



**Camp Verde Fire District
Financial Statements
June 30, 2015**

**Camp Verde Fire District
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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Camp Verde Fire District
Camp Verde, Arizona

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards* the financial statements of Camp Verde Fire District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the District's basic financial statements and have issued our report dated December 22, 2015, wherein we noted that the District uses a special purpose framework other than generally accepted accounting principles.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arizona Revised Statutes, Title 48 § 251.A(1), as described in Note 1, to meet the requirements of the state of Arizona. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 Comptroller General of the United States' *Government Auditing Standards*. 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 modified cash-basis balance sheet of the general and capital projects funds of the District as of June 30, 2015, and the respective revenues collected, expenditures paid and changes in fund balances of the District as of June 30, 2015, in accordance with the financial reporting provisions of Arizona Revised Statutes Title 48 § 251.A(1) described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements are prepared by Camp Verde Fire District on the basis of the financial reporting provisions of Arizona Revised Statutes, Title 48 § 251.A(1), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arizona. Our opinions are not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Restriction on Use

This report is intended solely for the information and use of the Governing Board, Management, Yavapai County and the State of Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.



Phoenix, Arizona
December 22, 2015

**Camp Verde Fire District
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 298,800	\$ 805,618	\$ 1,104,418
Total assets	<u>\$ 298,800</u>	<u>\$ 805,618</u>	<u>\$ 1,104,418</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Committed	-	805,618	805,618
Unassigned	<u>298,800</u>	<u>-</u>	<u>298,800</u>
Total fund balances	<u>298,800</u>	<u>805,618</u>	<u>1,104,418</u>
Total liabilities and fund balances	<u>\$ 298,800</u>	<u>\$ 805,618</u>	<u>\$ 1,104,418</u>

The accompanying notes are an integral part of this financial statement.

Camp Verde Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 1,864,703	\$ -	\$ 1,864,703
Fire district assistance taxes	292,597	-	292,597
Intergovernmental	534,381	-	534,381
Charges for services	994,162	-	994,162
Other revenue	227	-	227
Interest income	1,429	1,893	3,322
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>3,687,499</u>	<u>1,893</u>	<u>3,689,392</u>
EXPENDITURES			
Current:			
Public safety, fire protection:			
Emergency services	2,985,032	-	2,985,032
Administrative and support services	191,972	-	191,972
Debt service:			
Principal	138,074	-	138,074
Interest	31,004	-	31,004
Capital outlay	418,060	-	418,060
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>3,764,142</u>	<u>-</u>	<u>3,764,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,643)</u>	<u>1,893</u>	<u>(74,750)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	-	300,000	300,000
Transfers out	(300,000)	-	(300,000)
Sale of capital assets	20,165	-	20,165
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources and uses	<u>(279,835)</u>	<u>300,000</u>	<u>20,165</u>
Net changes in fund balances	(356,478)	301,893	(54,585)
Fund balances – beginning	<u>655,278</u>	<u>503,725</u>	<u>1,159,003</u>
Fund balances – ending	<u>\$ 298,800</u>	<u>\$ 805,618</u>	<u>\$ 1,104,418</u>

The accompanying notes are an integral part of this financial statement.

Camp Verde Fire District
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	<u>Firefighters' Relief and Pension Fund</u>
ASSETS	
Cash	\$ 22,982
Investments, fair value	<u>211,859</u>
Total Assets	<u>\$ 234,841</u>
NET POSITION	
Net position held in trust for pension benefits	<u>234,841</u>
Total Liabilities and Net Position	<u>\$ 234,841</u>

The accompanying notes are an integral part of this financial statement.

Camp Verde Fire District
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2015

	<u>Firefighters' Relief and Pension Fund</u>
ADDITIONS	
Premium tax	\$ 579
Investment earnings	<u>8,532</u>
Total additions	<u>9,111</u>
DEDUCTIONS	
Benefits paid	9,037
Administration costs	<u>10,984</u>
Total deductions	<u>20,021</u>
Change in net position	(10,910)
Net position - beginning	<u>245,751</u>
Net position - ending	<u>\$ 234,841</u>

The accompanying notes are an integral part of this financial statement.

