

Chino Valley Fire District
Basic Financial Statements

Year ended June 30, 2024

Walker & Armstrong

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

PHOENIX | TUCSON

**Chino Valley Fire District
8603 East Eastridge Drive
Prescott Valley, Arizona 86314**

Walker & Armstrong LLP
1850 North Central Avenue, Suite 400
Phoenix, Arizona 85004

This representation letter is provided in connection with your audit of the financial statements of Chino Valley Fire District (hereinafter referred to as the "District"), which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2024, and the respective changes in financial position for the year then ended, and the disclosures to the financial statements (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 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, as of the date listed below, 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 June 20, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the District required by generally accepted accounting principles 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) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 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 U.S. GAAP.

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- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We have reviewed and are in agreement with the journal entries in the attached *Exhibit 1* that you have recommended for the District for the year ended June 30, 2024, and we will post all proposed adjusting journal entries to our accounting records.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) 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 records (including information obtained from outside of the general and subsidiary ledgers), 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 District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District 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.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware, including any side agreements.

Government—specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) 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, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB No. 87.
- 26) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96.
- 27) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 28) There are no violations or possible violations of budget ordinances, laws and 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.
- 29) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

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- 30) In regard to the nonaudit services performed by you, we have:
- a) Assumed all management responsibilities.
 - b) Designated Karen Mauldin, Finance Manager, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
 - e) Ensured that the District's data and records are complete and received sufficient information to oversee the services.
- 31) The 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.
- 32) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
- 35) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended.
- 36) All funds that meet the quantitative criteria in GASBs Nos. 34 and 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.
- 37) 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.
- 38) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) 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.
- 41) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 42) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

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- 44) We have appropriately disclosed the 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 is available and have determined that net position is properly recognized under the policy.
- 45) 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.
- 46) 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.

Chino Valley Fire District

Signed by:

John Feddema

7D6712992CAF4C8

John Feddema, Interim Fire Chief

Signed by:

Lee Barnes

8D9174E32F884D

Lee Barnes, Assistant Chief of Administration

Signed by:

Karen Mauldin

5D5108C33A4D41B

Karen Mauldin, Finance Manager

February 14, 2025

Date

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Independent Auditor's Report

Board of Directors and Management
Chino Valley Fire District
Chino Valley, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Chino Valley Fire District (the District), as of and for the year ended June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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.

Emphasis of Matter

As discussed in note 7 to the financial statements, the District restated the beginning fiduciary net position of its financial statements for the year ended June 30, 2024, to correct the omission of the post-employment health employee plan. The District also restated the fund balance and net position to correct the proportionate share of Central Arizona Fire and Medical Authority's fund balance/net position. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 management's discussion and analysis on pages 4 through 8, and the budgetary comparison information on pages 26 and 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, 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 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.

Walker & Armstrong, LLP

Phoenix, Arizona
February 14, 2025

**Chino Valley Fire District
Management's Discussion and Analysis
Year Ended June 30, 2024**

As management of Chino Valley 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, 2024. We encourage readers to consider the information presented here in conjunction with District's financial statements, which begin on page 9. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the basic financial statements.

Nature of Operations

The District provides fire and emergency medical services to homes, property and persons residing within the District's boundaries which encompasses the town of Chino Valley.

- The liabilities and deferred inflows of resources of the District exceed its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,090,797.
- During the year, the District's total net position decreased by \$351,935 or 12.9% from the previous year.
- Total revenues increased over the previous fiscal year by \$779,658.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was a deficit of \$3,157,535.

Overview of the Financial Statements

This discussion and analysis are 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 the required supplementary information in addition to the basic financial statements themselves. The main purpose of these statements is to provide the reader with sufficient information to assess whether the District's overall financial position has improved or deteriorated.

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 of resources, liabilities and deferred inflows of resources 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.

Management's Discussion and Analysis - Continued

Government-wide Financial Statements - Continued

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains two (2) governmental funds: the general fund and debt service fund.

Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund (major governmental funds). 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 provide for its general fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on pages 26 and 27.

The basic governmental funds financial statements can be found on pages 11-14 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. 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.

Management's Discussion and Analysis - Continued

Fund Financial Statements - Continued

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the District's budget to actual revenues and expenditures for the general fund, as described earlier and can be found on pages 26 and 27 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,090,797 at the close of the 2024 fiscal year.

The District also has \$66,738 in restricted net position for debt service. The remaining unrestricted net position is a deficit of \$3,157,535.

