

Central Arizona Fire and Medical Authority

Financial Statements and
Supplementary Information

June 30, 2023

Central Arizona Fire and Medical Authority

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Independent Auditors' Report

To the Board of Directors of
Central Arizona Fire and Medical Authority

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 (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Authority, Arizona as of June 30, 2023 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note Note 1, the Authority adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2022. Our opinion are not modified with respect to this matter.

As discussed in Note Note 9 to the financial statements, net position as of June 30, 2022 has been restated to correct a prior period misstatement. Our opinion are not modified with respect to this matter.

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 Authority'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 auditors' report that includes our opinion. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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.

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 on our consideration of the Authority'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
January 24, 2024

Board of Directors

Matt Zurcher, Chair

Lorette Stewart, Member

Gayle Pickett, Member

Rick Anderson, Member

Dave Dobbs, Clerk

Senior Staff

Scott Freitag, Fire Chief

Lee Barnes, 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, 2023

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, 2023. 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 \$6,090,329. Of this amount, \$31,458,714 is invested in capital assets, and a shortage of \$25,368,385 is unrestricted.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$24,667,844.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,110,127 or 22% of the 2023 fiscal year's total budgeted operating expenditures.
- Total revenue received in the General Fund was \$1,983,026 more than the final budget and expenditures were \$5,460,258 less than the final budget.

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 noted 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. Please see Table of Contents.

The basic governmental fund financial statements can be found as noted 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 noted 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 per the Table of Contents.

Central Arizona Fire and Medical Authority

Management's Discussion and Analysis

June 30, 2023

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 \$6,090,329 at the close of the 2023 fiscal year.

Of the Authority's net position, \$31,405,307 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. There is also a restricted amount for post-employment benefits. The shortage net position of \$35,333,839 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

Condensed Statement of Net Position		
	Governmental Activities	
	2023	2022
Assets		
Cash and cash equivalents	\$ 15,144,549	\$ 14,200,454
Other assets	1,748,086	1,784,908
Restricted cash	9,947,500	9,497,058
Capital assets, net	31,458,714	31,710,603
Total assets	58,298,849	57,193,023
Deferred Outflows of Resources	19,329,563	60,550,444
Liabilities		
Accrued expenses	1,932,321	954,590
Short-term obligations	4,239,191	3,842,794
Long-term obligations	63,872,499	94,841,248
Total liabilities	70,044,011	99,638,632
Deferred Inflows of Resources	1,494,072	8,258,346
Net Position		
Net investment in capital assets	31,405,307	31,710,603
Restricted for post-employment benefits	10,018,861	-
Unrestricted	(35,333,839)	(15,864,114)
Total net position	\$ 6,090,329	\$ 15,846,489

For more detailed information see the Statement of Net Position as noted in the Table of Contents.

The Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), was 517% of the net position in 2023, 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.

Central Arizona Fire and Medical Authority

Management's Discussion and Analysis

June 30, 2023

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	
	2023	2022
Revenues:		
Program revenue:		
Charges for services	2,158,490	\$ 2,694,837
Operating grants	373,328	1,188,799
General revenues:		
Funding from Fire District participants	29,292,514	26,755,041
Other	612,960	547,362
Interest earnings	809,273	(464,557)
Total revenues	<u>33,246,565</u>	<u>30,721,482</u>
Expenses:		
Public safety	<u>43,047,561</u>	<u>39,730,428</u>
Total expenses	<u>43,047,561</u>	<u>39,730,428</u>
Special items:		
Restitution recovery	39,345	-
Misappropriation of expenses	<u>(39,345)</u>	<u>-</u>
Total special items	<u>-</u>	<u>-</u>
(Decrease) Increase in net position	(9,800,996)	(9,008,946)
Net position, beginning	15,846,489	24,855,435
Restatement (See note 9)	<u>44,836</u>	<u>-</u>
Net position, beginning (restated)	<u>15,891,325</u>	<u>24,855,435</u>
Net position, ending	<u>\$ 6,090,329</u>	<u>\$ 15,846,489</u>

For more detailed information see the Statement of Activities as noted in 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 \$24,667,844. Of the total combined fund balance, \$7,610,217 (31%) is committed to capital

Central Arizona Fire and Medical Authority

Management's Discussion and Analysis
June 30, 2023

projects, \$9,947,500 is restricted for post-employment benefits. Unassigned fund balance of \$7,110,127 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 \$7,110,127. 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 54% of total general fund expenditures of \$31,767,634.

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 2023 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$1,983,026 greater than budgeted revenues while total actual expenditures were \$5,460,258 less 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).

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2023, totals \$31,458,714 (net of accumulated depreciation/amortization). 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 2023 the Authority made capital purchases for vehicles and equipment in the amount of \$787,672.

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 \$68,111,689. All of the debt as follows is backed by the full faith and credit of the Authority.

- Net Pension and OPEB Liabilities - \$15,913,139
- Certificates of Participation - \$49,615,000
- Compensated Absences - \$2,458,783

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.

Central Arizona Fire and Medical Authority

Management's Discussion and Analysis
June 30, 2023

Property assessments in the Chino Valley area have increased by 7% 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 (16% 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, AZ 86314, call 928-772-771, or visit the Authority's website at www.cazfire.gov.

Central Arizona Fire and Medical Authority

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,144,549
Receivables:	
Service contracts	1,179,030
Wildland	282,986
Restitution (Note 10)	39,345
Leases	175,364
Restricted cash and investments	9,947,500
Net OPEB asset	71,361
Capital assets, not being depreciated/amortized	6,802,730
Capital assets, being depreciated/amortized, net	24,655,984
Total assets	58,298,849
Deferred Outflows of Resources	
Deferred outflows related to pensions and OPEB	19,329,563
Liabilities	
Accounts payable	387,175
Accrued payroll and related liabilities	722,151
Unearned revenue, ambulance	822,995
Due within one year	
Compensated absences	1,422,794
Certificates of participation payable	2,800,000
Subscription based IT arrangements	16,397
Due in more than one year	
Compensated absences	1,035,989
Certificates of participation payable	46,815,000
Subscription based IT arrangements	37,010
Net pension liability	15,984,500
Total liabilities	70,044,011
Deferred Inflows of Resources	
Deferred inflows related to pensions and OPEB	1,325,463
Deferred inflows related to leases	168,609
	1,494,072
Net Position	
Net investment in capital assets	31,405,307
Restricted for post-employment benefits	10,018,861
Unrestricted	(35,333,839)
Total net position	\$ 6,090,329

