Sunsites-Pearce Fire District

Statements of Cash Receipts, Disbursements and Change in Cash and Investment Balances

Year ended June 30, 2023

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Walker & Armstrong
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

Independent Auditor's Report

To the Board of Directors and Management
of Sunsites-Peare Fire District
Pearce, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of cash receipts, disbursements, and change in cash and investment balances of the governmental and fiduciary funds of Sunsites-Pearce Fire District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, disbursements and change in cash and investment balances of the governmental and fiduciary funds of Sunsites-Pearce Fire District as of and for the year ended June 30, 2023, in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions 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 the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards 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 generally accepted auditing standards 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 District'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 District'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of Sunsites-Pearce Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District'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 Sunsites-Pearce Fire District's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of members of the District's board of directors, Cochise County, the State of Arizona, and other responsible parties within the District and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Armstrong, LLP

Tucson, Arizona
October 20, 2023

Sunsites-Pearce Fire District
Statement of Cash Receipts, Disbursements
and Change in Cash and Investment Balances - Governmental Fund
Year Ended June 30, 2023

		General Fund
Cash Receipts		
Taxes:		
Property taxes	$	417,793
Fire district assistance tax		72,361
Fire insurance premium tax		2,785
Charges for services		420,959
Interest income		1,539
Capital grant revenue		29,407
Reimbursements		63,665
Other		61,306
Total cash receipts		1,069,815
Cash Disbursements		
Current:		
Public safety-fire protection and emergency services		
Salaries and wages		575,627
Employee taxes and benefits		191,426
Repairs, maintenance and supplies		92,339
Training and related		17,056
Administrative expenses		41,066
Utilities and communications		37,753
Insurance		20,818
Professional services		17,396
Wildland related expenses		14,662
Fuel		25,565
Capital outlay		245,226
Debt service:		
Principal		19,997
Interest		3,494
Total cash disbursements		1,302,425
Change in cash and investments		(232,610)
Cash and investments, beginning of year		293,484
Cash and investments, end of year	$	60,874

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

Sunsites-Pearce Fire District
Statement of Cash Receipts, Disbursements
and Change in Cash and Investment Balances - Fiduciary Fund
Year Ended June 30, 2023

	Volunteer Fire Pension Fund
Cash Receipts	
Net Investment Earnings (Losses)	
Investment earnings (losses)	$ 7,353
Investment costs	(1,175)
Net investment earnings (losses)	6,178
Total additions	6,178
Cash Disbursements	
Distributions to participants	-
Total deductions	-
Change in cash and investments	6,178
Cash and investments, beginning of year	106,046
Cash and investments, end of year	$ 112,224

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Sunsites-Pearce Fire District (the "District") was established in 1973 pursuant to the provisions of Title 48 of the Arizona Revised Statute Title 48. The District is a special-purpose government governed by a separately elected governing body, composed of five members, and is legally separate and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, nor is the District combined with another reporting entity.

Basis of Presentation

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The *general fund* is the District's primary operating fund which accounts for all financial resources except those required to be accounted for in another fund. The District reports the general fund as its only major governmental fund.

As required under Arizona Revised Statute, Title 48 § 251.A(1), the District has prepared these financial statements in a manner sufficient to report beginning and ending fund balance, presented on a modified cash basis. Fund balance is equal to the cash and investment balances as reported on the statements of cash receipts, disbursements and change in cash and investment balances.

The financial statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all items including the acquisition of capital assets are expended as paid and receivables, prepaid expenses, payables and accrued expenses are not reported. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Furthermore, these financial statements do not include government-wide financial statements which are required by accounting principles generally accepted in the United States of America.

In addition, the District has elected not to present management's discussion and analysis, the budgetary comparison schedules or certain pension and other post-employment benefit obligation schedules related to the District's agent and cost sharing defined benefit plans that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of, the basic financial statements.

Note 1 – Summary of Significant Accounting Policies – Continued

For the year ended June 30, 2023, the District 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. The District had no such arrangements for the year ended June 30, 2023, therefore no changes have been made to the financial statements as a result of implementing this new standard.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the acquisition date. Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

Investment earnings are comprised of interest and net changes in the fair value of applicable investments.

Property Tax Calendar

The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the following year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the Cochise County, Arizona's Board of Supervisors no later than the first day of August each year; under the statute, only the general fund must legally adopt an annual budget. The adopted budget is on the modified cash basis of accounting, which is a legally acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end. The District is subject to expenditure limitations under Arizona Revised Statutes which do not permit the District to incur unsecured debt in excess of property taxes levied and to be collected plus available and unencumbered cash.

Estimates

The preparation of the financial statements may require management to make estimates and assumptions that may affect certain disclosures in the financial statements. Actual results may differ from those estimates.

Note 2 – Cash and Investments

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. The District utilizes Cochise County as its repository for cash and allows their pool to invest those funds; accordingly, the District does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments. State statute requires collateral for deposits at 102 percent of deposits not federally insured.

A.R.S. §48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from property taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account and the special revenue accounts, and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety percent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the District. Any surplus remaining in the District's general fund for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

Cash on hand and deposits – At June 30, 2023, total cash on hand was $600. The carrying amount of the total cash in bank was $47,485 and the bank balance was $25,916. The Federal Deposit Insurance Corporation (FDIC) protects the District against loss on the first $250,000 of demand deposits and $250,000 of time deposits located within the state. Cash equivalents consisting of money markets held with an investment company were $46,414 at June 30, 2023.