The following contains an analysis of the current and prior year government-wide statements.

Condensed Statements of Net Position

GOVERNMENTAL ACTIVITIES

	2024	2023 (as restated)
Assets		
Cash and investments	\$ 622,246	\$ 581,474
Other assets	167,807	180,722
Total assets	790,053	762,196
Deferred outflows of resources related to debt defeasance	42,743	70,324
Liabilities		
Current liabilities	37,568	720
Proportionate share of CAFMA net position	1,071,025	395,662
Noncurrent liabilities	2,815,000	3,175,000
Total liabilities	3,923,593	3,571,383
Net position		
Restricted for debt service	66,738	14,678
Unrestricted	(3,157,535)	(2,753,540)
Total net position	\$ (3,090,797)	\$ (2,738,862)

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The following table presents a summary of the District's revenues and expenses for the current and prior fiscal year:

Condensed Statements of Activities

GOVERNMENTAL ACTIVITIES

	<u>2024</u>	<u>2023</u> <u>(as restated)</u>
Revenues:		
Program revenues:		
Proportionate share of CAFMA revenues	\$ 1,318,272	\$ 772,186
General revenues:		
Property taxes	6,091,933	5,664,121
Fire district assistance tax	400,577	400,469
Investment earnings	25,653	22,000
Total revenues	<u>7,836,435</u>	<u>7,056,777</u>
Expenses:		
Public safety-fire protection and emergency medical services	<u>8,188,370</u>	<u>8,420,959</u>
Total expenses	<u>8,188,370</u>	<u>8,420,959</u>
Change in net position	(351,935)	(1,364,182)
Net position, beginning of year, as restated	<u>(2,738,862)</u>	<u>(1,374,680)</u>
Net position, ending of year	<u>\$(3,090,797)</u>	<u>\$ (2,738,862)</u>

The cost of all governmental activities for the year ended June 30, 2024, was \$8,188,370, the majority of which is the proportionate share of CAFMA expenses.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

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.

Management's Discussion and Analysis - Continued

Financial Analysis of the Governmental Funds – Continued

At the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$4,811,590. Revenues for the year included property tax revenues, proportionate share of CAFMA revenues, and investment earnings.

Of the \$4,811,590 total governmental fund balance, the amount restricted for debt service is \$66,738 and the nonspendable amount is \$4,555,375. The remaining amount of \$189,477 is unassigned and available for future spending.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$189,477.

General Fund Budgetary Highlights

Total revenues were \$53,436 more than budgeted revenues and total expenditures were \$452,585 less than budgeted expenditures. The budgeted revenues variance occurred primarily due to property taxes being \$36,411 more than budgeted and investment earnings being \$16,448 more than budgeted. The expenditure variance resulted primarily from change in proportionate share of CAFMA fund balance being \$423,984 less than budgeted.

Debt Administration

Long-Term Liabilities - At the end of the current year, the District had long-term liabilities outstanding of \$2,815,000, which were entirely comprised of general obligations bonds.

Additional information on the District's long-term liabilities can be found in Note 4 in the basic financial statements on pages 23 and 24.

Economic Factors Affecting Future Results

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

Contacting the District

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or requests for additional information may be directed to Chino Valley Fire District at (928) 772-7711, online at www.cazfire.gov, or writing to 8603 East Eastridge Drive, Prescott Valley, Arizona 86314.

**Chino Valley Fire District
Statement of Net Position
June 30, 2024**

	Governmental Activities
Assets	
Cash and investments	\$ 622,246
Property tax receivable	167,807
Total assets	790,053
 Deferred outflows of resources	
Deferred outflows from debt defeasance	42,743
Total deferred inflows of resources	42,743
 Liabilities	
Accounts payable	269
Interest payable	37,299
Proportionate share of CAFMA net position	1,071,025
Noncurrent liabilities:	
Due within 1 year	370,000
Due in more than 1 year	2,445,000
Total liabilities	3,923,593
 Net position	
Restricted for debt service	66,738
Unrestricted	(3,157,535)
Total net position	\$ (3,090,797)

The accompanying notes are an
integral part of these basic financial statements.