See notes to financial statements

Central Arizona Fire and Medical Authority

Statement of Activities

Year Ended June 30, 2023

	Governmental Activities
Expenses	
Public safety-fire protection	
Salaries and wages	\$ 14,212,645
Employee benefits:	
Employee pension and related benefits	14,479,228
Other employee benefits	4,212,674
Administrative and support services	1,686,142
Communications	1,165,173
Station utilities and maintenance	734,978
Fleet fuel and maintenance	684,452
Protective equipment and uniforms	620,367
Outside services	821,531
Training and prevention	190,831
Emergency medical supplies	237,951
Depreciation/amortization	2,109,062
Interest and fiscal charges	1,892,527
	<hr/>
Total program expenses	43,047,561
	<hr/>
Program Revenues	
Charges for services	2,158,490
Operating grants	373,328
	<hr/>
Total program revenues	2,531,818
	<hr/>
Net program expense	40,515,743
	<hr/>
General Revenues	
Funding requirement from:	
Central Yavapai Fire District	23,646,933
Chino Valley Fire District	5,645,581
Contracts and other	612,960
Investment earnings	
Interest earnings	368,400
Change in fair value of investments	440,873
	<hr/>
Total general revenue	30,714,747
	<hr/>
Special Items (Note 10)	
Restitution recovery	39,345
Misappropriation of expenses	(39,345)
	<hr/>
Total special items	-
	<hr/>
Change in net position	(9,800,996)
	<hr/>
Net Position, Beginning (Previously Reported)	15,846,489
Restatement (Note 9)	44,836
	<hr/>
Net Position, Beginning (Restated)	15,891,325
	<hr/>
Net Position, Ending	\$ 6,090,329
	<hr/>

See notes to financial statements

Central Arizona Fire and Medical Authority

Balance Sheet - Governmental Funds

June 30, 2023

	Major Funds		Total
	General	Capital Reserve	Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,534,332	\$ 7,610,217	\$ 15,144,549
Receivables:			
Service contracts	1,179,030	-	1,179,030
Wildland	282,986	-	282,986
Restitution (Note 10)	39,345	-	39,345
Lease	175,364	-	175,364
Restricted cash and investments	9,947,500	-	9,947,500
Total assets	19,158,557	7,610,217	26,768,774
Liabilities, Deferred Inflows of Resources and Fund Balances Liabilities			
Accounts payable	387,175	-	387,175
Accrued payroll and related	722,151	-	722,151
Unearned revenue, ambulance	822,995	-	822,995
Total liabilities	1,932,321	-	1,932,321
Deferred Inflows of Resources			
Leases	168,609	-	168,609
Fund Balances			
Restricted for post-employment benefits	9,947,500	-	9,947,500
Committed, capital projects	-	7,610,217	7,610,217
Unassigned	7,110,127	-	7,110,127
Total fund balances	17,057,627	7,610,217	24,667,844
Total liabilities, deferred inflows of resources and fund balances	\$ 19,158,557	\$ 7,610,217	\$ 26,600,165

See notes to financial statements

Central Arizona Fire and Medical Authority

Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2023

Fund Balances - Total Governmental Funds Balance Sheet

\$ 24,667,844

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.

31,458,714

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.

18,004,100

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

\$ (2,458,783)

Certificates of participation payable

(49,615,000)

Subscription based IT arrangements

(53,407)

Net OPEB asset

71,361

Net pension/OPEB liability

(15,984,500)

(68,040,329)

Net Position of Governmental Activities - Statement of Net Position

\$ 6,090,329

Central Arizona Fire and Medical Authority

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2023

	Major Funds		Total
	General	Capital Reserve	Governmental Funds
Revenues			
Funding contribution from:			
Central Yavapai Fire District	\$ 23,646,933	\$ -	\$ 23,646,933
Chino Valley Fire District	5,645,581	-	5,645,581
Charges for services	2,115,711	-	2,115,711
Intergovernmental revenue	393,593	-	393,593
Investment earnings:			
Interest earnings	209,425	158,975	368,400
Change in fair value of investments	440,873	-	440,873
Contracts and other	651,945	-	651,945
Total revenues	33,104,061	158,975	33,263,036
Expenditures			
Public safety - fire protection:			
Fire Protection and emergency services	23,729,300	-	23,729,300
Administrative and support services	2,534,158	-	2,534,158
Capital outlay	1,857,174	-	1,857,174
Debt service:			
Principal payments	2,436,396	-	2,436,396
Interest	1,210,606	-	1,210,606
Total expenditures	31,767,634	-	31,767,634
Excess (deficiency) of revenues over expenditures	1,336,427	158,975	1,495,402
Other financing sources (uses):			
Subscription-based IT arrangements	69,803	-	69,803
Transfers in/(out)	(1,425,101)	1,425,101	-
Total other financings sources (uses)	(1,355,298)	1,425,101	69,803
Special items (Note 10):			
Restitution recovery	39,345	-	39,345
Misappropriation of expenses	(39,345)	-	(39,345)
Total special items	-	-	-
Net change in fund balances	(18,871)	1,584,076	1,565,205
Fund Balances, Beginning (Previously Reported)	17,031,662	6,026,141	23,057,803
Restatement (Note 9)	44,836	-	44,836
Net Position, Beginning (Restated)	17,076,498	6,026,141	23,102,639
Fund Balances, Ending	\$ 17,057,627	\$ 7,610,217	\$ 24,667,844

See notes to financial statements

Central Arizona Fire and Medical Authority

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 1,565,205

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 financial
resources are not reported as revenues in the funds. (1,172,821)

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/amortization expense.

Capital expenditures	1,717,567	
Depreciation/amortization expense	<u>(2,109,062)</u>	(391,495)

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.

Pension and OPEB contributions	1,893,999	
Pension and OPEB expense	<u>(14,049,322)</u>	(12,155,323)

Subscription based assets provide current financial
resources to the period and therefore were not reported
as governmental liabilities.

Proceeds from Subscription-based IT arrangements		69,803
--	--	--------

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	2,420,000	
Subscription-based IT arrangements	16,396	<u>2,436,396</u>

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 changes in accrued compensated
absences. (152,761)

Change in Net Position of Governmental Activities \$ (9,800,996)

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

1. Summary of Significant Accounting Policies

The accounting policies and procedures of the Central Arizona Fire and Medical Authority (the 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.

Reporting Entity

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.

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.

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.

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.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

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.

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 Reserve 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.

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.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

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

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.

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.

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.

Capital Assets

Capital assets, which include land, buildings and related improvements, equipment, vehicles, furniture and construction in progress, leased assets and subscription-based assets, 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 acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the 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, 2023

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

Intangible right-to-use assets and subscription assets are amortized over the shorter of the lease/subscription term or the useful life of the underlying asset.

Leases and Subscription-Based Information Technology Arrangements

Leases

Lessor - As lessor, the Authority recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Authority charges the lessee) and the implicit rate cannot be determined, the Authority uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Authorities estimated incremental borrowing rate is based on the average interest rate of bonds received during the same period as leases.