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations and Financial Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District has no discrete or blended component units.

B. Fund Accounting

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District reports the following major governmental funds:

General Fund – This fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – This fund is used to account 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.

The District also reports a Fiduciary Fund for the *Firefighters' Relief and Pension Fund*.

C. Modified Cash Basis of Accounting

As required under Arizona Revised Statutes, Title 48 § 251.A(1), the District has prepared these financial statements in a manner sufficient to report beginning and ending fund balances and all revenues and expenditures for the year ending June 30, 2015. The Balance Sheet and Statement of Revenues, Expenses and Changes in Fund Balance is presented on the modified cash basis of accounting which is a comprehensive basis other than accounting principles generally accepted in the United States. The modified cash basis of accounting recognizes revenues when cash is received and expenditures when cash is spent.

The major departure from accounting principles generally accepted in the United States is that there are generally no accruals made using the modified cash basis of accounting. Specifically, there were no accruals made for accounts receivable, accounts payable and amounts either due from or due to other governmental entities. However, accruals were made for payroll related liabilities in which the district acts as a fiduciary. Furthermore, these financial statements do not include government-wide financial statements which are required by accounting principles generally accepted in the United States. Additionally, the District has also elected not to present Management's Discussion and Analysis or the Budgetary Comparison Schedules that accounting principles generally accepted in the United States have determined are necessary to supplement, although not required to be part of, the basic financial statements.

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the County or Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices. For additional information regarding cash and cash equivalents see Financial Note 2 Cash and Investments.

E. Payroll withholdings held in trust

Liabilities are reported for amounts withheld from employees salaries and wages, held in trust by the District. As the District has expensed all amounts related to salaries and wages payable, the District holds these monies as a fiduciary until they are remitted to the appropriate third parties.

F. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period since the Board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution.

Assigned fund balance - amounts that are constrained by the District' *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

Unassigned fund balance - the residual classification for the District's General Fund that includes amounts not contained in other classifications.

G. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified accrual basis of accounting, which is a legally acceptable basis for budgetary purposes.

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash. The limitation is applied to the total of the combined funds.

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

A. District's Cash and Cash Equivalents Deposits

Arizona Revised Statutes (ARS) require all monies levied by the District to be collected and held by the County Treasurer's Office and included in the County's Local Government Investment Pool (LGIP). Monies received by the District as part of services, contributions or proceeds from the issuance of long-term debt can be deposited with the LGIP or with local financial institutions.

Deposits. As of June 30, 2015, the District's carrying amount of deposits with the County Treasurer's LGIP was \$986,971, and \$22,982 for the fiduciary fund. Demand and time deposits with local financial institutions totaled \$117,147. The Federal Deposit Insurance Corporation (FDIC) protects the District against loss on the first \$250,000 of demand deposits and \$250,000 of time deposits located within the state. Any remaining balance is to be covered by collateral held by the pledging financial institution's trust department in the District's name. As of June 30, 2015, none of the District's bank balance was exposed to custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits deposits and investments to the Arizona State Treasurer's Local Government Investment Pool (LGIP); interest bearing savings accounts, and certificates of deposit which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

Custodial Credit Risk. Deposits. In the case of demand and time deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

B. Firefighters' Alternative Pension and Benefit Fund's Cash and Investments (Pension Fund)

The District's Pension Fund has an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment policy that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, professional investment managers, The Innes Associates, Ltd, are employed by the District to manage the Pension Fund's assets. All Pension Fund assets are held by Ameritrade.

**Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Cash: As of June 30, 2015 the Pension Fund had \$22,982 in demand deposits that were fully insured by the Federal Deposit Insurance Corporation.

