

Central Arizona Fire and Medical Authority

Financial Statements

June 30, 2022

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Central Arizona Fire and Medical Authority
Prescott Valley, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Central Arizona Fire and Medical Authority, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Central Arizona Fire and Medical Authority, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Central Arizona Fire and Medical Authority, Arizona, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Arizona Fire and Medical Authority, Arizona, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Arizona Fire and Medical Authority, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Arizona Fire and Medical Authority, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Arizona Fire and Medical Authority, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Required Supplementary Information (Continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Central Arizona Fire and Medical Authority's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as supplementary information in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the Central Arizona Fire and Medical Authority, Arizona'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 Central Arizona Fire and Medical Authority, Arizona's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
December 19, 2022

BOARD OF DIRECTORS

Matt Zurcher, Chair

Darlene Packard, Clerk

Rick Anderson, Member

Dave Dobbs, Member

SENIOR STAFF

Scott Freitag, Fire Chief

David Tharp, Assistant Chief of Administration

John Feddema, Assistant Chief of Operations

Cody Rose, Assistant Chief of Planning and Logistics

**Central Arizona Fire and Medical Authority
Management's Discussion and Analysis
June 30, 2022**

As management of Central Arizona Fire and Medical Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflow of resources of the Authority exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$15,846,489. Of this amount, \$31,710,603 is invested in capital assets, and a shortage of \$15,864,114 is unrestricted.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$23,057,803.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,031,662 or 55% of the 2022 fiscal year's total budgeted operating expenditures.
- Total revenue received in the General Fund was \$2,832,923 more than the final budget and expenditures were \$42,706,007 more than the final budget due to the PSPRS expense.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the Authority.

The *statement of net position* presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found as listed in the Table of Contents.

Fund Financial Statements

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

Governmental Funds

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

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

The Authority maintains two (2) individual governmental funds: the General Fund, and the Capital Reserve Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each fund, each of which are considered to be the major funds of the Authority; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

The Authority adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison statement for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented as noted on the Table of Contents.

The basic governmental fund financial statements can be found as listed in the Table of Contents.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found as listed in the Table of Contents.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information, other than *Management's Discussion and Analysis*, concerning a comparison of the Authority's budget to actual revenues and expenditures, as described earlier and as noted on the Table of Contents.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Central Arizona Fire and Medical Authority, assets exceeded liabilities by \$15,846,489 at the close of the 2022 fiscal year.

Of the Authority's net position, \$31,710,603 reflects its investment in capital assets (e.g., land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment); less any related debt still outstanding used to acquire those assets. The shortage net position of \$15,864,114 is unrestricted.

The following table contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

Condensed Statement of Net Position

	Governmental Activities	
	2022	2021
Assets:		
Cash and cash equivalents	\$ 14,200,454	\$ 13,515,786
Other assets	1,784,908	1,208,642
Restricted cash	9,497,058	-
Capital assets, net	31,710,603	30,125,183
Total assets	<u>57,193,023</u>	<u>44,849,611</u>
Deferred outflows of resources	<u>66,550,444</u>	<u>36,738,942</u>
Liabilities:		
Accrued expenses	954,590	924,172
Long-term obligations	98,684,042	53,827,832
Total liabilities	<u>99,638,632</u>	<u>54,752,004</u>
Deferred inflows of resources	<u>8,258,346</u>	<u>1,981,114</u>
Net position:		
Net investment in capital assets	31,710,603	30,125,183
Unrestricted	(15,864,114)	(5,269,748)
Total net position	<u>\$ 15,846,489</u>	<u>\$ 24,855,435</u>

For more detailed information see Table of Contents for the Statement of Net Position.

The Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), was 200% of the net position in 2022, less any debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide fire services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenue:		
Charges for services	\$ 2,694,837	\$ 2,693,886
Operating grants	1,188,799	953,435
General revenues:		
Funding from Fire District participants	26,755,041	24,563,228
Other	547,362	574,795
Interest earnings	(464,557)	50,681
Total revenues	<u>30,721,482</u>	<u>28,836,025</u>
Expenses:		
Public safety	<u>39,730,428</u>	<u>37,996,658</u>
Total expenses	<u>39,730,428</u>	<u>37,996,658</u>
(Decrease) Increase in net position	(9,008,946)	(9,160,633)
Net position, beginning	24,855,435	34,016,068
Net position, ending	<u>\$ 15,846,489</u>	<u>\$ 24,855,435</u>

For more detailed information see the Statement of Activities as noted on the Table of Contents.

Financial Analysis of the Governmental Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$23,057,803. Of the total combined fund balance, \$6,026,141 (26%) is committed to capital projects. Unassigned fund balance of \$17,031,662 is available for spending at the Authority's discretion.

The **General Fund** accounts for all of the financial resources of the Authority, which are not accounted for in any other fund. At the end of the current fiscal year, spendable fund balance of the general fund was \$17,031,662. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 23% of total general fund expenditures of \$73,656,114.

The **Capital Reserve Fund** accounts for reserves set aside for significant capital purchases anticipated to be made in future years. It is funded through budgeted transfers from other funds and is available as fund liquidity for Authority expenditures.

Budgetary Highlights

During fiscal year 2022 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$2,832,923 greater than budgeted revenues while total actual expenditures were \$42,706,007 more than budgeted expenditures. The revenue and expenditure variances were attributed to greater than anticipated collections of charges for service relating to intergovernmental support services (wildland firefighting). The overage in expenditures was due to the payment to PSPRS for \$41,178,028 to pay off the unfunded liability via the Certificates of Participation (COPs) issued in September 2022.

Capital Asset and Debt Administration

Capital assets – The Authority's investment in capital assets as of June 30, 2022, totals \$31,710,603 (net of accumulated depreciation). These assets include land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment.