Subscription-Based Information Technology Arrangements

Subscription-Based Information Technology Arrangements - The Authority recognizes subscription liabilities with an initial, individual value of \$10,000 or more. The Authority uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above.

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.

Central Arizona Fire and Medical Authority

Notes to Financial Statements
Year Ended June 30, 2023

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.

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 50% upon retirement, with a minimum of ten years continuous employment and no payment upon resignation or termination. Accrued vacation is paid at 100% 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.

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.

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.

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, 2023

Postemployment Benefits

For purposes of measuring the net pension / OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension / OPEB 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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 nonoperating revenues and expenses.

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, 2023 the transfer of the member districts' assets and liabilities are included as current year special items. See the supplementary schedules for more information.

Change in Accounting Principle

For the year ended June 30, 2023, the Authority implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the Authorities financial statements have been modified to reflect the implementation of this new standard.

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, 2023, the carrying amount of the Authority's deposits totaled \$15,144,549 and the amount on deposit with the Yavapai County Treasurer's Office was \$9,555,420. 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, 2023

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, 2023.

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 both the statement of net position and the balance sheet. The assets are measured at fair value with a balance of \$9,947,500 as of June 30, 2023.

<u>June 30, 2023</u>	<u>Carrying Amount</u>	<u>Category 1</u>	<u>Bank Balance Category 2</u>	<u>Category 3</u>	<u>Bank Balance / Fair Value</u>
Pension Reserve - Yavapai County	\$ 2,033,156	\$ 2,033,156	\$ -	\$ -	\$ 2,033,156
PARS IRS 115 Trust	7,914,344	-	7,914,344	-	7,914,344
Total	<u>\$ 9,947,500</u>	<u>\$ 2,033,156</u>	<u>\$ 7,914,344</u>	<u>\$ -</u>	<u>\$ 9,947,500</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, 2023

3. Receivables

Lease Receivables

As of June 30, 2023, the Authority is reporting Leases Receivable of \$175,364 and Deferred Inflows Related to Leases of \$168,609. For the fiscal year 2023, the Authority reported lease revenue of \$15,512 and interest revenue of \$2,470, related to lease payments received.

Station 61 Lease - On January 1, 2023, the Authority entered into a five-year lease agreement with the Arizona State Forestry for the lease of facilities on the Authorities property. Based on this agreement, the Town is receiving monthly payments through January 2028.

The Authorities incremental borrowing rate used for lease measurements is 2.6% as of June 30, 2023.

Future payments due to the Authority are as follows for the years ending June 30:

	<u>Principal Receivable</u>
Fiscal year:	
2024	\$ 36,497
2025	37,585
2026	38,717
2027	39,871
2028	<u>22,694</u>
Total	<u>\$ 175,364</u>

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land and land improvements	\$ 3,406,719	\$ -	\$ -	\$ 3,406,719
Construction in progress	2,614,264	999,698	(217,951)	3,396,011
Total capital assets not being depreciated/amortized	<u>6,020,983</u>	<u>999,698</u>	<u>(217,951)</u>	<u>6,802,730</u>
Capital assets being depreciated/amortization:				
Buildings and improvements	25,296,992	206,250	-	25,503,242
Vehicles	14,450,452	515,959	(118,006)	14,848,405
Furniture and equipment	8,882,177	283,771	-	9,165,948
Intangibles				
Right-to-use subscription assets	-	69,803	-	69,803
Total capital assets being depreciated/amortized	<u>48,629,621</u>	<u>1,005,980</u>	<u>(118,006)</u>	<u>49,587,041</u>
Less accumulated depreciation/amortized:				
Building and improvement	(8,728,182)	(679,499)	-	(9,407,681)
Vehicles	(8,374,496)	(621,961)	118,006	(8,878,451)
Furniture and equipment	(5,837,323)	(791,206)	-	(6,628,529)
Intangibles				
Right-to-use subscription assets	-	(16,396)	-	(16,396)
Total accumulated depreciation/amortized	<u>(22,940,001)</u>	<u>(2,109,062)</u>	<u>118,006</u>	<u>(24,931,057)</u>
Total capital assets being depreciated/ amortized, net	<u>25,689,620</u>	<u>(1,033,636)</u>	<u>-</u>	<u>24,665,984</u>
Government activities capital assets, net	<u>\$ 31,710,603</u>	<u>\$ (33,938)</u>	<u>\$ (217,951)</u>	<u>\$ 31,458,714</u>

Depreciation/amortization expense of \$2,109,062 was charged to the public safety function of the Authority.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

5. Long-Term Debt

Changes in long-term debt as of June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Government activities:					
Compensated absences	\$ 2,306,022	\$ 630,939	\$ (478,178)	\$ 2,458,783	\$ 1,422,794
Certificate of Participation	52,035,000	-	(2,420,000)	49,615,000	2,800,000
Subscription liability	-	69,803	(16,397)	53,406	16,397
Net pension liability	44,343,020	-	(28,358,520)	15,984,500	-
Total	<u>\$ 98,386,836</u>	<u>\$ 700,742</u>	<u>\$ (31,273,095)</u>	<u>\$ 68,040,328</u>	<u>\$ 4,256,872</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:

	Principal Payments	Interest Payments	Total Payments
Fiscal year:			
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	3,050,000	1,036,178	4,086,178
2029-2033	16,265,000	4,152,865	20,417,865
2034-2038	18,640,000	1,783,122	20,423,122
Total	<u>\$ 49,615,000</u>	<u>\$ 11,559,791</u>	<u>\$ 61,174,791</u>

Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has obtained the right to use various IT software under the provisions of various subscription-based information technology arrangements. The terms range from three to five years, including options that are more likely than not to be exercised. The discount rate applied to the subscription-based technology arrangements are based on actual rates or an estimated incremental borrowing rate, which ranged from 2.68% to 3.00% for all subscription-based technology arrangements reported.

The total of the Authorities subscription assets are recorded at cost of \$69,803, less accumulated amortization of \$16,396.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

The following schedule details minimum subscription payments to maturity for the Authorities subscriptions liability at June 30, 2023:

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
Fiscal year:			
2024	\$ 16,397	\$ 1,235	\$ 17,632
2025	12,116	884	13,000
2026	12,411	589	13,000
2027	12,482	178	12,660
Total	<u>\$ 53,406</u>	<u>\$ 2,886</u>	<u>\$ 56,292</u>

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, 2023, the Authority reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<u>Governmental Activities Total</u>
Statement of net position and statement of activities:	
Net pension liabilities	\$ 15,984,500
Net OPEB liabilities (asset)	(71,361)
Deferred outflow of resources	19,329,563
Deferred inflow of resources	1,325,463
Pension expense	14,105,558
OPEB expense	56,236

The Authority reported \$1,893,999 of contributions as expenditures in the governmental funds related to all plans to which it contributes.