Investments: As of June 30, 2015, the Pension Fund had investments with a fair market value of \$211,859. The investment objective is long term growth.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. As of June 30, 2015 the Pension Fund's investments had not received a credit quality rating from a national rating agency.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all investments are held in safekeeping by external custodians in the District's name and are fully insured by the Securities Investor Protection Corporation (SIPC).

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk. As of June 30, 2015 the Pension Plan's investments were held in the following mutual funds:

Mutual Fund	Ticker #	Fair Market Value	Average Weighted Maturity in Years
Conestoga Small Cap Investors	CCASX	\$ 16,663	Less than 1 year
Delafield Fund	DEFIX	4,062	Less than 1 year
Dodge & Cox Income Fund	DODIX	18,556	Less than 1 year
Dodge & Cox International Stock Fund	DODFX	35,221	Less than 1 year
Dodge & Cox Stock Fund	DODGX	54,215	Less than 1 year
Fidelity Blue Chip Growth Fund	FBGRX	60,627	Less than 1 year
Fidelity High Income Growth Fund	SPHIX	8,235	Less than 1 year
Fidelity Real Estate Income Fund	FRIFX	8,220	Less than 1 year
PRIMECAP Odyssey Aggressive Growth Fund	POAGX	<u>6,060</u>	Less than 1 year
Total investments fair market value		<u>\$ 211,859</u>	

NOTE 3 – TRANSFERS AND COMMITMENTS OF FUND BALANCE

The District has adopted a policy whereby it will transfer budgeted and/or unused appropriations to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. The District transferred \$300,000 from the General Fund to the Capital Projects Fund for the year ended June 30, 2015.

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

A. Volunteer Firefighter's Relief and Pension Fund

The District is in the process of evaluating the termination of its pension fund for volunteer firefighters, which is a single employer fund that administers the District's and employees' defined contributions. There were no employee or employer contributions for the year ended June 30, 2015.

B. Arizona State Retirement System (ASRS)

Plan Description: Eligible employees of the District not covered by the other pension plans described below participate in The *Arizona State Retirement System* (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long term disability (OPEB) plan. The Arizona State Retirement Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

**Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Benefits Provided: The ASRS provides retirement, health insurance premium supplement, long-term disability and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Retirement and Disability	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013 are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions: In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll.

The District's contributions to ASRS for the year ended June 30, 2015, the District's initial year of enrollment, were \$28,271, which were equal to the required contributions for the year then ended. During fiscal year 2015 100% of all contributions were paid from the General Fund.

C. Public Safety Personnel Retirement System

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven member board, known as the Board of Trustees and the participating local boards govern the PSPRS, according to the provisions of ARS Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

**Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Benefits Provided: The *Public Safety Personnel Retirement System* also provides retirement, health insurance premium supplement, disability and survivor benefits. State statute establishes benefit terms. Retirement, disability and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows.

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 months of last 20 years.
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5 % per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months, then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with of actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of fifty percent (50%) of the member's compensation up to twelve (12) months.

Employees covered by benefit terms: At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

Active employees	26
Inactive, non-retired members	2
Terminated	<u>3</u>
Total	31

Contributions and annual OPEB cost: State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and health insurance premium benefits. The combined active member and employee contribution rates are expected to finance the costs of benefits employees earn during the

**Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015 are indicated below. Rates are a percentage of active members' annual covered payroll:

Contribution Rates

Active members - Pension	11.05 %
District - Pension	14.85 %
District - Health insurance premium benefit	00.31 %

For this agent plan, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015 were:

Pension

Contributions made	\$ 248,512
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Health Insurance Premium Benefit

Annual OPEB cost Contributions made	\$ -
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During the year ended June 30, 2015 the District paid all PSPRS pension and OPEB contributions from the General Fund.

Pension liability/(asset): At June 30, 2015, the District had a net pension liability/(asset) of \$1,289,950. The net pension liabilities/(asset) were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Pension actuarial assumptions — The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0% - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (Adjusted by 105% for both males and females)

Camp Verde Fire District
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Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

Pension discount rate: The District's PSPRS plan utilized a discount rate of 7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension expense: For the year ended June 30, 2015, the District's PSPRS pension expense was \$249,532.