Major capital asset transactions during the year include the following:

- During 2022 the Authority made capital purchases for vehicles and equipment in the amount of \$3,558,995.

For more detailed information, see Note 4 in the financial statements.

Long-term Debt – At the end of the current fiscal year, the Authority had total outstanding debt of \$98,684,042. All of the debt as follows is backed by the full faith and credit of the Authority.

- Net Pension Liabilities - \$44,343,020
- Certificates of participation - \$52,035,000
- Compensated Absences - \$2,306,022

Additional information regarding long-term debt of the Authority can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

While the Authority is subject to general economic conditions such as increases or declines in property tax value for the participating districts, increases in costs of personnel, goods or services, or diminishing types of non-levy revenues that vary with economic conditions, the overall financial support of the Authority is contingent upon the stability of the Central Yavapai and Chino Valley Fire Districts.

Property assessments in the Chino Valley area have increased by 7.5% over the past year. Property assessments in the Central Yavapai Fire District area have increased by 8% largely due to the new property growth in the Prescott Valley community. The Districts have been able to budget through minimal tax levy increases coupled with the assessed value increases for the past two years, however, beginning in fiscal year 2023, additional revenues will be expected to meet the increase in service demands over the past three years (28% in call volume) resulting in increased property taxes for both Districts.

Ultimately, without ongoing new construction growth, legislative changes towards increasing funding or ever-expanding District boundaries, the Authority will be limited and directly impacted by the system of limited revenue and increasing expenses (due to service demands and personnel costs) that face its jurisdiction.

Request for Information

The Authority's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about this report or need additional financial information, please contact the Authority's administrative office at 8603 E. Eastridge Drive, Prescott Valley 86314, call (928) 772-771, or visit the Authority's website at www.cazfire.gov.

BASIC FINANCIAL STATEMENTS

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 14,200,454
Receivables:	
Service contracts	47,921
Wildland	266,960
Due from other governments	1,172,821
Restricted cash and investments	9,497,058
Net OPEB asset	297,206
Capital assets, not being depreciated	6,020,983
Capital assets, being depreciated, net	<u>25,689,620</u>
Total assets	<u>57,193,023</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and OPEB	<u>66,550,444</u>
LIABILITIES	
Accounts payable	366,555
Accrued payroll and related liabilities	588,035
Due within one year	
Compensated absences	1,422,794
Certificates of participation payable	2,420,000
Due in more than one year	
Compensated absences	883,228
Certificates of participation payable	49,615,000
Net pension liability	<u>44,343,020</u>
Total liabilities	<u>99,638,632</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and OPEB	<u>8,258,346</u>
NET POSITION	
Net investment in capital assets	31,710,603
Unrestricted	<u>(15,864,114)</u>
Total net position	<u>\$ 15,846,489</u>

See accompanying notes.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Governmental Activities
EXPENSES	
Public safety-fire protection	
Salaries and wages	\$ 14,465,763
Employee benefits	
Employee pension and related benefits	13,696,079
Other employee benefits	3,140,556
Administrative and support services	890,995
Communications	1,070,160
Station utilities and maintenance	594,278
Fleet fuel and maintenance	613,959
Protective equipment and uniforms	451,865
Outside services	302,370
Training and prevention	166,142
Emergency medical supplies	216,947
Depreciation	1,973,576
Interest and fiscal charges	2,147,738
Total program expenses	39,730,428
PROGRAM REVENUES	
Charges for services	2,694,837
Operating grants	1,188,799
Total Program revenues	3,883,636
Net program expense	35,846,792
GENERAL REVENUES	
Funding requirement from:	
Central Yavapai Fire District	21,524,109
Chino Valley Fire District	5,230,932
Contracts and other	547,362
Investment earnings	
Interest earnings	34,149
Change in fair value of investments	(498,706)
Total general revenue	26,837,846
CHANGE IN NET POSITION	(9,008,946)
NET POSITION BEGINNING OF YEAR	24,855,435
NET POSITION END OF YEAR	\$ 15,846,489

See accompanying notes.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds		Total
	General	Capital Reserve	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,174,313	\$ 6,026,141	\$ 14,200,454
Receivables			
Service contracts	47,921	-	47,921
Wildland	266,960	-	266,960
Due from other governments	1,172,821	-	1,172,821
Restricted cash and investments	9,497,058	-	9,497,058
Total assets	<u>19,159,073</u>	<u>6,026,141</u>	<u>25,185,214</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	366,555	-	366,555
Accrued payroll and related	588,035	-	588,035
Total liabilities	<u>954,590</u>	<u>-</u>	<u>954,590</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	<u>1,172,821</u>	<u>-</u>	<u>1,172,821</u>
FUND BALANCES			
Committed - capital projects	-	6,026,141	6,026,141
Unassigned	<u>17,031,662</u>	<u>-</u>	<u>17,031,662</u>
Total fund balances	<u>17,031,662</u>	<u>6,026,141</u>	<u>23,057,803</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,159,073</u>	<u>\$ 6,026,141</u>	<u>\$ 25,185,214</u>

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2022

Fund balances - total governmental funds balance sheet		\$ 23,057,803
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not current financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.		31,710,603
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as available revenue in the funds.		1,172,821
Pension/OPEB contributions subsequent to the measurement date, assumption changes, and differences between expected actual experience are not available resources, and therefore, are not reported in the funds.		58,292,098
Some assets and liabilities are not due and payable in the current period and therefore are not reported as governmental fund assets and liabilities.		
These liabilities consist of the following:		
Compensated absences	\$ (2,306,022)	
Certificates of participation payable	(52,035,000)	
Net OPEB asset	297,206	
Net pension/OPEB liability	<u>(44,343,020)</u>	<u>(98,386,836)</u>
Net position of governmental activities - statement of net position		<u>\$ 15,846,489</u>