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 Authority as a whole and are excluded from the financial statements.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

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:

	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 five 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 five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% 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 12.17% (11.92% for retirement, 0.11% for health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

The Authority's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023 were \$268,830, \$2,481 and \$3,157, respectively.

During fiscal year 2023, the Authority paid all ASRS pension contributions from the General Fund.

Liability

At June 30, 2023, the Authority reported the following liability for its proportionate share of the ASRS' net pension liability.

	<u>Net Pension Liability</u>
ASRS:	
Pension	\$ 2,975,541

The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022. The total liabilities as of June 30, 2022, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2021, including decreasing the discount rate from 7.5% to 7.0%, changing the projected salary increases from 2.7% - 7.2% to 2.9% - 8.4%.

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, 2022. The Authority's proportion measured as of June 30, 2022 and the change from its proportions measured as of June 30, 2021, were:

	<u>Proportion June 30, 2022</u>	<u>Increase From June 30, 2021</u>
ASRS:		
Pension	0.01823 %	0.000100 %

The Authority's reported liability at June 30, 2023 of \$2,975,541 increased by \$594,655 from the Authority's prior year liability of \$2,380,886 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, 2023, the Authority recognized the following pension expense.

	<u>Pension</u>
ASRS:	
Pension	\$ 464,698

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

Deferred Outflows / Inflows of Resources

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
ASRS:		
Differences between expected and actual experience	\$ 25,353	\$ -
Changes of assumptions or other inputs	147,682	-
Net difference between projected and actual earnings on pension plan investments	-	78,379
Changes in proportion and differences between Authority contributions and proportionate share of contributions	23,737	-
Authority contributions subsequent to the measurement date	268,830	-
Total	\$ 292,567	\$ 78,379

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, 2024. 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:

	Pension
Years ending June 30:	
2024	\$ 159,548
2025	(30,520)
2026	(136,084)
2027	125,449
Thereafter	-

Actuarial Assumptions

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

ASRS:	
Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 20, 2022
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
	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Mortality rates	2012 GLDT for long-term disability
Recovery rate	Not applicable
Healthcare cost trend rate	

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

Actuarial assumptions used in the June 30, 2021 valuation was 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% 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Asset class:		
Equity	50 %	3.90 %
Fixed income, credit	20	5.30
Fixed income, interest rate sensitive	10	(0.20)
Real estate	20	6.00
Total	100 %	

Discount Rate

At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0%, which was a decrease of 0.5% 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%, 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%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability	\$ 4,390,322	\$ (2,975,541)	\$ 1,795,834

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

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 includes their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

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 Retirement and Disability	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years or service of 15 years of credited service and 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	

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

PSPRS Retirement and Disability	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
Survivor Benefits		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with five 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, 2023, the following employees were covered by the agent plans' benefit terms:

	PRPRS Firefighter	
	Pension	OPEB
Inactive employees or beneficiaries currently receiving benefits	62	62
Inactive employees entitled to but not yet receiving benefits	26	17
Active employees	85	85
Total	173	164

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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	Pension	Health Insurance Premium Benefit
PSPRS Firefighter	7.95-11.65 %	59.02 %	0.12 %

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

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.

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Firefighter	9.00 %	0.26 %

The Authority's contributions to the plans for the year ended June 30, 2023 were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Firefighter	\$ 1,618,041	\$ 7,128

During fiscal year 2023, the Authority paid all of the PSPRS pension and OPEB contributions from the General Fund.

Liability/(Asset)

At June 30, 2023, the Authority reported the following assets and liabilities.

	<u>Net Pension Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Firefighter	13,008,959	(71,361)

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3% to 7.2%, changing the wage inflation from 3.5% to a range of 3.0% - 6.25% and increasing the cost-of-living adjustment from 1.75% to 1.85%.

Actuarial Assumptions

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

PSPRS:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/ not applicable for OPEB
Price inflation	2.5% for pensions not applicable for OPEB
Permanent benefit increase	Included for pensions/ not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the five-year period ended June 30, 2017.

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3% 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 Real Rate of Return
U.S. public entity	24.00 %	3.49 %
International public entity	16.00	4.47
Global private equity	20.00	7.18
Other assets (capital depreciation)	7.00	4.83
Core bonds	2.00	0.45
Private credit	20.00	5.10
Diversifying strategies	10.00	2.68
Cash, Mellon	1.00	(0.35)
Total	100.00 %	

Discount Rates

At June 30, 2022, the discount rate used to measure the PSPRS total pension liability was 7.2%. 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, 2023

Changes in the Net Pension/OPEB Liability

PSPRS – Firefighter - Pension	Pension Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 100,777,848	\$ 58,815,714	\$ 41,962,134
Adjustments to beginning of year			
Changes for the year:			
Service cost	1,661,578	-	1,661,578
Interest on the total liability	7,337,788	-	7,337,788
Differences between expected and actual experience in the measurement of the liability	1,802,410	-	1,802,410
Changes of assumptions or other inputs	1,652,664	-	1,652,664
Contributions, employer	-	44,392,119	(44,392,119)
Contributions, employee	-	737,951	(737,951)
Net investment income	-	(3,656,809)	3,656,809
Benefit payments, including refunds of employee contributions	(3,843,560)	(3,843,560)	-
Administrative expense	-	(65,646)	65,646
Other changes	-	-	-
Net changes	8,610,880	37,564,055	(28,953,175)
Balances at June 30, 2023	\$ 109,388,728	\$ 96,379,769	\$ 13,008,595

PSPRS – Firefighter - OPEB	Pension Increase (Decrease)		
	Total OPEB Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 1,454,025	\$ 1,751,230	\$ (297,205)
Adjustments to beginning of year			
Changes for the year:			
Service cost	32,692	-	32,692
Interest on the total liability	106,281	-	106,281
Differences between expected and actual experience in the measurement of the liability	8,325	-	8,325
Changes of assumptions or other inputs	39,666	-	39,666
Contributions, employer	-	30,502	(30,502)
Contributions, employee	-	-	68,168
Net investment income	-	(68,168)	68,168
Benefit payments, including refunds of employee contributions	(61,629)	(61,629)	1,214
Administrative expense	-	(1,214)	1,214
Net changes	125,335	(100,509)	225,844
Balances at June 30, 2023	\$ 1,579,360	\$ 1,650,721	\$ (71,361)

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

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 7.2%, 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 (6.2%) or 1 percentage point higher (8.2%) than the current rate:

PSRS - Firefighter - Pension	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability	\$ 28,163,563	\$ 13,008,959	\$ 640,170
PSRS – Firefighter - OPEB	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability	\$ 114,016	\$ (71,361)	\$ (227,290)

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, 2023, the Authority recognized \$13,887,934 and \$(39,352) of PSPRS pension and OPEB expense, respectively.