Pension three year trend information: The information for the agent plan was obtained from the three most recent actuarial valuations.

Year ended June 30,	ARC	Percentage of ARC Contributed	Net pension Obligation
2015	\$ 253,864	100%	\$ -
2014	270,802	100%	-
2013	235,821	100%	-

Pension funding status: The information for the analysis of funding progress was obtained from the three most recent actuarial valuations.

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2015	\$ 5,246,286	\$ 6,028,613	\$ 782,327	87 %	\$ 1,466,345	53 %
2014	4,766,919	5,990,770	1,223,851	80 %	1,666,957	73 %
2013	4,432,507	5,117,546	685,039	87 %	1,625,668	42 %

Agent plan OPEB actuarial assumptions — The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Camp Verde Fire District
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June 30, 2015

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the District and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Agent plan OPEB contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.85% - 8.5%
Wage growth	4.5%

Agent plan OPEB trend information: Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year ended June 30,	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$ 4,917	100%	\$ -
2014	5,589	100%	-
2013	15,267	100%	-

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Agent plan OPEB funded status: The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, are as follows:

Valuation date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (AL)	Funded Ratio	Annual Covered Payroll	AL as % of Covered Payroll
2015	\$ 172,084	\$ 161,160	\$ (10,924)	107 %	\$ 1,466,345	(1) %
2014	151,961	152,100	\$ 139	100 %	1,666,957	- %
2013	-	148,701	148,701	- %	1,625,668	9 %

Agent plan OPEB assumptions used in funded status calculation:

The actuarial methods and assumptions used for the PSPRS health insurance premium benefit plans, based on the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfounded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfounded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.85% - 8.5%
Wage growth	4.5%

D. Deferred compensation plan

The District has established a defined contribution deferred compensation plan for all employees not eligible for ASRS or PSPRS in order to provide for supplementary retirement benefits. Contributions to the plan are administered by a third-party, Nationwide Retirement Solutions (Nationwide). Contributions to the plan for the year ended June 30, 2015 totaled \$1,909. In accordance with GASB Statement No. 32, the District provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the District and the compensation plan. Therefore, plan assets are not included as a fund of the District.

Camp Verde Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – COMMITMENTS AND CONTINGENCIES

A. Inter-governmental agreements and indemnifications

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.

B. Risk management

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

NOTE 6 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of issuance, December 22, 2015.



ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE WITH SPECIFIED REQUIREMENTS
APPLICABLE TO ARIZONA FIRE DISTRICTS AS REQUIRED
UNDER ARIZONA REVISED STATUTE TITLE 48 § 805.02(G)**

To the Governing Board of the
Camp Verde Fire District
Camp Verde, Arizona

Arizona Revised Statute, Title 48 § 805.02 relates to the budgetary and financial requirements for fire districts. This statute concerns the specific compliance requirements regarding budget adoption, issuance of warrants, expenditure limitation, line of credit, and debt and liability limits. The governing board and management are responsible for the District's compliance with such requirements.

Our responsibility, under A.R.S. § 805.02(G), is to attest to the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated December 22, 2015, that Camp Verde Fire District (the District) complied with those requirements. The following is our opinion, based on the relevant attestation standards, as to the Districts' compliance.

Opinion, Compliance and Other Matters

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, attestation standards established by the American Institute of Certified Public Accountants, and Arizona Revised Statute, Title 48 § 805.02(G). Such standards require the examination of evidence concerning the District's compliance with the aforementioned requirements, on a test basis. Additionally, our examination and performing such other procedures as we considered necessary in the circumstances, so that our examination provides a reasonable basis for our opinion.

Our opinion does not provide a legal determination of the District's compliance with the specified requirements.

It is our opinion that Camp Verde Fire District complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2015.