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Major Funds		Total Governmental Funds
	General	Capital Reserve	
REVENUES			
Funding contribution from			
Central Yavapai Fire District	\$ 21,524,109	\$ -	\$ 21,524,109
Chino Valley Fire District	5,230,932	-	5,230,932
Charges for services	2,694,837	-	2,694,837
Intergovernmental revenue	964,413	-	964,413
Investment earnings			
Interest earnings	19,006	15,143	34,149
Change in fair value of investments	(498,706)	-	(498,706)
Contracts and other	547,362	-	547,362
Total revenues	30,481,953	15,143	30,497,096
EXPENDITURES			
Public safety - fire protection			
Fire Protection and emergency services	22,594,687	-	22,594,687
Excess pension contribution	41,178,028	-	41,178,028
Administrative and support services	2,846,666	-	2,846,666
Capital outlay	3,558,995	-	3,558,995
Debt service			
Principal payments	1,330,000	-	1,330,000
Interest and other fiscal charges	960,766	-	960,766
Debt issuance costs	1,186,972	-	1,186,972
Total expenditures	73,656,114	-	73,656,114
Excess (deficiency) of revenues over expenditures	(43,174,161)	15,143	(43,159,018)
Other financing sources (uses):			
Certificates of participation proceeds	53,365,000	-	53,365,000
Transfers in/(out)	933,484	(933,484)	-
Total other financings sources (uses)	54,298,484	(933,484)	53,365,000
Net change in fund balances	11,124,323	(918,341)	10,205,982
Fund balances - beginning of year	5,907,339	6,944,482	12,851,821
Fund balances - end of year	\$ 17,031,662	\$ 6,026,141	\$ 23,057,803

See accompanying notes.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ 10,205,982

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

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. 224,386

Capital outlays are reported in governmental funds as expenditures.
However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense.

Capital expenditures	\$ 3,558,995	
Depreciation/amortization expense	<u>(1,973,576)</u>	1,585,419

Pension and OPEB contributions are reported as expenditures in the
governmental funds when made. However, they are reported as
deferred outflows of resources in the Statement of Net Position
because the reported net pension and net OPEB liability is measured
a year before the Authority's report date. Pension and OPEB
expense, which is the change in the net pension or net OPEB liability
adjusted for changes in deferred outflows and inflows of resources
related to pensions and OPEB, is reported in the Statement of
Activities.

Pension and OPEB contributions	44,419,240	
Pension and OPEB expense	<u>(13,159,795)</u>	31,259,445

Certificates of participation proceeds provide current financial
resources to the period and therefore were not reported as
governmental liabilities.

Proceeds from certificates of participation	(53,365,000)
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Repayment of long-term debt is an expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Position.

Certificates of participations payable	1,330,000
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Some expenses reported in the statement of activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds. This amount represents the
change in accrued compensated absences.

	<u>(249,178)</u>
--	------------------

Change in net position of governmental activities	<u>\$ (9,008,946)</u>
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CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures of the Central Arizona Fire and Medical Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Central Arizona Fire and Medical Authority (the Authority) was organized as a joint powers authority by Central Yavapai Fire District and Chino Valley Fire District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Separate legal entities: joint exercise of powers, which sets forth the legal framework for a joint powers authority. The Authority provides fire protection, emergency medical services, and public education programs for areas in and around the communities of Prescott and Chino Valley. The Authority is governed by an appointed five member board of directors, appointed from the elected members of the member districts, which appoints the chairman. The day to day operations are supervised by a fire chief and his staff. The Authority does not have any component units, meaning entities for which the Authority is considered to be financially accountable.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The Authority does not currently have any potential component units.

B. Government-Wide and Fund Financial Statements

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

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member contributions are recognized in the period they are billed. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met. The exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority 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, 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.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reports the following major governmental funds:

General Fund – This fund is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Capital Project 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 Authority.

D. Budgeting and Budgetary Control

The Authority Board formally adopts an annual budget for all operating funds which is submitted to the county treasurer and county board of supervisors. The budgets are adopted by the Authority on a basis consistent with ARS 48-807. This basis allows the Authority Board or Fire Chief to alter the budget within the total expenditure allocation as needed during the year. The Authority management generally cannot exceed the total expenditure budget.

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

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

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

Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the Authority upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension and OPEB trust funds are stated at fair value. Fair value is the prices that would be received to sell an investment in an orderly transaction at year-end.

The State Treasurer's Investment Pool (Pool) is managed by the State, Office of the Treasurer, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in the Pool are valued at the Pool's share price, the price at which the investment could be sold.

G. Inventory and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Authority'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.

H. Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, are reported in the government-wide financial statements. In accordance with GASB 34, the Authority has opted not to retroactively report infrastructure assets. Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimated useful life equal to or exceeding two years. Interest incurred during the construction phase of capital assets for governmental activities is included as part of the capitalized value of the assets constructed. Major outlays for capital assets and improvements are capitalized as projects are completed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

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

I. Fund Balances – Governmental Funds

Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent either because they are in Nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Authority Board. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Authority Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the Board or any official or body to which the Authority Board delegates authority may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

The Authority would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

The Authority's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. Any sick leave accrued amounts are paid at the maximum rate of fifty percent upon retirement, with a minimum of ten years continuous employment, and no payment upon resignation or termination. Accrued vacation is paid at one hundred percent, regardless of the nature of departure. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

K. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

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.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Postemployment Benefits

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEBS, and expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

O. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

P. Funding requirement contributions

Amounts reported as funding requirement contributions include contributions of funds from the member districts for public safety and administrative services provided to the member districts. In addition, for the year ended June 30, 2022 the transfer of the member districts' assets and liabilities are included as current year special items. See the supplementary schedules for more information.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2022, the carrying amount of the Authority's deposits totaled \$23,697,512 and the amount on deposit with the Yavapai County Treasurer's Office was \$16,233,902. These deposits are covered by Federal Depository Insurance or collateralized by securities, as required by law.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

The Authority'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 Authority had no investments as of June 30, 2022.

