

**CAMP VERDE FIRE DISTRICT**  
**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2017**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**CAMP VERDE FIRE DISTRICT**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report.....	1
Board of Directors.....	3
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	16
Statement of Fiduciary Net Position.....	17
Statement of Changes in Fiduciary Net Position.....	18
Notes to the Basic Financial Statements .....	19
Other Communications from Independent Auditors:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	33
Independent Auditors' Report on State Legal Compliance .....	35

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## Independent Auditors' Report

To the Board of Directors of  
Camp Verde Fire District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of Camp Verde Fire District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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 Camp Verde Fire District, as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the general fund.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4–8 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 October 31, 2017, on our consideration of the Camp Verde Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Camp Verde Fire District's internal control over financial reporting and compliance.



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
October 31, 2017

**BOARD OF DIRECTORS**

<b>George Kleindienst</b>	<b>Chair</b>
<b>David Curtis</b>	<b>Clerk</b>
<b>Linda Welsch</b>	<b>Member</b>
<b>Kenny Krebbs</b>	<b>Member</b>
<b>Justin Largent</b>	<b>Member</b>

**CHIEF OFFICER**

<b>Terry Keller</b>	<b>Chief</b>
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Camp Verde Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$5,167,002 at the close of the fiscal year.
- Total net position increased by \$4,980,134.
- Total revenues from all sources were \$7,968,957 and the total cost of all District programs was \$2,988,823.
- Total revenue received in the General Fund were \$515,886 more than the final budget and expenditures were \$691,449 more than the final budget.
- Unassigned fund balance decreased \$188,625, before the prior period adjustment of \$784,141, during the fiscal year. The unassigned balance at June 30, 2017 was \$405,440 compared to the restated fund balance of \$594,065 at June 30, 2016.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### Reporting the District as a Whole

##### The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 District'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 for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District’s basic services are considered to be governmental activities. Property and fire assistance taxes, intergovernmental revenues and charges for services finance most of this activity.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

## **Reporting the District’s Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District’s major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$5,167,002 as of June 30, 2017 as shown on the following condensed statement of net position.

	<u>6/30/2017</u>
Current and other assets	\$ 463,126
Equity interest in joint venture	4,703,876
Total assets	<u>5,167,002</u>
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net position:	
Unrestricted	<u>5,167,002</u>
Total net position	<u><u>\$ 5,167,002</u></u>

## Governmental Activities

The cost of all Governmental activities this year was \$2,988,823. Program revenues totaled \$5,724,998 and general revenues, including taxes, investment earnings and other revenues totaled \$2,243,959.

The District's programs includes: General Government (fire protection services). Each program's revenues and expenses are presented below.

	<u>6/30/2017</u>
Revenues:	
Program revenues:	
Charges for services	\$ 969,050
Capital grants and contributions	52,072
Income from joint venture	4,703,876
General revenues:	
Taxes	2,242,659
Unrestricted interest earnings	1,300
Total revenues	<u>7,968,957</u>
Expenses:	
Public safety	<u>2,988,823</u>
Total expenses	<u>2,988,823</u>
Increase/(decrease) in net position	4,980,134
Net position, beginning	<u>186,868</u>
Net position, ending	<u><u>\$ 5,167,002</u></u>

Total resources available during the year to finance governmental operations were \$8,155,825 consisting of net position at July 1, 2016 of \$186,868, program revenues of \$5,724,998 and general revenues of \$2,243,959. Total governmental activities expenses during the year were \$2,988,823; thus governmental net position increased by \$4,980,134 to \$5,167,002.

## General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$691,449 less than actual expenditures. Actual revenues were more than the final budget by \$515,886.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings and improvements, emergency vehicles, equipment and furniture and fixtures. At the end of fiscal year 2017, net capital assets of the government activities totaled \$0 as all capital assets were transferred to Copper Canyon Fire and Medical Authority at the beginning of the fiscal year. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

### **Debt**

At year end, the District had \$0 in governmental-type debt. All long-term debt were transferred to Copper Canyon Fire and Medical Authority at the beginning of the fiscal year (See note 7 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the District Budget for fiscal year 2018, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2017. See also note 10 regarding the Joint Power Authority agreement entered into by the District during fiscal year 2017.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Keller, Chief, 26B West Salt Mine Road, Camp Verde, AZ 86322 or call (928) 5567-9401.