Purpose of this Report

This report is intended solely for the information of and use of management, the Governing Board, Yavapai County and the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Accounting Professionals, LLC

Phoenix, Arizona
December 22, 2015

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Camp Verde Fire District

**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***

June 30, 2015

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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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 Governing Board of the
Camp Verde Fire District
Camp Verde, 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 Camp Verde Fire District (the District), which comprise the Balance Sheet as of June 30, 2015, and the related Statement of Revenues, Expenditures and Changes in Fund Balances for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 22, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, 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 an opinion on the financial statements, but not for the purpose of expressing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 to those charged with governance.

Our consideration of the 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 of 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

This report is intended 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 of 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.



Phoenix, Arizona
December 22, 2015

Camp Verde Fire District

**INDEPENDENT AUDITORS' COMMUNICATION TO
THOSE CHARGED WITH GOVERNANCE**

June 30, 2015

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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' COMMUNICATION TO
THOSE CHARGED WITH GOVERNANCE**

To the Governing Board of the
Camp Verde Fire District
Camp Verde, Arizona

We have audited the basic financial statements of Camp Verde Fire District (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 22, 2015. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As communicated in our engagement letter dated June 12, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with the reporting requirements as prescribed by the State of Arizona, and when applicable, *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you. Any communication of significant matters is included in the report described in the following paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of the District's internal control over financial reporting and on our tests of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. We have provided our comments regarding significant control deficiencies, and material weaknesses, if applicable, and other matters noted during our audit in a separate letter to you dated December 22, 2015.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, as we are not aware of any other documents containing the District's audited financial statements, we have not performed any additional procedures in accordance with such standards.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no changes in significant accounting policies or their application during the year ended June 30, 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. However, as the financial statements were prepared on the modified cash basis, which is sufficient to meet the reporting requirement of the State of Arizona, no such estimates were needed.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Cash and Investments, and
- Post Employment Retirement Plans

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. While the District is a governmental entity, which utilizes fund accounting for external financial reporting, internal accounting records are not maintained by individual funds. The District currently has two major governmental funds, the General Fund and the Capital Projects Fund. The governmental funds are maintained in one general ledger system.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. However, we did not identify any uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management; schedule AJE 2015 is for adjusting journal entries.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were included in the letter from management on or before December 22, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing, accounting and financial reporting matters. Based on management's representations, and consistent with our understanding of the District's activities, there were no such consultations regarding auditing, accounting and financial reporting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors, Management, Yavapai County and the State of Arizona and is and is not intended to be, and should not be, used by anyone other than these specified parties.



Phoenix, Arizona
December 22, 2015

Camp Verde Fire District

Year End: June 30, 2015

Adjusting Journal Entries

Date: 7/1/2014 To 6/30/2015

Prepared	1st Review	2nd Review	Non- Tech

AJE 2015

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
CJE 001	6/30/2015	3900 - Retained Earnings	3900 GF			221,621.00			
CJE 001	6/30/2015	3910 Contra Equity Carry-Over Funds	3910 GF				780,483.00		
CJE 001	6/30/2015	4015 Carry Over Funds	4015 GF			252,190.00			
CJE 001	6/30/2015	5057.10 Employee Health Insurance	5110 GF			6,672.00			
CJE 001	6/30/2015	7510 Txfr to Capital Projects Fund	7510 GF			300,000.00			
To adjust beginning GF balance, eliminate carry over balances and record GF transfer to CP fund.									
CJE 002	6/30/2015	2305Lease Payable - Zion Bank	2305 GF				401,681.00		
CJE 002	6/30/2015	7010 Suppression Equipment	7010 GF			401,681.00			
To record lease purchase of Rosenbauer fire engine									
CJE 003	6/30/2015	Payroll Liabilities	2100 GF				207.00		
CJE 003	6/30/2015	2101 - Direct Deposit Liabilities	2101 GF			51.00			
CJE 003	6/30/2015	5450 Payroll Expenses	5450 GF			156.00			
To adjust payroll liabilities - all paid.									
						1,182,371.00	1,182,371.00		
			Net Income (Loss)			(54,585.00)			