The Authority 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 Authority deposited funds into a Public Agency Retirement Services (PARS) IRS 115 Trust account. The excess funds from the Certificate of Participation were deposited into this account as a reserve for future payments of pension liability. These funds are restricted on the statement of net position. The assets are measured at fair value with a balance of \$9,497,058 as of June 30, 2022.

June 30, 2022	Carrying Amount	Bank Balance			Bank Balance/ Fair Value
		Category 1	Category 2	Uncollateralized 3	
Pension Reserve - Yavapai County	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
PARS IRS 115 Trust	7,497,058	-	7,497,058	-	7,497,058
	<u>\$ 9,497,058</u>	<u>\$ 2,000,000</u>	<u>\$ 7,497,058</u>	<u>\$ -</u>	<u>\$ 9,497,058</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority'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. The trust account does not have a specified maturity.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments. The cash with the county and trust fund are not rated agencies.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,406,719	\$ -	\$ -	\$ 3,406,719
Construction in progress	207,628	2,533,177	(126,541)	2,614,264
Total capital assets not being depreciated	3,614,347	2,533,177	(126,541)	6,020,983
Capital assets, being depreciated:				
Buildings and improvements	25,229,652	67,340	-	25,296,992
Vehicles	13,818,782	631,670	-	14,450,452
Furniture and equipment	8,429,184	452,993	-	8,882,177
Total capital assets being depreciated	47,477,618	1,152,003	-	48,629,621
Less accumulated depreciation for:				
Buildings and improvements	(8,052,692)	(675,490)	-	(8,728,182)
Vehicles	(7,662,581)	(711,915)	-	(8,374,496)
Furniture and equipment	(5,251,152)	(586,171)	-	(5,837,323)
Total accumulated depreciation	(20,966,425)	(1,973,576) *	-	(22,940,001)
Total capital assets, being depreciated, net	26,511,193	(821,573)	-	25,689,620
Governmental activities capital assets, net	<u>\$ 30,125,540</u>	<u>\$ 1,711,604</u>	<u>\$ (126,541)</u>	<u>\$ 31,710,603</u>

* Depreciation expense of \$1,973,576 was charged to the public safety function of the Authority.

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2022, the Authority had no interfund receivables or payables. As the capital expenditures were lower than expected – specifically due to unrealized vehicle expense - there resulted in a net transfer amount of \$933,484 from the General Fund to the Capital Reserve Fund.

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 933,484
Capital Project	(933,484)	-
Total	<u>\$ (933,484)</u>	<u>\$ 933,484</u>

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 5 LONG-TERM DEBT

Changes in long-term debt as of June 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,056,844	\$ 969,327	\$ (720,149)	\$ 2,306,022	\$ 1,422,794
Certificate of Participation	-	53,365,000	(1,330,000)	52,035,000	2,420,000
Net pension liability	51,695,414	-	(7,352,394)	44,343,020	-
Net OPEB (asset)/liability	75,574	-	(372,780)	(297,206)	-
Governmental activities long-term liabilities	<u>\$ 53,827,832</u>	<u>\$ 54,334,327</u>	<u>\$ (9,775,323)</u>	<u>\$ 98,386,836</u>	<u>\$ 3,842,794</u>

On August 26, 2021, the Central Arizona Fire and Medical Authority issued taxable certificates of participation (COP) to provide funds to the Arizona Public Safety Pension Retirement System (PSPRS) to fully fund the pension liability with PSPRS on September 16, 2021. The certificates of participation are secured by tax revenue levied by Chino Valley Fire and Central Yavapai Fire and assets held by Central Arizona Fire and Medical Authority. These COPs mature in 16 years and accrue interest at a range of 0.459-3.144%.

A summary of the principal and interest amounts for the remaining obligations includes the following payments:

June 30,	Principal	Interest	Total
2023	\$ 2,420,000	\$ 1,212,485	\$ 3,632,485
2024	2,800,000	1,197,747	3,997,747
2025	2,915,000	1,170,447	4,085,447
2026	2,950,000	1,131,590	4,081,590
2027	2,995,000	1,087,842	4,082,842
2028-2032	15,905,000	4,516,552	20,421,552
2033-2037	18,090,000	2,331,112	20,421,112
2038	3,960,000	124,503	4,084,503
Total	<u>\$ 52,035,000</u>	<u>\$ 12,772,278</u>	<u>\$ 64,807,278</u>

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Authority contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2022, the Authority reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities Total
Net Pension Liabilities	\$ 44,343,020
Net OPEB Liabilities (Asset)	(297,206)
Deferred outflow of resources	66,550,444
Deferred inflow of resources	8,258,346
Pension expense	13,343,307
OPEB expense	(66,975)

The Authority reported \$44,419,240 of contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description – Authority employees not covered by the other pension plan 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 System 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 Web site at www.azasrs.gov. The OPEB plans as it relates to ASRS are insignificant to the department as a whole and are excluded from the financial statements.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

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

ASRS	Retirement	
	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 earning. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2022, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and the Authority was required by statute to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. The Authority's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were \$259,645, \$4,540, and \$4,108 respectively.

During fiscal year 2022, the Authority paid all ASRS pension and OPEB contributions from the General Fund.

Liability - At June 30, 2022, the Authority reported the following liability for its proportionate share of the ASRS' net pension liability.