**Chino Valley Fire District
Statement of Activities
Year Ended June 30, 2024**

	Governmental Activities
Program expenses	
<i>Public safety-fire protection and emergency medical services</i>	
Proportionate share of CAFMA expenses	\$ 8,080,772
Administration	5,399
Interest on long-term debt	102,199
Total program expenses	8,188,370
Program revenues	
Proportionate share of CAFMA revenues	1,318,272
Total program revenues	1,318,272
Net program expense	6,870,098
General revenues	
Taxes:	
Real and personal property taxes	6,091,933
Fire district assistance tax	400,577
Investment earnings	25,653
Total general revenues	6,518,163
Change in net position	(351,935)
Net position, July 1, 2023, as originally reported	(2,337,908)
Correction of an error	(400,954)
Net position, July 1, 2023, as restated	(2,738,862)
Net position, June 30, 2024	\$ (3,090,797)

The accompanying notes are an
integral part of these basic financial statements.

**Chino Valley Fire District
Balance Sheet
Governmental Funds
June 30, 2024**

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
Assets			
Cash and investments	\$ 151,272	\$ 470,974	\$ 622,246
Property tax receivable	154,960	12,847	167,807
Proportionate share of CAFMA fund balance	4,555,375	-	4,555,375
Total assets	<u>\$ 4,861,607</u>	<u>\$ 483,821</u>	<u>\$ 5,345,428</u>
Liabilities			
Accounts payable	\$ 269	\$ -	\$ 269
Interest payable	-	37,299	37,299
Bond payable	-	370,000	370,000
Total liabilities	269	407,299	407,568
Deferred inflows of resources			
Unavailable revenues - property taxes	116,486	9,784	126,270
Total deferred inflows of resources	116,486	9,784	126,270
Fund balances			
Nonspendable	4,555,375	-	4,555,375
Restricted	-	66,738	66,738
Unassigned	189,477	-	189,477
Total fund balances	<u>4,744,852</u>	<u>66,738</u>	<u>4,811,590</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,861,607</u>	<u>\$ 483,821</u>	<u>\$ 5,345,428</u>

The accompanying notes are an
integral part of these basic financial statements.

Chino Valley Fire District
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2024

Total fund balances	\$ 4,811,590
Amounts reported for governmental activities in the statement of net position are different because:	
Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Proportionate share of CAFMA net position	(5,626,400)
Some receivables are not available to pay for current-period expenditures and, therefore, are not reported as unavailable revenue in the funds.	126,270
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds as follows:	
Bonds payable	(2,445,000)
Deferred amounts on refunding	42,743
Net position of governmental activities	<u><u>\$ (3,090,797)</u></u>

The accompanying notes are an integral part of these basic financial statements.

Chino Valley Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2024

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
Revenues			
<i>Taxes:</i>			
Property taxes	\$ 5,661,802	\$ 448,086	\$ 6,109,888
Fire district assistance tax	400,577	-	400,577
Proportionate share of CAFMA revenues	1,300,406	-	1,300,406
Investment earnings	18,448	7,204	25,652
Total revenues	7,381,233	455,290	7,836,523
Expenditures			
<i>Public safety-fire protection and emergency medical services</i>			
Proportionate share of CAFMA expenditures	6,889,813	-	6,889,813
Administration	5,399	-	5,399
<i>Debt service:</i>			
Principal portion	-	370,000	370,000
Interest portion	-	74,618	74,618
Total expenditures	6,895,212	444,618	7,339,830
Excess of revenues over expenditures	486,021	10,672	496,693
Fund balances, July 1, 2023, as originally reported	201,187	56,066	257,253
Correction of an error	4,057,644	-	4,057,644
Fund balances, July 1, 2023, as restated	4,258,831	56,066	4,314,897
Fund balances, June 30, 2024	\$ 4,744,852	\$ 66,738	\$ 4,811,590

The accompanying notes are an
integral part of these basic financial statements.

Chino Valley Fire District
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the
Government-wide Statement of Activities
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ 496,693
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.	(17,954)
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	17,866
Some investments used in governmental activities are not financial resources and, therefore, are not reported in the funds. Proportionate share of CAFMA expenses	(1,190,959)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position: Principal repaid Amortization of deferred outflows from debt refunding	370,000 (27,581)
Change in net position of governmental activities	\$ (351,935)

The accompanying notes are an integral part of these basic financial statements.

**Chino Valley Fire District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2024**

	<u>Post-Employment Health Plan</u>
Assets	
Investments at fair value	\$ 347,987
Total assets	<u>\$ 347,987</u>
Net Position	
Held in trust for pension trust participants	<u>\$ 347,987</u>

The accompanying notes are an
integral part of these basic financial statements.