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**BASIC FINANCIAL STATEMENTS**

**CAMP VERDE FIRE DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 133,333
Receivables, net of allowance for doubtful accounts of \$21,301	329,793
Equity interest in joint venture	4,703,876
Total assets	<u>5,167,002</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u>5,167,002</u>
Total net position	<u>\$ 5,167,002</u>

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

**CAMP VERDE FIRE DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<b>Governmental Activities</b>
<b>Expenses:</b>	
Public safety - fire protection and emergency services	\$ 2,988,823
Total program expenses	2,988,823
<b>Program revenues:</b>	
Charges for Services	969,050
Capital grants and contributions	52,072
Income from joint venture	4,703,876
Total program revenues	5,724,998
<b>General revenues:</b>	
Property taxes	1,931,986
Fire District Assistance Tax (FDAT)	310,673
Unrestricted interest earnings	1,300
Total general revenues	2,243,959
Change in net position	4,980,134
Net position - beginning	186,868
Net position - ending	\$ 5,167,002

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

**CAMP VERDE FIRE DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Capital Project Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 133,270	\$ 63	\$ 133,333
Taxes receivable	80,411	-	80,411
Accounts receivable, less allowance for doubtful accounts of \$21,301	249,382	-	249,382
Total assets	<u>463,063</u>	<u>63</u>	<u>463,126</u>
<b>Liabilities</b>			
	-	-	-
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	57,686	-	57,686
Total deferred inflows of resources	<u>57,686</u>	<u>-</u>	<u>57,686</u>
<b>Fund balances</b>			
Nonspendable:	-	-	-
Assigned	-	63	63
Unassigned	405,377	-	405,377
Total fund balances	<u>405,377</u>	<u>63</u>	<u>405,440</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 463,063</u>	<u>\$ 63</u>	

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

Equity interests in joint ventures of government activities are not current resources and, therefore, are not reported in the funds.	4,703,876
Unavailable revenues are not available to pay for current period expenditures and, therefore, are not recognized in the funds	<u>57,686</u>
Net position of governmental activities	<u>\$ 5,167,002</u>

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



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

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 1,932,276	\$ -	\$ 1,932,276
Fire district assistance tax	310,673	-	310,673
Intergovernmental revenue	52,072	-	52,072
Charges for services	969,050	-	969,050
Interest income	991	309	1,300
Total revenues	<u>3,265,062</u>	<u>309</u>	<u>3,265,371</u>
<b>Expenditures:</b>			
Current:			
Administrative	2,003	-	2,003
Grant related expenses	51,483	-	51,483
Professional services	5,453	-	5,453
Public safety expenses/contributions to JPA	3,393,640	871	3,394,511
Travel and training	546	-	546
Total expenditures	<u>3,453,125</u>	<u>871</u>	<u>3,453,996</u>
Excess of revenues over/(under) expenditures	<u>(188,063)</u>	<u>(562)</u>	<u>(188,625)</u>
Net change in fund balances	(188,063)	(562)	(188,625)
Fund balances - beginning, as previously stated	569,453	808,753	1,378,206
Prior period adjustment	23,987	(808,128)	(784,141)
Fund balances - ending	<u>\$ 405,377</u>	<u>\$ 63</u>	<u>\$ 405,440</u>

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

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

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

Net change in fund balances - total governmental funds	\$ (188,625)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes.	<u>(290)</u>
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 the equity interest in joint venture	<u>4,703,876</u>
Governmental funds do not report long-term debt or long-lived assets. However, in the statement of activities, these items are reported on the balance sheet. These assets and liabilities were contributed to Copper Canyon Fire and Medical during the current year. This is the net amount of those contributions.	<u>465,173</u>
Change in net position of governmental activities	<u><u>\$ 4,980,134</u></u>

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

**CAMP VERDE FIRE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund – Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,935,645	\$ 1,935,645	\$ 1,932,276	\$ (3,369)
Fire district assistance tax	308,945	308,945	310,673	1,728
Intergovernmental revenue	72,000	72,000	52,072	(19,928)
Charges for services	432,586	432,586	969,050	536,464
Interest income	-	-	991	991
Other revenue	12,500	12,500	-	(12,500)
Total revenues	<u>2,761,676</u>	<u>2,761,676</u>	<u>3,265,062</u>	<u>515,886</u>
<b>Expenditures:</b>				
Current:				
Administrative	10,000	10,000	2,003	7,997
Grant related expenses	72,000	72,000	51,483	20,517
Professional services	6,500	6,500	5,453	1,047
Public safety expenses/contributions to JPA	2,669,942	2,669,942	3,393,640	(723,698)
Travel and training	3,234	3,234	546	2,688
Total expenditures	<u>2,761,676</u>	<u>2,761,676</u>	<u>3,453,125</u>	<u>(691,449)</u>
Excess of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>(188,063)</u>	<u>(175,563)</u>
Net change in fund balances	-	-	(188,063)	(188,063)
Fund balances - beginning, as previously stated	569,453	569,453	569,453	-
Prior period adjustment	23,987	23,987	23,987	-
Fund balances - ending	<u>\$ 593,440</u>	<u>\$ 593,440</u>	<u>\$ 405,377</u>	<u>\$ (188,063)</u>