<u>ASRS</u>	<u>Net pension liability</u>
Pension	\$ 2,380,886

The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent, changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Authority's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

ASRS	Proportion	Increase (decrease)
	June 30, 2021	from 6/30/2020
Pension	0.018120%	0.107000%

The Authority's reported liability at June 30, 2022 of \$2,380,886, decreased by \$711,898 from the Authority's prior year liability of \$3,092,784 because of changes in the ASRS' net pension liability and the Authority's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

Expense - For the year ended June 30, 2022, the Authority recognized the following pension expense.

ASRS	Pension
Pension	\$ 343,781

Deferred Outflows/Inflows of Resources- At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Pension	Pension
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,294	\$ -
Changes of assumptions or other inputs	309,892	-
Net difference between projected and actual earnings on pension plan investments	-	754,349
Changes in proportion and differences between Authority contributions and proportionate share of contributions	136,022	-
Authority contributions subsequent to the measurement date	259,645	-
Total	<u>\$ 741,853</u>	<u>\$ 754,349</u>

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Pensions</u>
2023	\$ 132,656
2024	21,452
2025	(166,295)
2026	(259,954)
2027	-
Thereafter	-

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

<u>ASRS</u>	
Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 20, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected geometric Real Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 percent from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Authority's Proportionate Share of the ASRS Net Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% increase (8.0%)
Authority's proportionate share of the net pension liability	\$ 3,744,937	\$ 2,380,886	\$ 1,243,648

Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System

Plan Description – Fire service employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017 participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool), which are not further disclosed because of their relative insignificance to the District's financial statements.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 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%	1.5% to 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 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 Benefits		
Retired Members	80% 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	

**With actuarial benefits*

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms - At June 30, 2022, the following employees were covered by the agent plans' benefit terms:

	PSPRS Firefighter	
	Pension	OPEB
Inactive employees or beneficiaries currently receiving benefits	60	60
Inactive employees entitled to but not yet receiving benefits	25	17
Active employees	88	88
Total	173	165

Contributions - 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 pension and health insurance premium benefits. 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. Employer contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member Pension	Pension	Health insurance premium benefit
PSPRS Firefighter	7.65% - 11.65%	53.47%	0.37%

In addition, statute required the Authority to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the Authority in positions that an employee who contributes to the PSPRS would typically fill.

	Pension	Health insurance premium benefit
PSPRS Firefighter	9.05%	0.13%

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

The Authority's contributions to the plans for the year ended June 30, 2022, were:

	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS Firefighter	\$ 44,145,977	\$ 13,618

During fiscal year 2022, the Authority paid all of the PSPRS pension and OPEB contributions from the General Fund.

Liability - At June 30, 2022, the Authority reported the following assets and liabilities.

	<u>Net pension liability</u>	<u>Net OPEB (asset) liability</u>
PSPRS Firefighter	41,962,134	(297,205)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3% per year
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return
U.S. public equity	24.00%	4.08%
International public equity	16.00%	5.20%
Global private equity	20.00%	7.67%
Other assets (capital appreciation)	7.00%	5.43%
Core bonds	2.00%	0.42%
Private credit	20.00%	5.74%
Diversifying strategies	10.00%	3.99%
Cash - Mellon	1.00%	-0.31%
Total	100.00%	

Discount Rates – At June 30, 2021, the discount rate used to measure the PSPRS total pension liability was 7.3 percent. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the Net Pension/OPEB Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
PSPRS - Firefighter - Pension			
Balances at June 30, 2021	\$ 93,664,480	\$ 45,061,850	\$ 48,602,630
Adjustments to Beginning of Year	-	-	-
Changes for the year:			
Service Cost	1,674,585	-	1,674,585
Interest on the total liability	6,808,706	-	6,808,706
Differences between expected and actual experience in the measurement of the liability	2,768,304	-	2,768,304
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	4,369,023	(4,369,023)
Contributions - employee	-	714,167	(714,167)
Net investment income	-	12,869,259	(12,869,259)
Benefit payments, including refunds of employee contributions	(4,138,227)	(4,138,227)	-
Administrative expense	-	(60,358)	60,358
Other changes	-	-	-
Net changes	7,113,368	13,753,864	(6,640,496)
Balances at June 30, 2022	\$ 100,777,848	\$ 58,815,714	\$ 41,962,134

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
PSPRS - Firefighter - OPEB			
Balances at June 30, 2021	\$ 1,478,651	\$ 1,403,076	\$ 75,575
Adjustments to Beginning of Year	-	-	-
Changes for the year:			
Service Cost	34,570	-	34,570
Interest on the total liability	108,191	-	108,191
Differences between expected and actual experience in the measurement of the liability	(105,070)	-	(105,070)
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	32,115	(32,115)
Net investment income	-	379,918	(379,918)
Benefit payments, including refunds of employee contributions	(62,317)	(62,317)	-
Administrative expense	-	(1,562)	1,562
Net changes	(24,626)	348,154	(372,780)
Balances at June 30, 2022	\$ 1,454,025	\$ 1,751,230	\$ (297,205)

Sensitivity of the Authority's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate - The following table presents the Authority's net pension liabilities calculated using the discount rate of 7.3 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% increase (8.30%)
PSPRS - Firefighter - Pension			
Net pension liability	\$ 56,102,091	\$ 41,962,134	\$ 30,437,462
	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% increase (8.30%)
PSPRS - Firefighter - OPEB			
Net OPEB liability	\$ (122,143)	\$ (297,205)	\$ (444,178)

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Plan Fiduciary Net Position - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense - For the year ended June 30, 2022, the Authority recognized \$12,999,526 and (\$66,975) of PSPRS pension and OPEB expense, respectively.