Chino Valley Fire District
Statement of Change in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2024

	Post-Employment Health Plan
Additions	
<i>Investment Earnings</i>	
Interest and dividends	\$ 27,927
Total additions	27,927
Deductions	
Distributions to participants	2,352
Total deductions	2,352
Change in net position	25,575
Net position - July 1, 2023, as originally reported	-
Correction of an error	322,412
Net position - July 1, 2023, as restated	322,412
Net position - June 30, 2024	\$ 347,987

The accompanying notes are an
integral part of these basic financial statements.

**Chino Valley Fire District
Notes to Financial Statements
Year Ended June 30, 2024**

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Chino Valley Fire District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a local governmental unit formed and is operated pursuant to the provisions of Title 48 of the Arizona Revised Statutes. The District operates under the oversight of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day-to-day operations are supervised by the fire chief and the chief’s staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. In addition, the District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

B. Basis of Presentation

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide Financial Statements – These statements include a statement of net position and a statement of activities. These statements report on the financial activities of the overall District.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include revenues allocated from Central Arizona Fire and Medical Authority.

Revenues not classified as program revenues, including internally dedicated resources, all taxes, and investment earnings are reported as general revenue.

Fund Financial Statements – provide information about the District’s funds. The emphasis of fund financial statements is on the major governmental funds.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *debt service fund* accounts for the proceeds of tax revenues received from a voter approved bond issue for capital improvements to the District. The proceeds of the fund may only be used to repay the bond issue.
- The *fiduciary fund* accounts for the District's post-employment health plan.

C. Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under lease agreements and subscription-based information technology arrangements are reported as other financing sources.

Taxes and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Balance Classifications – Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are non-spendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

The non-spendable fund balance classification includes amounts that cannot be expended because they are either not in spendable form, such as prepaid items and proportionate share of CAFMA fund balance or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

Committed fund balances are self-imposed limitations approved by the District's Board of Directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the Board of Directors.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors has authorized the Fire Chief to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in the fund balances of the other governmental funds are reported as unassigned. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Cash and Investments – Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Deferred Outflows/Inflows of Resources – The statement of net position and balance sheet includes separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Investment Earnings – Investment earnings are composed of interest, dividends, and net change in fair value of applicable investments.

Estimates – The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the tax calendar reporting period. Actual results may differ from those estimates.

Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies – Continued

Property Tax Calendar - The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Budgetary Accounting - The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August of each year; under the statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

Note 2 – Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pools; interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the state of Arizona counties, cities, towns, school districts, and special districts as specified by statute.

The District utilizes Yavapai County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

A.R.S. §48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations.

The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments – Continued

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety percent of the taxes levied by the County for the District’s current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the District. Any surplus remaining in the District’s general fund for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

Cash on Hand and Deposits – At June 30, 2024, the District had no cash on hand or deposits.

Investments – The District’s investments at June 30, 2024, are categorized 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 as follows:

Investment Type	Fair value measurement using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds	\$ 347,987	\$ -	\$ -

The District’s investments on June 30, 2024, are comprised of the amount held by the Yavapai County Treasurer totaling \$622,246 and mutual funds totaling \$347,987.

The Yavapai County Treasurer’s investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of its operations. However, the majority of Yavapai County’s investment pool is invested in the State of Arizona’s local government investment pool which is regulated by the State Board of Investment. The pool’s structure does not provide for shares, and Yavapai County has not provided or obtained any legally binding guarantees to support the value of the participants’ investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Credit Risk - On June 30, 2024, all of the District’s investments were invested in the Yavapai County investment pool and mutual funds which are not rated by rating agencies.

Notes to Financial Statements - Continued

Note 2 – Cash and Investments – Continued

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk – On June 30, 2024, the District’s investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

Foreign Currency Risk – The District does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow foreign investments.

A reconciliation of cash and investments to amounts shown on the statement of net position is as follows:

Amounts held by Yavapai County Treasurer’s Office	\$ 622,246
Mutual funds	<u>347,987</u>
Total	<u>\$ 970,233</u>

	Governmental Activities	Fiduciary Fund	Total
Cash and investments	<u>\$ 622,246</u>	<u>\$ 347,987</u>	<u>\$ 970,233</u>

Note 3 – Joint Venture

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, and all other assets and liabilities (excluding bond debt) and services into the new entity, Central Arizona Fire and Medical Authority (CAFMA). CAFMA provides the administrative and public safety functions of the Districts. The Districts provide funding to CAFMA for these activities pursuant to budgets approved by the respective boards. 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. Chino Valley Fire District continues to exist as a legal entity for the purpose of collecting taxes and bonding authority.