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

**CAMP VERDE FIRE DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2017**

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	<b>Firefighters' Relief and Pension Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,774
Investments, fair market value	246,436
Total assets	<u>249,210</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for pension benefits and other purposes	249,210
Total net position	<u><u>\$ 249,210</u></u>

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

**CAMP VERDE FIRE DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2017**

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	<u><b>Firefighters' Relief and Pension Fund</b></u>
<b>Additions:</b>	
Contributions	\$ 502
Interest earnings	9,732
Net appreciation (depreciation) in fair value of investments	<u>37,328</u>
Total additions	<u>47,562</u>
<b>Deductions:</b>	
Benefits paid	2,000
Administrative costs	<u>5,114</u>
Total deductions	<u>7,114</u>
Change in net position	40,448
Net position - beginning	<u>208,762</u>
Net position - ending	<u><u>\$ 249,210</u></u>

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

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

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

**Reporting entity**

Camp Verde 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 the community of Camp Verde. The District is governed by an elected five member board of directors, which appoints the chairman. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds. The emphasis of the District’s fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has two funds, the General Fund and the Capital Project Fund.

The District reports the following governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government.

The **Capital Project Fund** accounts for funds received and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the District.

Additionally the District also reports the following fund type:

The **Firefighter’s Relief and Pension Fund accounts** for the activities of the volunteer firefighter’s pension fund, which accumulates resources for pension benefit payments to qualified public safety employees.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, Fire District Assistance Taxes (FDAT), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash, cash equivalents, and investments***

Cash includes cash on hand, demand deposits with banks and deposits with the Yavapai County Treasurer. The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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***Inventories and prepaid items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	5-39 years
Vehicles and equipment	5-20 years
Furniture and fixtures	5-15 years

***Deferred outflows/inflows of resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualifies for reporting in this category.



**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net position flow assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund balance flow assumptions***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and expenditures/expenses**

*Program revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property taxes*

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

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1.           Summary of Significant Accounting Policies (Continued)**

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The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

***Compensated Absences***

The District's policy permits employees to accumulate earned but unused vacation, which are eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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**Note 2.           Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net position:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation.

All long-term assets and liabilities were transferred to Copper Canyon Fire and Medical Authority (CCFMA) effective July 1, 2016.

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**Note 3. Stewardship, Compliance and Accountability**

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**Budgets and Budgetary Accounting**

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

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

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

For management purposes, the District adopts a budget for departments within the General Fund. The Fire Chief is authorized to transfer budgeted amounts within departments; however, any revisions that alter total expenditures must be approved by the Board. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 3. Stewardship, Compliance and Accountability (Continued)**

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**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2017, if any.

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**Note 4. Deposits and Investments**

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

Deposits:	
Cash on hand	\$ 350
Cash in bank	86,435
Cash on deposit with the Yavapai County Treasurer	<u>46,548</u>
Total Deposits	<u><u>\$ 133,333</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2017, none of the District's bank balance of \$132,983 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**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. The District had no investments as of June 30, 2017.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 4. Deposits and Investments (Continued)**

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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 District had no assets measured at fair value as of June 30, 2017.

