



**Black Canyon Fire District
Special District Annual Report
Parts A, B and C
June 30, 2014**

**YAVAPAI COUNTY, ARIZONA
BLACK CANYON FIRE DISTRICT
ANNUAL REPORT
YEAR ENDED JUNE 30, 2014**

**Part D—Schedule of Revenues, Expenditures, and Changes in Fund Balances
(for governmental fund types)**

Basis of Accounting: Modified Accrual Cash

	GENERAL FUND	CAPITAL PROJECTS FUNDS	DEBT SERVICE FUNDS	FUNDS
Revenues				
Taxes	<u>SEE ATTACHED FINANCIAL STATEMENTS</u>			
Special assessments	<u>AND INDEPENDENT AUDITORS' REPORTS</u>			
Licenses and permits				
Intergovernmental:				
Federal				
State				
County				
Charges for services				
Fines and forfeits				
Interest on investments				
Rents				
Contributions				
Credit card incentives				
Miscellaneous				
Other revenues (itemize)				

Total Revenues				
Expenditures				
Salaries and wages				
Employee benefits				
Administration				
Professional services				
Utilities and communications				
Insurance				
Repairs and maintenance				
Interest				
Capital outlay:				
Land				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Construction in progress				
Debt service:				
Principal retirement				
Interest and fiscal charges				
Miscellaneous				
Other expenditures (itemize)				

Total Expenditures				

**YAVAPAI COUNTY, ARIZONA
BLACK CANYON FIRE DISTRICT
ANNUAL REPORT
YEAR ENDED JUNE 30, 2014**

Part D—(Concl'd)

	GENERAL FUND	CAPITAL PROJECTS FUNDS	DEBT SERVICE FUNDS	FUNDS
Excess of Revenues Over (Under) Expenditures	_____	_____	_____	_____
<u>Other Financing Sources (Uses)</u>				
Transfers-in	_____	_____	_____	_____
Transfers-out	_____	_____	_____	_____
Proceeds from the sale of bonds	_____	_____	_____	_____
Loan proceeds	_____	_____	_____	_____
Capital lease agreements	_____	_____	_____	_____
Total other financing sources (uses)	_____	_____	_____	_____
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	_____	_____	_____	_____
Beginning Fund Balance— ___/___/___	_____	_____	_____	_____
Ending Fund Balance— ___/___/___	=====	=====	=====	=====

**YAVAPAI COUNTY, ARIZONA
BLACK CANYON FIRE DISTRICT
ANNUAL REPORT
YEAR ENDED JUNE 30, 2014**

**Part E—Schedule of Revenues, Expenses, and Changes in Fund Net Position
(for proprietary and similar fund types)**

Basis of Accounting: Accrual

Cash

	ENTERPRISE FUNDS	PENSION TRUST FUNDS	FUNDS
<u>Operating Revenues</u>			
Charges for services			
Employer contributions			
Employee contributions			
Investment income			
Miscellaneous			
Total Operating Revenues			
<u>Operating Expenses</u>			
Salaries and wages			
Employee benefits			
Administration			
Professional services			
Utilities and communications			
Insurance			
Repairs and maintenance			
Landfill closure and postclosure care costs			
Depreciation			
Benefits			
Refunds			
Miscellaneous			
Total Operating Expenses			
Operating Income (Loss)			
<u>Nonoperating Revenues (Expenses)</u>			
Intergovernmental			
Interest revenue			
Credit card incentives			
Interest expense			
Gain (Loss) on disposal of capital assets			
Total (Net) nonoperating revenues (expenses)			
Income (Loss) before contributions and transfers			
Capital contributions			
Transfers-in			
Transfers-out			
Net Income (Loss)			
Beginning Fund Net Position— ___/___/___			
Ending Fund Net Position— ___/___/___			



**Black Canyon Fire District
Financial Statements
June 30, 2014**

Black Canyon Fire District
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ACCOUNTING PROFESSIONALS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Black Canyon Fire District
Black Canyon City, 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 Black Canyon Fire District (the District), as of and for the year ended June 30, 2014, 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 18, 2014, 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, 2014, and the respective revenues collected, expenditures paid and changes in fund balances of the District as of June 30, 2014, 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 Black Canyon 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 18, 2014 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.

A handwritten signature in blue ink that reads "Accounting Professionals, LLC". The signature is written in a cursive, flowing style.

Phoenix, Arizona
December 18, 2014

**Black Canyon Fire District
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ <u>272,330</u>	\$ <u>726,208</u>	\$ <u>998,538</u>
Total assets	<u>\$ 272,330</u>	<u>\$ 726,208</u>	<u>\$ 998,538</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withheld in trust	\$ <u>1,083</u>	\$ <u>-</u>	\$ <u>1,083</u>
Total liabilities	<u>1,083</u>	<u>-</u>	<u>1,083</u>
Fund balances:			
Committed	-	726,208	726,208
Unassigned	<u>271,247</u>	<u>-</u>	<u>271,247</u>
Total fund balances	<u>271,247</u>	<u>726,208</u>	<u>997,455</u>
Total liabilities and fund balances	<u>\$ 272,330</u>	<u>\$ 726,208</u>	<u>\$ 998,538</u>