Deferred Outflows/Inflows of Resources - At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Firefighter - Pension		
Differences between expected and actual experience	\$ 19,134,358	\$ 1,379,340
Changes of assumptions or other inputs	2,504,745	-
Net difference between projected and actual earnings on pension plan investments	-	5,681,535
Authority contributions subsequent to the measurement date	44,145,977	-
Total	<u>\$ 65,785,080</u>	<u>\$ 7,060,875</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Firefighter - OPEB		
Differences between expected and actual experience	\$ 921	\$ 273,230
Changes of assumptions or other inputs	8,972	9,189
Net difference between projected and actual earnings on OPEB plan investments	-	160,703
Authority contributions subsequent to the measurement date	13,618	-
Total	<u>\$ 23,511</u>	<u>\$ 443,122</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net pension liability in the year ended June 30, 2023.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

<u>Year ending June 30,</u>	PSPRS	
	<u>Pension</u>	<u>OPEB</u>
2023	\$ 8,776,986	\$ (99,843)
2024	6,613,070	(100,883)
2025	(248,133)	(105,149)
2026	(1,289,589)	(105,811)
2027	725,894	(21,543)
Thereafter	-	-

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets and natural disasters. The Authority has insurance protection and the limit for basic coverage is for \$1,000,000 per occurrence on a claim 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.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

The Authority 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 Authority is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

Effective July 1, 2016, Central Yavapai Fire District and Chino Valley Fire District completed a Joint Power Authority agreement (JPA). The JPA agreement created a new legal entity under authority provided in ARS 48-805.01. Pursuant to the JPA, both Districts transferred and combined their personnel, equipment, fire stations, all other assets and liabilities, excluding certain debt, and services into the new entity, Central Arizona Fire and Medical Authority. Both Central Yavapai Fire District and Chino Valley Fire District will continue to exist as legal entities for the purpose of collecting taxes and bonding authority.

The Authority's net position is proportionately shared by its Member Districts. Net position is allocated based on its Member Districts originally contributed assets and liabilities and is adjusted annually for contributions received from and cost allocated to those members. The originally contributed assets and liabilities of the members, Central Yavapai Fire District and Chino Valley Fire District are recognized in the beginning net position of the Authority on the effective date of the JPA, July 1, 2016. As part of the board resolution 2020-10 and 2020-21, the allocation of expenses was changed in the current year to represent the equity and distribution of time and effort to both entities. The allocation is reviewed annually by the Authority and Member Districts for reasonableness. See the supplementary schedules for more information.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COST-SHARING PLAN
YEAR ENDED JUNE 30, 2022

ASRS - Pension	Reporting Fiscal Year (Measurement Date)						2016 Through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	
Proportion of the net pension liability	0.018120%	0.017850%	0.015530%	0.015741%	0.015231%	0.014327%	Information
Proportionate share of the net pension liability	\$ 2,380,886	\$ 3,092,784	\$ 2,259,796	\$ 2,195,176	\$ 2,372,537	\$ 2,313,006	not available
Covered Payroll	2,057,433	1,964,934	1,787,004	1,567,394	1,376,169	-	
Proportionate share of the net pension liability as a percentage of its covered payroll	116%	157%	126%	140%	172%	0%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	

See accompanying notes to pension/OPEB plan schedules.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET POSITION/OPEB LIABILITY (ASSET)
YEAR ENDED JUNE 30, 2022

PSPRS - Pension	Reporting Fiscal Year (Measurement Date)						2016 Through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	
Total Pension Liability							
Service Cost	\$ 1,674,585	\$ 1,816,515	\$ 1,948,683	\$ 1,863,140	\$ 1,822,422	\$ 1,469,569	Information not available
Interest on the Total Pension Liability	6,808,706	6,387,267	6,200,586	5,690,887	5,080,949	(94,243)	
Benefit Changes	-	-	-	-	417,094	4,794,832	
Difference between Expected and Actual Experience	2,768,304	1,851,571	(2,413,847)	1,205,974	1,908,812	63,590,313	
Assumption Changes	-	-	1,671,903	-	2,851,061	2,497,362	
Benefit payments, including refunds of employee contributions	(4,138,227)	(4,142,322)	(2,997,789)	(2,780,796)	(3,104,809)	(3,870,654)	
Net Change in Total Pension Liability	7,113,368	5,913,031	4,409,536	5,979,205	8,975,529	68,387,179	
Total Pension Liability - Beginning	93,664,480	87,751,449	83,341,913	77,362,708	68,387,179	-	
Total Pension Liability - Ending (a)	<u>\$ 100,777,848</u>	<u>\$ 93,664,480</u>	<u>\$ 87,751,449</u>	<u>\$ 83,341,913</u>	<u>\$ 77,362,708</u>	<u>\$ 68,387,179</u>	
Plan Fiduciary Net Position							
Employer Contributions	\$ 4,369,023	\$ 4,090,793	\$ 4,278,119	\$ 4,202,235	\$ 2,758,088	\$ 2,625,336	
Employee Contributions	714,167	752,658	755,514	802,166	1,018,790	1,019,835	
Pension Plan Net Investment Income	12,869,259	588,230	3,085,223	2,579,117	3,901,455	188,575	
Benefit payments, including refunds of employee contributions	(4,138,227)	(4,142,322)	(3,832,759)	(2,780,796)	(3,104,809)	(3,870,654)	
Hall / Parker Settlement	-	-	-	(1,298,669)			
Pension Plan Administrative Expense	(60,358)	(48,164)	(40,110)	(40,654)	(34,921)	(28,935)	
Other*	-	-	4,344	444	425	32,757,313	
Net Change in Plan Fiduciary Net Position	13,753,864	1,241,195	4,250,331	3,463,843	4,539,028	32,691,470	
Plan Fiduciary Net Position - Beginning	45,061,850	44,918,981	40,694,341	37,230,498	32,691,470	-	
Adjustment to Beginning of Year	-	(1,098,326)	(25,691)	-	-	-	
Plan Fiduciary Net Position - Ending (b)	<u>\$ 58,815,714</u>	<u>\$ 45,061,850</u>	<u>\$ 44,918,981</u>	<u>\$ 40,694,341</u>	<u>\$ 37,230,498</u>	<u>\$ 32,691,470</u>	
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 41,962,134	\$ 48,602,630	\$ 42,832,468	\$ 42,647,572	\$ 40,132,210	\$ 35,695,709	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.36%	48.11%	51.19%	48.83%	48.12%	47.80%	
Covered Valuation Payroll**	7,604,442	7,803,357	6,337,020	6,837,589	5,418,796	\$ 7,592,065	
Net Pension Liability as a Percentage of Covered Valuation Payroll	551.81%	622.84%	675.91%	623.72%	740.61%	470.17%	