**Interest rate risk**

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

**Credit risk**

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

*This section intentionally left blank.*

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 5. Capital Assets**

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

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>*Transferred to Copper Canyon</u>	<u>Balance 6/30/2017</u>
<b>Governmental Activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Land and land improvements	\$ 410,856	\$ -	\$ -	\$ (410,856)	\$ -
Total capital assets not being depreciated	<u>410,856</u>	<u>-</u>	<u>-</u>	<u>(410,856)</u>	<u>-</u>
<b>Capital assets, being depreciated:</b>					
Buildings and improvements	467,521	-	-	(467,521)	-
Emergency Vehicles and Equipment	<u>2,145,480</u>	<u>-</u>	<u>-</u>	<u>(2,145,480)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,613,001</u>	<u>-</u>	<u>-</u>	<u>(2,613,001)</u>	<u>-</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(86,939)	-	-	86,939	-
Emergency Vehicles and Equipment	<u>(1,476,373)</u>	<u>-</u>	<u>-</u>	<u>1,476,373</u>	<u>-</u>
Total accumulated depreciation	<u>(1,563,312)</u>	<u>-</u>	<u>-</u>	<u>1,563,312</u>	<u>-</u>
Total capital assets being depreciated, net	<u>1,049,689</u>	<u>-</u>	<u>-</u>	<u>(1,049,689)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 1,460,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,460,545)</u>	<u>\$ -</u>

\*See Note 10

Depreciation expense of \$0 was charged to the public safety function of the District.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 6. Long-Term Debt**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>*Transferred to Copper Canyon</b>	<b>Balance 6/30/2017</b>
Building lease purchase	\$ 287,109	\$ -	\$ -	\$ (287,109)	\$ -
Equipment lease	293,643	-	-	(293,643)	-
Net pension liability	1,346,033	-	-	(1,346,033)	-
Compensated absences	121,186	-	-	(121,186)	-
Total	<u>\$ 2,047,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,047,971)</u>	<u>\$ -</u>

\*See Note 10

**Capital Leases**

In December 2011, the District entered into a lease purchase agreement with Zions First National Bank as lessor to finance the construction of a fire station facility in Camp Verde. The new loan to Zions First National Bank totaled \$450,000. Under the terms of the lease, annual payments of \$39,835 shall be made including interest at an effective rate of 3.53 percent to 4.10 percent. This loan was transferred to CCFMA effective July 1, 2016.

In April 2014, the District entered into a capital lease agreement with Zions First National Bank as lessor to finance the purchase of a 2014 Rosenbauer Type One Pumper Truck. The capital lease payable to Zions First National Bank totaled \$401,077. Under the terms of the lease, annual payments of \$63,351 shall be made including interest at an effective rate of 2.58 percent. The capital lease was transferred to CCFMA effective July 1, 2017.

**Note 7. Retirement and Pension Plans**

**Volunteer Firefighter's Relief and Pension Fund**

The District is in the process of evaluating the termination of the pension fund for volunteer firefighters, a single employer fund that administers the District's and employees' defined contributions. During the fiscal year ended June 30, 2017, there were no employer or employee contributions to the plan.



**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 7. Retirement and Pension Plans, Continued**

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

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

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**Note 8. Risk Management**

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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.

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**Note 9. Intergovernmental Agreements**

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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.

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**Note 10. Joint Power Authority Agreement**

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Effective July 1, 2016, Camp Verde Fire District and Montezuma Rimrock 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, and services into the new entity, Copper Canyon Fire and Medical Authority (Copper Canyon). Copper Canyon will provide the administrative and public safety functions of the Districts. The Districts will provide funding for these activities. This agreement was effective as of July 1, 2016. Both Camp Verde Fire District and Montezuma Rimrock Fire District will continue to exist as legal entities for the purpose of collecting taxes and bonding authority. During the fiscal year ended June 30, 2017, Camp Verde Fire District made member contributions to Copper Canyon totaling \$3,393,640. For financial reporting purposes, Copper Canyon is treated as a joint venture. As such, an equity interest is reported on the government-wide financial statements as an asset on the statement of net position, and the change in the equity interest is reported as program income in the statement of activities. At June 30, 2017 the District's equity interest in Copper Canyon was \$4,703,876. Copper Canyon is considered a related party and separate financial statements are available.

**CAMP VERDE FIRE DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 11.      Prior Period Adjustment**

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Prior year financial statements were prepared on a cash basis. Adjustments to beginning fund balance totaling \$784,141 were necessary to report beginning governmental fund balances on the modified accrual basis.

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**Other Communications from Independent Auditors**

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Camp Verde Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Camp Verde Fire District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Camp Verde Fire District's basic financial statements, and have issued our report thereon dated October 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Camp Verde Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Camp Verde Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Camp Verde Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Camp Verde Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
October 31, 2017

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

Camp Verde Fire District  
Flagstaff, Arizona

We have audited the basic financial statements of Camp Verde Fire District (the District) for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017. Our audit also included test work on the District's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 48, Chapter 5, Article 1.

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

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

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

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

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

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

Sincerely,



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
October 31, 2017