6,261,076. Of this amount \$4,324 is restricted for debt service and a balance of \$6,256,752 is unrestricted.
- During the year, the District's total net position decreased by \$6,765,602.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$797,908, a decrease of \$152,074 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$675,755 or 2.8% of the 2023 fiscal year's total budgeted operating expenditures.
- Total revenue received in the General Fund was \$86,273 more than the final budget and expenditures were \$235,750 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.

# Central Yavapai Fire District

Management's Discussion and Analysis  
June 30, 2023

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## 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

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.

## Central Yavapai Fire District

### Management's Discussion and Analysis

June 30, 2023

#### 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 \$6,261,076 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; \$24,182 is restricted for scheduled debt service payments. The remaining net position of \$9,663,138 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

	Governmental Activities	
	2023	2022
<b>Assets</b>		
Current and other assets	\$ 1,636,654	\$ 1,233,935
Investment in joint venture	8,135,993	15,997,436
Total assets	9,772,647	17,231,371
<b>Deferred Outflows of Resources</b>	-	25,019
<b>Liabilities</b>		
Other liabilities	3,089	2,048
Long-term liabilities outstanding	2,990,000	4,245,000
Total liabilities	2,993,089	4,247,048
<b>Deferred Inflows of Resources</b>	518,482	-
<b>Net Position</b>		
Restricted for debt service	4,324	25,733
Unrestricted	6,256,752	13,000,945
Total net position	\$ 6,261,076	\$ 13,026,678

In comparison to fiscal year 2022, the total net position of the District decreased by \$6,765,602.

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 \$1,908,505 in fiscal year 2023 in comparison to fiscal year 2022.
- Total loss realized from the joint venture in fiscal year 2023 was \$7,861,443.

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

## Central Yavapai Fire District

Management's Discussion and Analysis

June 30, 2023

### Condensed Statement of Changes in Net Position

	Governmental Activities	
	2023	2022
<b>Revenues</b>		
Program revenues:		
Income (loss) from joint venture	\$ (7,861,443)	\$ (5,513,439)
General revenues:		
Taxes	24,736,461	22,848,027
Interest earnings	99,237	23,924
Other revenues	64,263	65,928
Total revenues	17,038,518	17,424,440
<b>Expenses</b>		
Public safety	23,804,120	21,733,364
Total expenses	23,804,120	21,733,364
Increase (decrease) in net position	(6,765,602)	(4,308,924)
<b>Net Position, Beginning</b>	13,026,678	17,335,602
<b>Net Position, Ending</b>	\$ 6,261,076	\$ 13,026,678

### 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 \$797,908, a decrease of \$152,074 in comparison with the prior year's balance. The largest components of the decrease are attributed to the funding requirements of the joint venture in 2023 which provided funding resources for meeting the Authority's ongoing obligations to provide fire services to citizens.

## **Central Yavapai Fire District**

Management's Discussion and Analysis  
June 30, 2023

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Of the total combined governmental fund balance of \$797,908, the amount restricted for debt services payments was \$4,324, the committed balance is \$117,829 and the remaining amount of \$675,755 is unassigned, which is available for spending at the District's discretion.

### **General Fund**

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 \$675,755. 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 2.8% of total general fund expenditures of \$23,654,899.

### **Debt Service Fund**

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 2023 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$86,273 more than budgeted revenues, while total actual expenditures were \$235,750 more than budgeted expenditures. The revenue variance was primarily attributed to more than anticipated collections and the expenditure variance was primarily attributed to an increase in fire authority funding.

## **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 previous 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, 2023, 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 \$2,990,000. 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.

## Central Yavapai Fire District

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Management's Discussion and Analysis  
June 30, 2023

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 three 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, AZ 86314, call 928-772-771, or visit the District's website at [www.cazfire.gov](http://www.cazfire.gov).