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

** Does not necessarily represent Covered Payroll as defined in GASB Statement No. 82.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION/OPEB LIABILITY (ASSET) (Concluded)
YEAR ENDED JUNE 30, 2022

PSPRS - OPEB	Reporting Fiscal Year (Measurement Date)					2017 Through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB Liability						
Service cost	\$ 34,570	\$ 37,848	\$ 25,038	\$ 26,764	\$ 24,267	Information not available
Interest on the total OPEB Liability	108,191	106,056	114,176	114,698	111,939	
Changes of benefit terms	-	-	-	-	5,878	
Differences between expected and actual experience in the measurement of the OPEB liability	(105,070)	(28,220)	(215,459)	(99,695)	2,516	
Changes of assumptions or other inputs	-	-	15,701	-	(25,144)	
Benefit payments	(62,317)	(64,737)	(59,264)	(61,690)	(64,820)	
Net change in total OPEB liability	(24,626)	50,947	(119,808)	(19,923)	54,636	
Total OPEB liability - beginning	1,478,651	1,427,704	1,547,512	1,567,435	1,512,799	
Total OPEB liability - ending(a)	<u>\$ 1,454,025</u>	<u>\$ 1,478,651</u>	<u>\$ 1,427,704</u>	<u>\$ 1,547,512</u>	<u>\$ 1,567,435</u>	
Plan Fiduciary Net Position						
Employer Contributions	\$ 32,115	\$ 36,813	\$ 47,435	\$ 15,034	\$ 849	
Employee Contributions	-	-	-	-	-	
Pension Plan Net Investment Income	379,918	17,560	97,956	88,473	139,666	
Differences between expected and actual experience in the measurement of the OPEB liability	-	-	(25,971)	-	-	
Benefit payments, including refunds of employee contributions	(62,317)	(64,737)	(59,264)	(61,690)	(64,820)	
Pension Plan Administrative Expense	(1,562)	(1,428)	(1,243)	(1,347)	-	
Other*	-	-	-	1	-	
Net Change in Plan Fiduciary Net Position	348,154	(11,792)	58,913	40,471	75,695	
Plan Fiduciary Net Position - Beginning	1,403,076	1,414,868	1,330,264	1,289,793	1,214,098	
Adjustment to Beginning of Year	-	-	25,691	-	-	
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,751,230</u>	<u>\$ 1,403,076</u>	<u>\$ 1,414,868</u>	<u>\$ 1,330,264</u>	<u>\$ 1,289,793</u>	
Net OPEB (Asset)/Liability - Ending (a) - (b)	\$ (297,205)	\$ 75,575	\$ 12,836	\$ 217,248	\$ 277,642	
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	120.44%	94.89%	99.10%	85.96%	82.29%	
Covered Valuation Payroll**	7,604,442	7,803,357	6,337,020	6,837,589	5,418,796	
Net OPEB (Asset)/Liability as a Percentage of Covered Valuation Payroll	-3.91%	0.97%	0.20%	3.18%	5.12%	

See accompanying notes to pension/OPEB plan schedules.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED JUNE 30, 2022

Arizona Retirement System - Pension	Reporting Fiscal Year (Measurement Date)						2016 Through 2013 Information not available
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 259,645	\$ 239,691	\$ 224,985	\$ 199,787	\$ 170,846	\$ 148,351	
Contributions in relation to the statutorily required contribution	(259,645)	(239,691)	(224,985)	(199,787)	(170,846)	(148,351)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 2,161,907	\$ 2,057,433	\$ 1,964,934	\$ 1,787,004	\$ 1,567,394	\$ 1,376,169	
Contributions as a percentage of covered payroll	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	
Public Safety Personnel Retirement System - Pension	Reporting Fiscal Year (Measurement Date)						2016 Through 2013 Information not available
	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ 1,967,949	\$ 4,369,023	\$ 4,090,793	\$ 4,278,119	\$ 4,202,235	\$ 2,758,088	
Contributions in relation to the actuarially determined contribution	(44,145,977)	(4,369,023)	(4,090,793)	(4,278,119)	(4,202,235)	(2,758,088)	
Contribution deficiency (excess)	<u>\$ (42,178,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 3,680,473	\$ 7,604,442	\$ 7,803,357	\$ 6,337,020	\$ 6,837,589	\$ 5,418,796	
Contributions as a percentage of covered payroll	53.47%	57.72%	62.11%	58.78%	43.26%	34.58%	
Public Safety Personnel Retirement System - OPEB	Reporting Fiscal Year (Measurement Date)						2016 Through 2013 Information not available
	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ 13,618	\$ 38,347	\$ 12,039	\$ 41,747	\$ 25,468	\$ -	
Contributions in relation to the actuarially determined contribution	(13,618)	(38,347)	(12,039)	(41,747)	(25,468)	-	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 3,680,473	\$ 7,604,442	\$ 7,803,357	\$ 6,337,020	\$ 6,837,589	\$ 5,418,796	
Contributions as a percentage of covered payroll	0.37%	0.54%	0.37%	0.77%	0.47%	0.00%	