During the fiscal year ended June 30, 2024, the District had net expenses from CAFMA totaling \$8,080,772 and revenues of \$1,318,272. 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 or liability on the statement of net position, and the change in the equity interest is reported as program income or expense in the statement of activities.

At June 30, 2024, the District’s proportionate share in CAFMA’s net position was a deficit of \$1,071,025. CAFMA is considered a related party and separate financial statements are available. Total transfers to CAFMA during the fiscal year were \$6,087,138.

Notes to Financial Statements - Continued

Note 3 – Joint Venture – Continued

The following table summarizes the assets and liabilities transferred to CAFMA during the year ended June 30, 2024:

	Government Funds	Net Position
Proportionate share of net position/ fund balance, beginning of year	\$ 4,057,644	\$(395,663)
Revenues transferred to CAFMA	6,087,138	6,087,138
Proportionate share of CAFMA revenues	1,300,406	1,318,272
Proportionate share of CAFMA expenditures/expenses	(6,889,813)	(8,080,772)
Total	\$ 4,555,375	\$(1,071,025)

Note 4 – Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2024, follows:

	Balance July 1, 2023 (as restated)	Additions	Reductions	Balance June 30, 2024	Due Within 1 Year
General obligation bonds	\$ 3,175,000	\$ -	\$(360,000)	\$ 2,815,000	\$ 370,000

The District transfers the payment due on July 1, to the trustee to satisfy the payment prior to June 30 each year. The amount is held by the trustee until July 1 at which time the bond is paid. The beginning balance of the general obligation bonds were restated to correct the timing of the payment. There was no effect on the beginning net position.

General Obligation Bonds – General Obligation (GO) bonds were issued, after approval by voters at an authorized bond election to finance various projects.

In June 2016, the District issued \$4,600,000 in General Obligation Bonds, Series 2016, for the purpose of advance funding of the GO Bond Series 2007A. 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 reacquisition price exceeded the net carrying value of the old debt by \$193,391, which is being amortized over the refunded debts life and is recorded as a deferred outflows of resources on the statement of net position. The bonds, which are not subject to redemption prior to maturity, have an interest rate of 2.65%, payable semi-annually on January 1st and July 1st each year through 2027. As of June 30, 2024, the outstanding balance of the 2013 bonds was \$1,315,000.

Notes to Financial Statements - Continued

Note 4 – Long-Term Liabilities - Continued

In June 2016, the District also issued \$1,500,000 in General Obligation Bonds, Series 2016B for the purpose of capital projects. The bonds, which are not subject to redemption prior to maturity, have an interest rate of 2.65%, payable semi-annually on January 1st and July 1st each year through 2031. As of June 30, 2024, the outstanding balance of the 2016B bonds was \$1,500,000.

The following is a summary of debt service requirements to maturity for the bonds:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 370,000	\$ 69,695
2026	380,000	59,758
2027	390,000	49,555
2028	400,000	39,088
2029	305,000	29,746
2030-2032	970,000	38,955
Total	<u>\$ 2,815,000</u>	<u>\$ 286,797</u>

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters.

These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities. The District also conducts regular driver's license checks on all employees authorized to operate District vehicles.

Note 6 – Pension and OPEB Plans

Post Employment Health Plan

The District has a defined contribution Post Employment Health Plan (PEHP) administered by Nationwide Retirement Solutions. The purpose of the PEHP plan is to provide reimbursement of qualifying health care and medical insurance premium expenses upon separation from employment for employees covered by collective bargaining agreements.

Individual employee accounts consist of employee and employer contributions and investment returns. As the District has no employees, no contributions were made to the PEHP during 2024.

Notes to Financial Statements - Continued

Note 7 – Correction of an Error

Net position and fund balance as of July 1, 2023, have been restated as follows for the correction of the proportionate share of CAFMA’s net position/fund balance and the omission of the post-employment health plan assets:

	General Fund	Governmental Activities	Post-Employment Health Plan
Fund balance/net position at June 30, 2023, as previously reported	\$ 201,187	\$ (2,337,908)	\$ -
Increase/decrease in proportionate share of CAFMA net position/fund balance	4,057,644	(400,954)	-
Increase in cash and investments related to the post-employment health plan	-	-	322,412
Fund balance/net position at July 1, 2023, as restated	\$ 4,258,831	\$ (2,738,862)	\$ 322,412

The effect of the error on the prior year change in the general fund’s fund balance would have been an increase of \$300,097. There was no effect on the change in the governmental activities net position. The change in post-employment health plan is immaterial.