Deferred Outflows / Inflows of Resources

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,214,819	\$ 1,034,505
Changes of assumptions or other inputs	2,892,663	-
Net difference between projected and actual earnings on pension plan investments	3,056,261	-
Authority contributions subsequent to the measurement date	1,618,041	-
Total	<u>\$ 18,781,784</u>	<u>\$ 1,034,505</u>

Central Arizona Fire and Medical Authority

Notes to Financial Statements

Year Ended June 30, 2023

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,542	\$ 206,582
Changes of assumptions or other inputs	39,784	5,998
Net difference between projected and actual earnings on pension plan investments	27,723	-
Authority contributions subsequent to the measurement date	7,128	-
Total	\$ 82,177	\$ 212,580

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, 2024.

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:

	Pension	OPEB
Year ending June 30:		
2024	\$ 9,195,069	\$ (53,919)
2025	2,333,866	(58,185)
2026	1,292,410	(58,847)
2027	3,307,893	25,421
2028	-	7,999
Thereafter	-	-
Total	\$ 16,129,238	\$ (137,531)

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 \$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, 2023

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.

9. Prior Period Adjustment

Subsequent to the year end June 30, 2023, management of the Authority had determined previous year's revenues, related to training courses provided by the Authority, had been understated, along with the related cash collected for those revenues, due to misappropriation of those funds collected. As a result, beginning general fund balance and net position had to be restated to properly reflect the revenues earned by the Authority in prior years.

	General Fund			Government Wide		
	Previously reported June 30, 2022	Training revenues	Restated June 30, 2022	Previously reported June 30, 2022	Training revenues	Restated June 30, 2022
Cash and cash equivalents	\$ 8,174,313	\$ 44,836	\$ 8,219,149	\$ 14,200,454	\$ 44,836	\$ 14,245,290
Fund balance (net position)	17,031,662	44,836	17,076,498	15,846,489	44,836	15,891,325

10. Special Items

As previously disclosed in note 9, the Authority had determined cash generated from training revenues in the amount of \$44,836 had not been recorded. Of that amount, \$39,345 had been misappropriated from the previous year's revenues. As a result, the Authority has recognized an infrequent special item for misappropriation expense of that amount at year end June 30, 2023. Subsequent to year-end, the Authority successfully recovered the misappropriated funds due back to the Authority from the parties found guilty of the theft. As a result, the Authority has recognized an infrequent special item for restitution recovery revenue and a related receivable of that amount.

Central Arizona Fire and Medical Authority

Required Supplementary Information

Schedule of Proportionate Share of the Net Position Liability Cost-Sharing Plan - ASRS - Pension

Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date)							2016 Through 2014
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	
Proportion of the net pension liability	0.018230%	0.018120%	0.017850%	0.015530%	0.015741%	0.015231%	0.014327%	Information not available
Proportionate share of the net pension liability	\$ 2,975,541	\$ 2,380,886	\$ 3,092,784	\$ 2,259,796	\$ 2,195,176	\$ 2,372,537	\$ 2,313,006	
Covered payroll	2,161,907	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	133%	116%	157%	126%	140%	172%	0%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	

Central Arizona Fire and Medical Authority

Required Supplementary Information

Schedule of Changes in the Authority's Net Position / OPEB Liability (Asset) - PSPRS - Pension

Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date)							
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 through 2014
Total Pension Liability								
Service cost	\$ 1,661,578	\$ 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	7,337,788	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	1,802,410	2,768,304	1,851,571	(2,413,847)	1,205,974	1,908,812	63,590,313	
Assumption changes	1,652,664	-	-	1,671,903	-	2,851,061	2,497,362	
Benefit payments, including refunds of employee contributions	(3,843,560)	(4,138,227)	(4,142,322)	(2,997,789)	(2,780,796)	(3,104,809)	(3,870,654)	
Net change in total pension liability	8,610,880	7,113,368	5,913,031	4,409,536	5,979,205	8,975,529	68,387,179	
Total pension liability, beginning	100,777,848	93,664,480	87,751,449	83,341,913	77,362,708	68,387,179	-	
Total pension liability, ending (a)	<u>\$ 109,388,728</u>	<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	\$ 44,392,119	\$ 4,369,023	\$ 4,090,793	\$ 4,278,119	\$ 4,202,235	\$ 2,758,088	\$ 2,625,336	
Employee contributions	737,951	714,167	752,658	755,514	802,166	1,018,790	1,019,835	
Pension plan net investment income	(3,656,809)	12,869,259	588,230	3,085,223	2,579,117	3,901,455	188,575	
Benefit payments, including refunds of employee contributions	(3,843,560)	(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	(65,646)	(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	37,564,055	13,753,864	1,241,195	4,250,331	3,463,843	4,539,028	32,691,470	
Plan Fiduciary Net Position, Beginning	58,815,714	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>\$ 96,379,769</u>	<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)	<u>\$ 13,008,959</u>	<u>\$ 41,962,134</u>	<u>\$ 48,602,630</u>	<u>\$ 42,832,468</u>	<u>\$ 42,647,572</u>	<u>\$ 40,132,210</u>	<u>\$ 35,695,709</u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.11%	58.36%	48.11%	51.19%	48.83%	48.12%	47.80%	
Covered Valuation Payroll**	\$ 7,973,997	\$ 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	163.14%	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 Position / OPEB Liability (Asset) - PSPRS - OPEB

Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date)						
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through (2016)
Total OPEB Liability							
Service cost	\$ 32,692	\$ 34,570	\$ 37,848	\$ 25,038	\$ 26,764	\$ 24,267	Information not available
Interest on the total OPEB liability	106,281	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	8,325	(105,070)	(28,220)	(215,459)	(99,695)	2,516	
Changes of assumptions or other inputs	39,666	-	-	15,701	-	(25,144)	
Benefit payments	(61,629)	(62,317)	(64,737)	(59,264)	(61,690)	(64,820)	
Net change in total OPEB liability	125,335	(24,626)	50,947	(119,808)	(19,923)	54,636	
Total OPEB liability, beginning	1,454,025	1,478,651	1,427,704	1,547,512	1,567,435	1,512,799	
Total OPEB liability, ending(a)	<u>\$ 1,579,360</u>	<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	\$ 30,502	\$ 32,115	\$ 36,813	\$ 47,435	\$ 15,034	\$ 849	
Employee contributions	-	-	-	-	-	-	
Pension plan net investment income	(68,168)	379,918	17,560	97,956	88,473	139,666	
Differences between expected and actual experience in the measurement of the OPB liability	-	-	-	(25,971)	-	-	
Benefit payments, including refunds of employee contributions	(61,629)	(62,317)	(64,737)	(59,264)	(61,690)	(64,820)	
Pension plan administrative expense	(1,214)	(1,562)	(1,428)	(1,243)	(1,347)	-	
Other*	-	-	-	-	1	-	
Net change in plan fiduciary net position	(100,509)	348,154	(11,792)	58,913	40,471	75,695	
Plan Fiduciary Net Position, Beginning	1,751,230	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>\$ 1,650,721</u>	<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)	<u>\$ (71,361)</u>	<u>\$ (297,205)</u>	<u>\$ 75,575</u>	<u>\$ 12,836</u>	<u>\$ 217,248</u>	<u>\$ 277,642</u>	
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	104.52%	120.44%	94.89%	99.10%	85.96%	82.29%	
Covered Valuation Payroll**	\$ 7,973,997	\$ 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	-0.89%	-3.91%	0.97%	0.20%	3.18%	5.12%	