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

Black Canyon Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 482,409	\$ -	\$ 482,409
Fire district assistance taxes	75,808	-	75,808
Intergovernmental	52,693	-	52,693
Charges for services	335,948	-	335,948
Contributions	1,290	-	1,290
Interest income	<u>1,441</u>	<u>2,915</u>	<u>4,356</u>
Total revenues	<u>949,589</u>	<u>2,915</u>	<u>952,504</u>
EXPENDITURES			
Current:			
Public safety, fire protection:			
Emergency services	666,641	-	666,641
Administrative and support services	237,797	-	237,797
Debt service:			
Principal	18,255	-	18,255
Interest	32,924	-	32,924
Capital outlay	<u>115,111</u>	<u>-</u>	<u>115,111</u>
Total expenditures	<u>1,070,728</u>	<u>-</u>	<u>1,070,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,139)</u>	<u>2,915</u>	<u>(118,224)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	<u>2,496</u>	<u>-</u>	<u>2,496</u>
Total other financing sources and uses	<u>2,496</u>	<u>-</u>	<u>2,496</u>
Net changes in fund balances	(118,643)	2,915	(115,728)
Fund balances – beginning	<u>389,890</u>	<u>723,293</u>	<u>1,113,183</u>
Fund balances – ending	<u>\$ 271,247</u>	<u>\$ 726,208</u>	<u>\$ 997,455</u>

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

Black Canyon Fire District
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Firefighters' Relief and Pension Fund</u>
ASSETS	
Cash	\$ 27,870
Total Assets	<u>\$ 27,870</u>
NET POSITION	
Net position held in trust for pension benefits	<u>27,870</u>
Total Liabilities and Net Position	<u>\$ 27,870</u>

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

Black Canyon Fire District
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	<u>Firefighters' Relief and Pension Fund</u>
ADDITIONS	
Premium tax	\$ 165
Investment earnings	<u>111</u>
Total additions	<u>276</u>
Change in net position	276
Net position - beginning	<u>27,594</u>
Net position - ending	<u>\$ 27,870</u>

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

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014. 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.

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

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, 2014, the District's carrying amount of deposits with the County Treasurer's LGIP was \$971,110, and \$27,870 for the fiduciary fund. Demand and time deposits with local financial institutions totaled \$27,428. 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, 2014, none of the District's bank balance was exposed to custodial credit risk as the entire bank balance was covered by the FDIC.

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.

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 did not have any such transfers for the year ended June 30, 2014.

NOTE 4 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS

The District contributes to multiple plans as described below. Benefits for non-public safety personnel are established based on contributions to the plan. For public safety personnel, state statute regulates 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 restructuring its pension fund for volunteer firefighters, which is a single employer fund that administered the District's and employees' defined contributions. There were no employee or employer contributions for the year ended June 30, 2014. As of June 30, 2014 the pension fund's only investment was cash held by the Yavapai County Treasurer's office.

B. 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 five member board, known as the Fund Manager, and 162 local boards, according to the provisions of ARS Title 38, Chapter 5, Article 4. Reports may be obtained by writing or calling: Public Safety Personnel Retirement System, 3010 E. Camelback Road #200, Phoenix, Arizona 85016, (602) 255-5575.

Funding Policy: For the year ended June 30, 2014, PSPRS members were required by statute to contribute 10.35% of their annual covered compensation, and the District was required to contribute at the actuarially determined rate of 11.49%.

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Annual Pension Cost: For the year ended June 30, 2014, the District's annual pension cost of \$39,976 for PSPRS was equal to the District's required and actual contributions. The District's actuarial assumptions for PSPRS for the year ended June 30, 2014, which is based on the most recent available actuarial valuation, and related information follow:

Contribution rates	
Plan members	10.35 %
District	11.49 %
Actuarial cost method	Entry Age Normal
Investment rate of return	7.85 %
Projected salary increases *	4.0 % - 8.0 %
Payroll growth	4.0%
Permanent Benefit Increases	Members retired on or before July 1, 2011: 2% compounded on average. Members retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for under, 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market

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

Year ended June 30,	APC	Percentage of APC Contributed	Net pension Obligation
2014	\$ 46,036	100%	\$ -
2013	48,428	100%	-
2012	38,540	100%	-

Funding progress (excluding health insurance subsidy): 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
2014	\$ 777,349	\$ 647,879	\$ (129,470)	120 %	\$ 320,166	- %
2013	730,939	607,262	(123,677)	120 %	356,606	(35) %
2012	611,594	549,988	(61,606)	111 %	391,704	(16) %

**Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

Funding progress (post-retirement health insurance subsidy only): 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 (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
2014	\$ 34,132	\$ 26,596	\$ (7,536)	128 %	\$ 320,166	0 %
2013	-	26,501	26,501	-	356,606	7 %
2012	-	24,082	24,082	-	391,704	6 %

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial costs methods as indicated for the plan. The District's health insurance subsidy payment reported for the fiscal year ending June 30, 2014 was \$0.

C. Arizona State Retirement System

Plan Description: The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 28, Chapter 5, Article 2.

Funding Policy: For the year ended June 30, 2014, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The District's contributions to ASRS for the years ended June 30, 2014, 2013 and 2012 were \$6,847, \$9,634, and \$9,692, respectively, which were equal to the required contributions for the year.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

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.

Black Canyon Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 18, 2014.

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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
Black Canyon Fire District
Black Canyon City, 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 certify the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated December 18, 2014, that Black Canyon 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 Black Canyon Fire District complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2014.

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 18, 2014

16841 North 31st Avenue, Suite 161 | Phoenix, Arizona 85053
Phone: (602) 903-3720 | Fax: (602) 535-3905 | www.apcpa.net