**Chino Valley Fire District
Required Supplementary Information
Budgetary Comparison Schedule -
General Fund
Year Ended June 30, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
<i>Taxes:</i>			
Property taxes	\$ 5,625,391	\$ 5,661,802	\$ 36,411
Fire district assistance tax	400,000	400,577	577
Investment earnings	2,000	18,448	16,448
Total revenues	<u>6,027,391</u>	<u>6,080,827</u>	<u>53,436</u>
Expenditures:			
<i>Public safety-fire protection and emergency medical services:</i>			
Change in proportionate share of CAFMA fund balance	6,013,391	5,589,407	423,984
Administration	34,000	5,399	28,601
Total expenditures	<u>6,047,391</u>	<u>5,594,806</u>	<u>452,585</u>
Excess (deficiency) of revenues over (under) expenditures	(20,000)	486,021	506,021
Fund balance, July 1, 2023	20,000	4,258,831	4,238,831
Fund balance, June 30, 2024	<u>\$ -</u>	<u>\$ 4,744,852</u>	<u>\$ 4,744,852</u>

See accompanying notes to the
budgetary comparison schedule.

**Chino Valley Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2024**

Note 1 – Budgeting and Budgetary Control

A.R.S. requires the District to prepare and adopt a balanced budget annually for its general fund. The Board of Directors must approve such operating budget on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the 1st of August. A.R.S. prohibits expenditures or liabilities in excess of the amount budgeted.

A.R.S. requires the District to prepare an annual budget that clearly shows salaries payable to the employees of the District, therefore expenditures cannot legally exceed appropriations at certain expenditure classification levels.

Note 2 – Budgetary Requirements and Basis of Accounting

The District's budget is prepared on a basis of accounting consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to the budget. The Board is responsible for approving the budget on an annual basis.

Chino Valley Fire District

Report on Internal Controls

Year ended June 30, 2024

**Independent Auditor’s 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***

Board of Directors
Chino Valley Fire District
Prescott Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Chino Valley Fire District (the “District”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 10, 2025.

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 District’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 were not identified. We identified certain deficiencies in internal control, described below, that we consider to be material weaknesses.

Improve Internal Controls over Cash and Investments

Condition: During our audit, we noted that \$322,412 in investments related to the District's post-employment health plan was not previously reported in the District's financial statements.

Criteria, Cause and Effect: Generally accepted accounting principles requires reporting all cash and investments controlled by the District in the District's financial statements. The cause is a lack of understanding of the fiduciary reporting requirements of the cash and investments. The effect is a material omission in the prior year's financial statements of the fiduciary funds.

Recommendation: We recommend reporting all cash and investment accounts, including those held in a fiduciary capacity, in the District's financial statements.

Management's Response: See the District's corrective action plan at the end of the report.

Allocations of the Proportionate Share of CAFMA's Net Position/Fund Balance

Condition: We noted that the total net position previously allocated to its members, did not include the full amount of the CAFMA's net position.

Criteria, Cause and Effect: Generally accepted accounting principles reporting for joint ventures require fully allocating the fund balance and net position to its members in a systematic and rational manner. The cause was an oversight of certain items in prior years that were not allocated to its members. The effect is the members proportionate share of CAFMA's fund balance and net position required to be restated in the amount of \$4,057,644 and \$(400,954), respectively.

Recommendation: We recommend that the District ensure that the total net position is allocated from CAFMA, annually.

Management's Response: See the District's corrective action plan at the end of the report.

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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described above. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Compliance with Title 48, Chapter 5, Article 1

In connection with our audit, nothing came to our attention that caused us to believe that Chino Valley Fire District failed to comply with the provisions of Title 48, Chapter 5, Article 1 limiting the amount of certain debt and warrants that can be issued by the District, insofar as such compliance relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with Title 48, Chapter 5, Article 1, insofar as they relate to accounting matters.

The communication related to compliance with the provisions of Title 48, Chapter 5, Article 1 referred to in the preceding paragraph is intended solely for the information and use of members of the Arizona State Legislature, the Board of Directors, management, and other responsible parties within the District and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phoenix, Arizona
February 10, 2025