Central Arizona Fire and Medical Authority

Required Supplementary Information
Schedule of Contributions
Year Ended June 30, 2023

	ASRS - Pension Reporting Fiscal Year							2016 through 2014
	2023	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 268,830	\$ 259,645	\$ 239,691	\$ 224,985	\$ 199,787	\$ 170,846	\$ 148,351	Information not available
Contributions in relation to the statutory required contribution	(268,830)	(259,645)	(239,691)	(224,985)	(199,787)	(170,846)	(148,351)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,255,285	\$ 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	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	

	Central Arizona Fire and Medical Authority - Pension Public Safety Personnel Retirement System Reporting Fiscal Year							2016 through 2014
	2023	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ 1,618,041	\$ 1,967,949	\$ 4,369,023	\$ 4,090,793	\$ 4,278,119	\$ 4,202,235	\$ 2,758,088	Information not available
Contributions in relation to the actuarially determined contribution	(1,618,041)	(44,145,977)	(4,369,023)	(4,090,793)	(4,278,119)	(4,202,235)	(2,758,088)	
Contribution deficiency (excess)	\$ -	\$ (42,178,028)	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,741,513	\$ 7,973,997	\$ 7,604,442	\$ 7,803,357	\$ 6,337,020	\$ 6,837,589	\$ 5,418,796	
Contributions as a percentage of covered payroll	59.02%	53.47%	57.72%	62.11%	58.78%	43.26%	34.58%	

	Central Arizona Fire and Medical Authority - OPEB Public Safety Personnel Retirement System Reporting Fiscal Year							2016 through 2014
	2023	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ 7,128	\$ 13,618	\$ 38,347	\$ 12,039	\$ 41,747	\$ 25,468	\$ -	Information not available
Contributions in relation to the actuarially determined contribution	(7,128)	(13,618)	(38,347)	(12,039)	(41,747)	(25,468)	-	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,741,513	\$ 7,973,997	\$ 7,604,442	\$ 7,803,357	\$ 6,337,020	\$ 6,837,589	\$ 5,418,796	
Contributions as a percentage of covered payroll	0.26%	0.37%	0.54%	0.37%	0.77%	0.47%	0.00%	

Central Arizona Fire and Medical Authority

Required Supplementary Information
Notes to the Pension / OPEB Plan Schedules
June 30, 2023

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	Level percent of pay, closed
Remaining amortization period as of the 2021 actuarial valuation	19 years for under funded 20 years for over funded
Asset valuation method	7-year smoothed fair 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%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increase 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, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

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, 2023

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
Revenues			
Funding contributions from:			
CYFD Funding Requirement	\$ 23,300,649	\$ 23,646,933	\$ 346,284
CVFD Funding Requirement	5,575,524	5,645,581	70,057
Charges for services	282,950	2,115,711	1,832,761
Intergovernmental	1,265,235	393,593	(871,642)
Investment earnings:			
Interest earnings	50,000	209,425	159,425
Change in fair market value in investments	-	440,873	440,873
Other	646,677	651,945	5,268
Total revenues	31,121,035	33,104,061	1,983,026
Expenditures			
Public safety - fire protection:			
Fire prevention and emergency services	33,190,001	23,729,300	9,460,701
Administrative and support services	2,701,998	2,534,158	167,840
Capital outlay	1,335,893	1,857,174	(521,281)
Debt service:			
Principal payment	-	2,436,396	(2,436,396)
Interest and fiscal charges	-	1,210,606	(1,210,606)
Total expenditures	37,227,892	31,767,634	5,460,258
Excess of revenues over expenditures	(6,106,857)	1,336,427	7,443,284
Other financing sources (uses):			
Subscription-based IT arrangements	-	69,803	69,803
Transfers in/(out)	(1,425,101)	(1,425,101)	-
Total other financing uses	(1,425,101)	(1,355,298)	69,803
Changes in fund balance	(7,531,958)	(18,871)	7,513,087
Special items (Note 10):			
Restitution recovery	-	39,345	39,345
Misappropriation of expenses	-	(39,345)	(39,345)
Total special items	-	-	-
Fund Balances, Beginning (Previously Reported)	17,031,662	17,031,662	-
Restatement (Note 9)	-	44,836	(44,836)
Net Position, Beginning (Restated)	17,031,662	17,076,498	(44,836)
Fund Balance, Ending	\$ 9,499,704	\$ 17,057,627	\$ 7,513,087

Central Arizona Fire and Medical Authority

Schedule of Joint Venture Revenue and Cost Allocation

Year Ended June 30, 2023

	Central Yavapai Fire District	Chino Valley Fire District	Central Arizona Fire & Medical Authority
Funding contribution and cost allocation			
Funding contribution	\$ (23,646,933)	\$ (5,645,581)	\$ 29,292,514
Jointly allocated revenues:			
Charges for services	(1,741,686)	(416,804)	2,158,490
Investment earnings	(653,002)	(156,271)	809,273
Operating grants and contributions	(301,238)	(72,090)	373,328
Contracts and other	(494,597)	(118,363)	612,960
Previous year's training revenues (note 9)	(36,178)	(8,658)	44,836
Allocation of cost to provide district services:			
Public safety personnel cost:			
Salaries and wages	11,468,183	2,744,462	(14,212,645)
Employee benefits:			
Employee pension and related benefits	11,683,289	2,795,939	(14,479,228)
Other employee benefits	3,399,207	813,467	(4,212,674)
Public safety supplies and services cost:			
Administrative support, supplies and services	1,360,548	325,594	(1,686,142)
Operational support, supplies and services:			
Communications	940,178	224,995	(1,165,173)
Station utilities, supplies and maintenance	593,054	141,924	(734,978)
Fleet fuel and maintenance	552,284	132,168	(684,452)
Protective equipment and uniforms	500,574	119,793	(620,367)
Outside services	662,893	158,638	(821,531)
Training and prevention	153,982	36,849	(190,831)
Emergency medical supplies	192,003	45,948	(237,951)
Depreciation	1,701,802	407,260	(2,109,062)
Interest and fiscal charges	1,527,080	365,447	(1,892,527)
Excess of revenues over expenditures	31,508,376	7,540,298	(39,048,674)
Change in joint venture net position	7,861,443	1,894,717	(9,756,160)
Net Position in Joint Venture, Beginning	(15,997,436)	(1,900,009)	17,897,445
Net Position in Joint Venture, Ending	\$ (8,135,993)	\$ (5,292)	\$ 8,141,285