See accompanying notes to pension/OPEB plan schedules.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION/OPEB PLAN SCHEDULES
YEAR ENDED JUNE 30, 2022

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	PSPRS members with initial membership date before July 1, 2017: Level percent-of-pay, closed PSPRS members with initial membership date after July 1, 2017: Level dollar closed
Remaining amortization period as of the 2020 actuarial valuation	PSPRS members with initial membership date before July 1, 2017: 10 years PSPRS members with initial membership on or after July 1, 2017: 20 years
Asset valuation method	PSPRS members with initial membership date before July 1, 2017: 7-year smoothed market value; 80%/120% market corridor PSPRS members with initial membership date after July 1, 2017: 5-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION/OPEB PLAN SCHEDULES
YEAR ENDED JUNE 30, 2022

NOTE 2 FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date.

As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date.

These changes also increased the PSPRS- required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS- required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the District refunded excess employee contributions to PSPRS members. PSPRS allowed the District to reduce its actual employer contributions for the refund amounts. As a result, the District's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Taxes:			
CYFD Funding Requirement	\$ 21,466,421	\$ 21,524,109	\$ 57,688
CVFD Funding Requirement	5,222,136	5,230,932	8,796
Charges for services	352,730	2,694,837	2,342,107
Intergovernmental	71,618	964,413	892,795
Investment earnings			
Interest earnings	50,000	19,006	(30,994)
Change in fair market value in investments	-	(498,706)	(498,706)
Other	486,125	547,362	61,237
Total revenues	<u>27,649,030</u>	<u>30,481,953</u>	<u>2,832,923</u>
EXPENDITURES			
Public safety - fire protection:			
Fire prevention and emergency services	23,857,545	22,594,687	1,262,858
Excess pension contribution	-	41,178,028	(41,178,028)
Administrative and support services	3,164,845	2,846,666	318,179
Capital outlay	2,642,274	3,558,995	(916,721)
Contingency	1,285,443	-	1,285,443
Debt service			
Principal payment	-	1,330,000	(1,330,000)
Interest and fiscal charges	-	960,766	(960,766)
Certificates of participation issuance costs	-	1,186,972	(1,186,972)
Total expenditures	<u>30,950,107</u>	<u>73,656,114</u>	<u>(42,706,007)</u>
Excess of revenues over expenditures	(3,301,077)	(43,174,161)	(39,873,084)
Other financing sources (uses):			
Certificates of participation proceeds	53,365,000	53,365,000	-
Transfers in (out)	933,484	933,484	-
Total other financing uses	<u>54,298,484</u>	<u>54,298,484</u>	<u>-</u>
Changes in fund balance	50,997,407	11,124,323	(39,873,084)
Fund balance, beginning of year	<u>5,907,339</u>	<u>5,907,339</u>	<u>-</u>
Fund balance, end of year	<u>\$ 56,904,746</u>	<u>\$ 17,031,662</u>	<u>\$ (39,873,084)</u>

SUPPLEMENTARY INFORMATION

CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
SCHEDULE OF JOINT VENTURE REVENUE AND COST ALLOCATION
YEAR ENDED JUNE 30, 2022

	Central Yavapai Fire District	Chino Valley Fire District	Central Arizona Fire & Medical Authority
Funding contribution and cost allocation			
Funding contribution	\$ (21,524,109)	\$ (5,230,932)	\$ 26,755,041
Jointly allocated revenues:			
Charges for services	(2,167,457)	(527,380)	2,694,837
Investment earnings	373,643	90,914	(464,557)
Operating grants and contributions	(956,151)	(232,648)	1,188,799
Contracts and other	(440,243)	(107,119)	547,362
Allocation of cost to provide district services:			
Public safety personnel cost:			
Salaries and wages	11,634,813	2,830,950	(14,465,763)
Employee benefits			
Employee pension and related benefits	11,015,756	2,680,323	(13,696,079)
Other employee benefits	2,525,949	614,607	(3,140,556)
Public safety supplies and services cost:			
Administrative support, supplies and services	716,627	174,368	(890,995)
Operational support, supplies and services			
Communications	860,730	209,430	(1,070,160)
Station utilities, supplies and maintenance	477,978	116,300	(594,278)
Fleet fuel and maintenance	493,807	120,152	(613,959)
Protective equipment and uniforms	363,435	88,430	(451,865)
Outside services	243,196	59,174	(302,370)
Training and prevention	133,628	32,514	(166,142)
Emergency medical supplies	174,490	42,457	(216,947)
Depreciation	1,587,347	386,229	(1,973,576)
Excess of revenues over expenditures	27,037,548	6,578,701	(33,616,249)
Change in joint venture net position	5,513,439	1,347,769	(6,861,208)
Beginning net position in joint venture	(21,510,875)	(3,247,778)	24,758,653
Ending net position in joint venture	<u>\$ (15,997,436)</u>	<u>\$ (1,900,009)</u>	<u>\$ 17,897,445</u>

REPORT ON INTERNAL CONTROL AND COMPLIANCE

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
Central Arizona Fire and Medical Authority
Chino Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Central Arizona Fire and Medical Authority, Arizona, (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Central Arizona Fire and Medical Authority's basic financial statements and have issued our report thereon dated December 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Arizona Fire and Medical Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Arizona Fire and Medical Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Arizona Fire and Medical Authority'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.

Report on Compliance and Other Matters

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

Report on Compliance with State of Arizona Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Central Arizona Fire and Medical Authority 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 Authority's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the Authority failed to comply with A.R.S. section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

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.

Baker Tilly US, LLP

Tempe, Arizona
December 19, 2022