## Central Yavapai Fire District

### Statement of Net Position

June 30, 2023

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 689,342
Taxes receivable	393,486
Lease receivable	549,608
Miscellaneous receivable	4,218
Investment in joint venture	<u>8,135,993</u>
Total assets	<u>9,772,647</u>
<b>Liabilities</b>	
Accounts payable	3,089
Noncurrent liabilities:	
Due within one year	1,290,000
Due in more than one year	<u>1,700,000</u>
Total liabilities	<u>2,993,089</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to leases	<u>518,482</u>
Total deferred inflows of resources	<u>518,482</u>
<b>Net Position</b>	
Restricted for debt service	4,324
Unrestricted	<u>6,256,752</u>
Total net position	<u>\$ 6,261,076</u>

See notes to financial statements



# Central Yavapai Fire District

## Statement of Activities

Year Ended June 30, 2023

	<b>Governmental Activities</b>
<b>Expenses</b>	
Fund transfer to:	
Fire authority funding	\$ 23,646,933
Public safety fire protection:	
Administrative and support services	8,667
Interest	148,520
	<u>23,804,120</u>
Total program expenses	
	<u>23,804,120</u>
<b>Program Revenues</b>	
Income (loss) from joint venture	<u>(7,861,443)</u>
Total program revenues	<u>(7,861,443)</u>
Net program expense	<u>(31,665,563)</u>
<b>General Revenues</b>	
Property taxes	24,335,992
Fire District Assistance Tax (FDAT)	400,469
Interest earnings	99,237
Other revenues	64,263
	<u>24,899,961</u>
Total general revenues	
	<u>24,899,961</u>
Change in net position	(6,765,602)
<b>Net Position, Beginning</b>	<u>13,026,678</u>
<b>Net Position, Ending</b>	<u><u>\$ 6,261,076</u></u>

See notes to financial statements

**Central Yavapai Fire District**

## Balance Sheet - Governmental Funds

June 30, 2023

	<b>Major Funds</b>		<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 571,513	\$ 117,829	\$ 689,342
Property taxes receivables	369,304	24,182	393,486
Lease receivables	549,608	-	549,608
Miscellaneous receivables	4,218	-	4,218
Total assets	<u>\$ 1,494,643</u>	<u>\$ 142,011</u>	<u>\$ 1,636,654</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 3,089	\$ -	\$ 3,089
Total liabilities	<u>3,089</u>	<u>-</u>	<u>3,089</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue, property taxes	297,317	19,858	317,175
Deferred inflows related to leases	518,482	-	518,482
Total deferred inflow of resources	<u>815,799</u>	<u>19,858</u>	<u>835,657</u>
<b>Fund Balances</b>			
Restricted, debt service	-	4,324	4,324
Committed	-	117,829	117,829
Unassigned	675,755	-	675,755
Total fund balances	<u>675,755</u>	<u>122,153</u>	<u>797,908</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,494,643</u>	<u>\$ 142,011</u>	<u>\$ 1,636,654</u>

See notes to financial statements

## Central Yavapai Fire District

### Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2023

<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 797,908</b>
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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.	317,175
--	---------

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.	8,135,993
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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	<u>(2,990,000)</u>

<b>Net Position of Governmental Activities, Statement of Net Position</b>	<b><u>\$ 6,261,076</u></b>
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**Central Yavapai Fire District****Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

Year Ended June 30, 2023

	<b>Major Funds</b>		<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 22,941,524	\$ 1,376,534	\$ 24,318,058
Fire district assistance tax	400,469	-	400,469
Fire contracts	64,263	-	64,263
Interest income	79,166	20,071	99,237
Total revenues	23,485,422	1,396,605	24,882,027
<b>Expenditures</b>			
Current:			
Fire Authority funding	23,646,933	-	23,646,933
Administrative and support services	7,966	701	8,667
Debt service:			
Principal	-	1,255,000	1,255,000
Interest	-	123,501	123,501
Total expenditures	23,654,899	1,379,202	25,034,101
Excess of revenues over (under) expenditures	(169,477)	17,403	(152,074)
Net change in fund balances	(169,477)	17,403	(152,074)
<b>Fund Balances, Beginning</b>	845,232	104,750	949,982
<b>Fund Balances, Ending</b>	\$ 675,755	\$ 122,153	\$ 797,908