**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***

Independent Auditors' Report

To the Board of Directors of
Central Arizona Fire and Medical Authority

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 (*Government Auditing Standards*), the financial statements of the governmental activities, and each major fund of Central Arizona Fire and Medical Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002 and 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Authority's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Additionally, the Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Authority's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona
January 24, 2024

Central Arizona Fire and Medical Authority

Schedule of Findings and Results
Year Ended June 30, 2023

Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

Finding 2023-001: Inadequate Segregation of Duties - Unrecognized Cash Account

Criteria:

Management is responsible for providing adequate segregation of duties for financial processes within the Authority. The duties of record keeping, custody of assets and approvals/reviews should all be segregated within the Authority's finance department and management.

Condition:

Subsequent to the fiscal year ended June 30, 2023, Management of the Authority determined that the former Assistant Chief of Administration had full access to all read and edit rights within the Authority's online PayPal cash account used to deposit revenues from training courses at the Authority. Such access by the former Assistant Chief of Administration went without any oversight of those duties for a period of time dating back to fiscal year 2020. Although the Authority does require a full monthly cash reconciliation of all cash accounts, no review or reconciliation of the Authority's PayPal cash account had been performed by a segregated member of finance or management. Additionally, the former Assistant Chief of Administration had sole authority to withdraw funds from the Authority's PayPal cash account, giving him custody of the cash in the PayPal account, control over all record keeping related to the account, and full password access to the PayPal account creating a lack of segregation of duties.

Cause:

Management did not have adequate review procedures in place to segregate the duties with a separate individual from that of the former Assistant Chief of Administration in order to detect and correct any inappropriate withdrawals. No policy was in place to determine the appropriate rights to be provided to users with access to the Authority's online PayPal account. However, we did not detect any monies related to public tax revenues, grant revenues or other public monies having been deposited into the PayPal cash account. Revenues derived from training courses, such as CPR courses, were deposited into the PayPal cash account for the duration of its existence.

Effect:

Opportunity was created for the former Assistant Chief of Administration to make unauthorized withdrawals in the amount of \$39,344.81 without being prevented or detected in a timely manner. This effectively allowed for an abuse of power as defined by generally accepted government auditing standards by the former Assistant Chief of Administration. The current Generally Accepted Governmental Auditing Standards (GAGAS) "Yellow Book" paragraph 4.07 defines abuse as "behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances". Although the unauthorized withdrawals were not material to the financial statements it is believed that, if left uncorrected, the circumvention of such controls would have led to a material misstatement in future periods.

Recommendation:

We recommend the Authority maintains segregation of duties and rights to all cash accounts between multiple members of the finance department and management on an ongoing basis. Additionally, we recommend that the Authority prepare a formal policy identifying the appropriate positions requiring access to all cash accounts and update finance policies for the process by which cash accounts are opened online or with traditional banking institutions.

Central Arizona Fire and Medical Authority

Schedule of Findings and Results
Year Ended June 30, 2023

Management's Response:

Management concur with the finding. See Corrective Action Plan attached.

Finding 2023-002: Prior Period Adjustment - Circumventing Controls

Criteria:

The Authority is required to implement and monitor processes and controls over financial reporting to accurately reflect its financial transactions.

Condition:

The former Assistant Chief of Administration circumvented the processes and controls over the reconciliation process with the Authority's online PayPal cash account by neglecting to record the related training revenues and subsequent unauthorized withdrawals of the account to the Authority's acting general ledger.

Cause:

Cash and revenues related to training courses have not been properly identified or accurately reflected in the Authority's financial transactions in previous year's, causing a prior period adjustment to the financial statements cash balances, fund balances and net position.

Effect:

Prior period adjustments were required to properly state cash and fund balance (net position) accounts. Although the adjustments to the financial statements were not material to the financial statements it is believed that, if left uncorrected, the circumvention of such controls would have led to a material misstatement in future periods. The neglect in recording related revenues, cash and unauthorized withdrawals in previous periods effectively allowed the former Finance Director to abuse their power as defined by generally accepted government auditing standards. The current Generally Accepted Governmental Auditing Standards (GAGAS) "Yellow Book" paragraph 4.07 defines abuse as "behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances".

Recommendation:

We recommend that the Authority record all financial transactions in their acting general ledger and implement policies and procedures to limit the use of online cash accounts, opening unauthorized accounts and perform a review of all possible revenue streams at the Authority where such revenue is deposited for a complete list of cash accounts with various institutions.

Management's Response:

Management concur with the finding. See Corrective Action Plan attached.

Central Arizona Fire and Medical Authority

Schedule of Findings and Results
Year Ended June 30, 2023

Finding 2023-003: Physical Safeguard of Check Signing Machine Key

Criteria:

The Authority is required to physically safeguard all their assets.

Condition:

Check signing machines require the use of a key from which it operates to print the authorized signature on all checks written to vendors. Access to such a key, is synonymous with having access to the authorized signatures themselves.

Cause:

While performing walkthroughs and observations of the check signing process, it was determined that the key to the check signing machine was not properly safeguarded and segregated from members of the Authority's management and finance department who also had access to create vendors and pay vendors.

Effect:

A lack of segregation of duties in check signing, vendor creation and vendor payments could provide an opportunity for fraud, waste and abuse at the Authority. During the course of our audit, our extended fraud detection procedures did not identify any fraud, waste or abuse in relation to the check signing machine.

Recommendation:

We recommend the Authority physically safeguard the key to the check signing machine. Additionally, only members of finance and/or management whom do not have the ability to create or pay vendors, should have access to the safeguarded key.

Management's Response:

Management concur with the finding. See Corrective Action Plan attached.



Central Arizona Fire and Medical Authority
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January 9th, 2024

Baker Tilly US, LLP
2055 E. Warner Road, Suite 101
Tempe, AZ 85284

RE: Audit period: June 30, 2023

The Central Arizona Fire and Medical Authority (Authority) respectfully submits the following corrective action plan for the year ended June 30, 2023.