See notes to 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  
Year Ended June 30, 2023

<b>Net Change in Fund Balances, Total Governmental Funds</b>	<b>\$ (152,074)</b>
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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.	17,934
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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	1,255,000	
Amortization of deferred charges on refunding	<u>(25,019)</u>	1,229,981

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>(7,861,443)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (6,765,602)</u></b>
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## Central Yavapai Fire District

### Statement of Fiduciary Net Position

June 30, 2023

	<b>Pension Trust Fund</b>
<b>Assets</b>	
Cash	\$ 22,040
Investments	<u>218,973</u>
Total assets	<u>241,013</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Restricted for:	
Pension pool participants	<u>241,013</u>
Total net position	<u><u>\$ 241,013</u></u>

See notes to financial statements

## Central Yavapai Fire District

Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2023

	<u>Pension Trust Fund</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,140
Investment earnings:	
Interest	10,146
Net change in fair value of investments	<u>(3,123)</u>
Net investment earnings	<u>7,023</u>
Total additions	<u>8,163</u>
<b>Deductions</b>	
Distributions to plan participants	26,778
General and administrative	<u>3,479</u>
Total deductions	<u>30,257</u>
Net increase (decrease) in fiduciary net position	(22,094)
<b>Net Position, Beginning</b>	<u>263,107</u>
<b>Net Position, Ending</b>	<u><u>\$ 241,013</u></u>

See notes to financial statements

# Central Yavapai Fire District

Notes to Financial Statements  
June 30, 2023

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## 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.

### 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.

## 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.

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.



## 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.

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 6).

# Central Yavapai Fire District

Notes to Financial Statements  
June 30, 2023

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## **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.

## **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.

## **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.

## **Capital Assets**

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, including those that are leased and subscription based assets 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 or subscription assets in accordance with GASB 96, and those lease assets have been reported in Central Yavapai Fire District.

## Central Yavapai Fire District

Notes to Financial Statements  
June 30, 2023

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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.

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

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

### 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

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## Notes to Financial Statements

June 30, 2023

### 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.

### 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.

### 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 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.

### 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.

### Property Taxes

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

# Central Yavapai Fire District

## Notes to Financial Statements

June 30, 2023

### 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.

### 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, 2023 the transfer of the member districts' assets and liabilities are included as current year special items. See schedules in Note 8 for further information.

### Expenditures of Appropriations

The General Fund Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual has reported an excess of expenditures over appropriations for the year ended June 30, 2023 of \$235,750.

## 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, 2023, the carrying amount of the District's deposits totaled \$689,342 and the amount on deposit with the Yavapai County Treasurer's Office was \$689,342. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

	<b>Fair Value</b>	<b>Credit Rating</b>	<b>Weighted Average Maturity</b>
Cash on deposit with:			
Yavapai County Treasurer (Governmental)	\$ 689,342	N/A	N/A
Yavapai County Treasurer (Fiduciary Fund)	16,151	N/A	N/A
AssetMark Trust Company (Fiduciary Fund)	5,889	N/A	N/A
Investments (Fiduciary Fund):			
AssetMark, Mutual Funds	27,071	Unknown	N/A
AssetMark, ETF/Fixed Income	191,902	Unknown	N/A
Total	<u>\$ 738,453</u>		

# Central Yavapai Fire District

## Notes to Financial Statements

June 30, 2023

### 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).

### 3. Leases

As of June 30, 2023, the District is reporting leases receivable of \$549,608 and Deferred Inflows Related to Leases of \$518,482. For the fiscal year 2023, the District reported lease revenue of \$50,350 and interest revenue of \$15,463, 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.

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

	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>
Fiscal year:			
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	69,583	7,480	77,063
2029-2032	241,184	10,500	251,684
Total	<u>\$ 549,608</u>	<u>\$ 64,891</u>	<u>\$ 614,499</u>

## Central Yavapai Fire District

Notes to Financial Statements  
June 30, 2023

### 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, 2023, there were no interfund receivables or payables.

### 5. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

Governmental Activities	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
General Obligation Bonds					
Series 2013	\$ 1,770,000	\$ -	\$ (875,000)	\$ 895,000	\$ 895,000
Series 2018	2,475,000	-	(380,000)	2,095,000	395,000
Total	<u>\$ 4,245,000</u>	<u>\$ -</u>	<u>\$ (1,255,000)</u>	<u>\$ 2,990,000</u>	<u>\$ 1,290,000</u>

The annual requirements to amortize bonds payable at June 30, 2023 are as follows:

	General Obligation Bonds	
	Principal	Interest
Year ended June 30:		
2024	\$ 1,290,000	\$ 88,183
2025	405,000	52,020
2026	420,000	39,627
2027	430,000	26,775
2028	445,000	13,617
Total	<u>\$ 2,990,000</u>	<u>\$ 220,222</u>

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, 2023 was \$895,000.

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, 2023 was \$2,070,000.

# Central Yavapai Fire District

Notes to Financial Statements  
June 30, 2023

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## 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 2023 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.

## 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.

## 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.



## Central Yavapai Fire District

### Notes to Financial Statements

June 30, 2023

#### 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.

During the fiscal year ended June 30, 2023, Central Yavapai Fire District made member contributions to CAFMA totaling \$23,646,933. 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, 2023 the District's equity interest in CAFMA was \$8,135,993. 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, 2022		\$ 15,997,436
Funding contribution		23,646,933
Allocation of revenues from CAFMA	\$ 3,226,701	
Allocation of costs from CAFMA	<u>(34,735,077)</u>	
Change in net portion of CAFMA		<u>(31,508,376)</u>
Investment in CAFMA as of June 30, 2023		<u><u>\$ 8,135,993</u></u>

**Central Yavapai Fire District**

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
Year Ended June 30, 2023

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 22,943,481	\$ 22,941,524	\$ (1,957)
Fire district assistance tax	400,000	400,469	469
Fire contracts	55,668	64,263	8,595
Interest Income	-	79,166	79,166
Total revenues	<u>23,399,149</u>	<u>23,485,422</u>	<u>86,273</u>
<b>Expenditures</b>			
Current:			
Fire Authority funding	23,320,649	23,646,933	(326,284)
Administration and support services	<u>98,500</u>	<u>7,966</u>	<u>90,534</u>
Total expenditures	<u>23,419,149</u>	<u>23,654,899</u>	<u>(235,750)</u>
Excess of revenues over (under) expenditures	<u>(20,000)</u>	<u>(169,477)</u>	<u>(149,477)</u>
Net change in fund balance	(20,000)	(169,477)	(149,477)
<b>Fund Balance, Beginning</b>	<u>845,232</u>	<u>845,232</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 825,232</u>	<u>\$ 675,755</u>	<u>\$ (149,477)</u>

**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***

Independent Auditors' Report

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 24, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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

## **The District's Response to Finding and Corrective Action Plan**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Additionally, the District is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The District's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona  
January 24, 2024

## Central Yavapai Fire District

Schedule of Findings and Responses  
Year Ended June 30, 2023

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### Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

#### Finding 2023-001: Fiduciary Fund Financial Statement Closing Process and Cash Signors

*Criteria:* The District is required to implement and monitor processes and controls over financial reporting to accurately reflect its financial transactions over the Fireman's Pension Trust Fiduciary Fund. The District should also ensure more than one signor on the Fireman's Pension Trust Asset Mark cash account.