The findings from the June 30, 2023, schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the auditor's schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT MATERIAL WEAKNESSES

FINDING 2023-001 INADEQUATE SEGREGATION OF DUTIES - UNRECOGNIZED CASH ACCOUNT

Recommendation: We recommend the Authority maintains segregation of duties and rights to all cash accounts between multiple members of the finance department and management on an ongoing basis. Additionally, we recommend that the Authority prepare a formal policy identifying the appropriate positions requiring access to all cash accounts and update finance policies for the process by which cash accounts are opened online or with traditional banking institutions.

Management's Response and Corrective Actions Taken:

CAFMA staff does not dispute the findings in that the former Assistant Chief of Administration had sole access and control of the online PayPal account; however, when the account was established in 2018, two signers were assigned to ensure proper oversight. Regrettably, no safeguards were implemented by the then Finance Manager or the Assistant Chief of Administration who were responsible for establishing the reconciliation processes for the account. It is important to note that there was no method of transferring funds from the PayPal account to the Agency's other accounts. No other CAFMA account was compromised in any way. When the finance manager separated from the Agency, the Assistant Chief of Administration was left with sole oversight and access to the account.

Audits were conducted of all CAFMA accounts by an outside third-party CPA firm over the three years in which money was taken from the PayPal account. During those audits, the CPA firm's auditing team questioned the Administrative Chief about the account; it appears that he verbally provided false information regarding the account and its balances. The auditors accepted his explanation and never requested actual account balances, account records, or account reconciliation as they typically do with the Agency's other accounts. The apparent explanation for that is that the account balances disclosed were all allegedly within the margin of rounding error and were insignificant to the overall audit, so no further review was completed. Had that further review been completed, the improper transactions may have been discovered sooner.



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It is important to note that this issue was not a function of an unintentional lapse in oversight; the ex-Administrative Chief was engaged in an intentional criminal enterprise over the course of three years to remove funds from the account. He intentionally hid his misconduct from the other members of senior staff and the auditors of the Agency. Under the circumstances where an employee with authority misuses that authority to hide his own misconduct, it may become almost impossible to discover the misconduct, especially when the usual checks and balances like an annual audit by an outside third-party CPA firm are also circumscribed by that employee.

A short history of the rapid and comprehensive response by CAFMA to this issue is relevant:

Chief Scott Freitag was notified of the fraud scheme by the Administrative Chief on Sunday, September 10, 2023, in the early evening. He immediately contacted the Tech Services Manager to lock the PayPal account and revoke all of the Administrative Chief's access to the system. He then met with Assistant Chief of Planning and Logistics Cody Rose who went with him to take possession of the Administrative Chief's credit cards, phone, laptop computer, and Agency vehicle. Chief Freitag also notified the Agency attorney, local law enforcement, and the CAFMA Board Chair of the theft.

Monday morning, September 11, Chief Freitag, Chief Rose, and Assistant Chief of Operations John Feddema notified the Agency's auditing firm of the theft and filed a report with the Prescott Valley Police Department (PVPD). PVPD in turn processed the Administrative Chief's Office and took possession of his phone, laptop computer, and desktop hard drive.

On Tuesday, September 12, CAFMA's attorney notified the Auditor General's Office of the theft. The Auditor General's representative provided CAFMA staff and attorney a list of questions that were answered and returned the same day.

On Wednesday, September 13, the Administrative Chief was terminated from employment and a special Board meeting was held to discuss next steps.

By Thursday, September 14, restitution for all losses discovered was paid to the Agency via cashier's check provided by the former Administrative Chief.

The ex-Administrative Chief has been prosecuted by the Yavapai County Attorney's Office; has pled guilty to multiple felony charges; and has been sentenced by the court, all within three (3) months of the discovery of improper conduct.

FINDING 2023-002 PRIOR PERIOD ADJUSTMENT – CIRCUMVENTING CONTROLS

Recommendation: We recommend the Authority maintains segregation of duties and rights to all cash accounts between multiple members of the finance department and management on an ongoing basis. Additionally, we recommend that the Authority prepare a formal policy identifying the appropriate positions requiring access to all cash accounts and update finance policies for the process by which cash accounts are opened online or with traditional banking institutions.



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Management's Response and Corrective Actions Taken:

New internal controls in place:

The PayPal account now has two signers and is part of the Agency's regular reconciliation process. In addition, a procedure has been established to transfer funds monthly into another Agency account that affords more security. CAFMA is in process of moving to a new online payment platform called Point and Pay. This system has four-factor authentication and automatically sweeps funds from the online account to the Agency's other accounts. We expect this system to be in place by the end of the first quarter of 2024, at which time the PayPal account will be disabled and no further transactions will be processed through it.

In addition, a policy is being drafted for Board review regarding the establishment of any new financial accounts to include reconciliation policies, money transfer policies, and authentication policies, as well as the establishment of a procedure that includes a requestors signature and at least two senior staff signatures on an internal form before an account can be established. Because the policy will be reviewed by our auditing firm, legal counsel, staff, policy committee, and reviewed as well as approved by the Board, we expect the policy to be in place by the end of the first quarter of 2024.

CAFMA will set clear expectations with all future auditing teams regarding review of accounts that, at minimum, includes reconciliation documentation and review of account statements for that period.

On January 4, 2024, Chief Freitag followed up on a question from the auditing team regarding a payment from the PayPal account to an online retailer made in February of 2022. Ultimately, it was determined that the Administrative Chief had made an additional unauthorized personal purchase using the account. He was contacted about the transaction on January 4th, 2024, and made full restitution the same day.

FINDING 2023-003 PHYSICAL SAFEGUARD OF CHECK SIGNING MACHINE KEY

Recommendation: We recommend the Authority physically safeguard the key to the check signing machine. Additionally, only members of finance and/or management who do not have the ability to create or pay vendors, should have access to the safeguarded key.

Management's Response and Corrective Actions Taken:

Regarding the check signing machine:

Chief Freitag and Assistant Chief Rose found an envelope with a key to the machine in the Administrative Chief's desk drawer after PVPD had cleared the office. The key was immediately turned over to the Finance Manager who informed us that the key was supposed to be in a locked box and that only check signers were to have access.

Our auditing team was notified of the key and how it had been handled.



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A keypad lock box has been installed in a room where the keys to the check signing machine are now stored. This machine tracks when access is made and who it was made by to a separate server stored offsite by CAFMA Technical Services division. The only persons with access to this lock box are the CAFMA Board members who are authorized to sign checks and one member of senior staff. The signature machine is also in the locked room in a separate locked cabinet. The lock box logs any access made as well as who made access.

If there are questions regarding this plan, please call Scott A. Freitag, Fire Chief, at (928) 772-7711.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott A. Freitag". The signature is written over the printed name and title.

Scott A. Freitag
Fire Chief
Central Arizona Fire and Medical Authority