*Condition:* The District is fiduciarily responsible for the accurate accounting and reporting of its Fireman's Pension Trust Fund (Pension Trust). While auditing the District's general ledger and related trial balance accounts, it was determined that the District did not record the closing journal entries for activity to the Pension Trust, indicating there was no reconciliations taking place. Additionally, it was noted that only one signor was authorized for the Pension Trust cash account held with Asset Mark financial institution holding a portion of the Pension Trust's assets. We did note that the Finance Department had been reconciling the Pension Trust cash account with the County Treasurer on a monthly basis for any inappropriate transactions in or out of that account.

*Cause:* Proper year-end closing journal entries were not recorded to the Pension Trust fund's general ledger. Such journal entries should be derived directly from the cash and investments held with the County Treasurer, cash held with Asset Mark financial institutions and any disbursements made to beneficiaries of the Pension Trust. Additionally, when removing signors from the Asset Mark cash account, the District may experience delays in doing so without having a separate individual of management authorized on the account to remove terminated employees in a timely manner.

*Effect:* Audit adjustments were required to properly state all accounts reported in the Fireman's Pension Trust Fund. Although the adjustments to the Pension Trust were derived from accurate underlying financial institution details, it is believed that, if left unrecorded, the Pension Trust would have been materially misstated in the financial statements. Additionally, by having only one account signor on the Asset Mark cash account, the District will not have the benefit of quickly removing terminated employees from the list of signors.

*Recommendation:* We recommend that the District develop a year-end checklist of all sub-ledger reconciliations required to properly close out the Pension Trust Fund transactions and that management review the reconciliations to ensure they are properly stated as of the fiscal year-end with the reconciled County cash account and Asset Mark account. Additionally, we recommend the District maintain at least two account signors on the Asset Mark cash account in order to allow management to make timely changes to one of the signors if ever terminated.

*Management's Response:* Management concur with the finding. See Corrective Action Plan attached.



Central Arizona Fire and Medical Authority  
8603 E. Eastridge Road  
Prescott Valley, Arizona 86314  
Phone: (928) 772-7711  
Fax: (928) 772-8800  
[www.cazfire.org](http://www.cazfire.org)

January 22, 2024

Baker Tilly US, LLP  
2055 E. Warner Road, Suite 101  
Tempe, AZ 85284  
Audit period: June 30, 2023

The finding from the June 30, 2023 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the auditor's schedule.

Central Yavapai Fire District (District) respectfully submits the following corrective action plan for the year ended June 30, 2023.

**FINDINGS – FINANCIAL STATEMENT AUDIT  
MATERIAL WEAKNESSES**

**FINDING 2023-001 FIDUCIARY FUND FINANCIAL STATEMENT CLOSING PROCESS AND CASH  
SIGNORS**

Recommendation: We recommend that the District develop a year-end checklist of all sub-ledger reconciliations required to properly close out the Pension Trust Fund transactions and that management review the reconciliations to ensure they are properly stated as of the fiscal year end. Additionally, we recommend the District maintain at least two account signors on the Asset Mark cash account in order to allow management to make timely changes to one of the signors if ever terminated.

**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION TAKEN:**

Monthly reconciliations of the fund's account through the Yavapai County Treasurer is completed by the Finance Manager on a monthly basis and is reviewed and approved by both an Assistant Chief and Fire Chief. AssetMark monthly statements were not being received regularly in the Finance Department. AssetMark monthly statements are now being received monthly by the Finance Manager. They are reviewed for reasonableness and any gains/losses in the fund. A year end process is being put into place to assure that gains/losses are recorded properly at year end to close the fiscal year. Closing journal entries of the fund are to be reviewed by senior staff for accuracy prior to completion. Additionally, management contact information has been updated with AssetMark, and two authorized signers have been updated to approve transfers as necessary.

If there are questions regarding this plan, please call Scott A. Freitag, Fire Chief, at (928) 772-7711.

Sincerely,

  
Scott Freitag (Jan 22, 2024 15:48 MST)

Scott A. Freitag, Fire Chief  
Central Arizona Fire & Medical Authority  
Central Yavapai Fire District/Chino Valley Fire District