Any remaining balance is to be covered by collateral held by the pledging financial institution's trust department in the District's name. As of June 30, 2023, none of the District's bank balances were exposed to custodial credit risk as the bank balances were either covered by the FDIC or collateral pledged by the applicable financial institution.

Note 2 – Cash and Investments – Continued

Investments – The District's investments at June 30, 2023, are categorized within the fair value hierarchy established by generally accepted accounting principles as follows:

	Fair value measurement using		
Investment Type	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Mutual funds	$ 65,810	$ -	$ -

As of June 30, 2023, the District's investments consisted of amounts held with the Cochise County Treasurer totaling $12,789 and mutual fund investments of $65,810.

Cochise County Treasurer's investment pool is not required to register (and is not registered) with the Securities and Exchange Commission and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and Cochise County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The fair value of each participant's position in the Treasurer's investment pool approximates the value of the participant's share in the pool and the participant's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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

Credit risk – At June 30, 2023, all of the District's governmental funds' investments were invested in the Cochise County investment pool which is not rated by rating agencies; and the Pension Fund's investments had not received a credit quality rating from a national rating agency.

Custodial credit risk – For all investments, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Note 2 – Cash and Investments – Continued

The District does not have a formal investment policy with respect to custodial credit risk. However, for the Cochise County investment pool, statute requires collateral for deposits at 102 percent for all deposits not covered by federal depository insurance.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2023, the District's investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

Foreign currency risk – The District does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow foreign investments.

A reconciliation of cash and investments to amounts shown on the statements of cash receipts, disbursements and change in cash and investment balances is as follows:

	Governmental Fund	Fiduciary Fund	Total
Cash on hand	$ 600	$ -	$ 600
Carrying amount of deposits	47,485	46,414	93,899
Held by Cochise County Treasurer	12,789	-	12,789
Other investments	-	65,810	65,810
Total	$ 60,874	$ 112,224	$ 173,098

Note 3 – Long-Term Liabilities

A summary of the long-term liabilities activity for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Financed purchases	$ 63,360	$ 100,000	$ (19,997)	$ 143,363	$ 35,976

On May 15, 2019, the District entered into a financed purchase agreement for a vehicle in the amount of $64,776. The agreement requires annual payments of $12,803, including interest at 5.1% per annum commencing on May 15, 2020, and continuing through May 2025.

Note 3 – Long-Term Liabilities – Continued

On July 24, 2019, the District entered into an agreement to purchase an ambulance in the amount of $45,000 under the same master agreement noted above. The agreement requires annual payments of $10,689, including interest at 6.02% due annually commencing in July 2020 and continuing through July 2024.

On June 9, 2023, the District entered into an agreement to purchase an ambulance in the amount of $100,000 under a new master lease agreement. The lease requires annual payments of $20,286, including interest at 11.28% due annually commencing in December 2023 and continuing through December 2029.

The financed purchases are collateralized by the underlying assets. In the event of default, the District may be required to repay the remaining amounts due under the agreements including interest between 10 - 12.0% during the fiscal year in which the default occurs.

The future principal and interest payments on the financed purchase agreements are as follows:

Year ending June 30,	Principal	Interest	Total Payment
2024	$ 35,976	$ 7,801	$ 43,777
2025	32,944	10,833	43,777
2026	11,886	8,400	20,286
2027	13,227	7,059	20,286
2028	14,720	5,566	20,286
2029-2030	34,610	5,962	40,572
	$ 143,363	$ 45,621	$ 188,984

Note 4 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5 – Liquidity

As of June 30, 2023, the District had $60,874 in cash and investments in its general fund for operating expenditures. This amount represents 4.7% of fiscal year 2023 expenditures.

Cash and investments of less than 10% of the operating budget are of concern and indicates the inability to meet current and long-term obligations.

Note 5 – Liquidity – Continued

The District did not use registered warrants throughout the 2023 fiscal year which indicates that the District was actively managing its cash flows and expenditures.

The District had expenditures in excess of revenues for the current year. This was due to refunds of excess PSPRS contributions, along with large capital purchases required for the continued operations of the District, which were funded primarily with grant revenue. These expenses are not considered recurring. Management intends to continue to closely manage its cash and expenditures.

Note 6 – Retirement Plans

The District and its employees contribute to three retirement plans. These plans are the Arizona State Retirement System, the Public Safety Personnel Retirement System, and a volunteer pension and relief fund as established pursuant to Title 9 of the Arizona Revised Statutes.

State retirement plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

Benefits for volunteer safety personnel are established based on contributions to the pension and relief fund plan.

A. Arizona State Retirement System

Plan Description: The District contributes to the Arizona State Retirement System (ASRS) for employees not covered under other plans. 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. Information on the OPEB liability and related deferred inflows/outflows of resources are not further disclosed because of their relative insignificance to the District's financial statements.

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 website at www.azasrs.gov.

Benefits provided **–** The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms.

Note 6 – Retirement Plans – Continued

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

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

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.

Note 6 – Retirement Plans – Continued

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, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2023, were $4,222. During fiscal year 2023, the District paid for ASRS pension contributions from the general fund.

Liability – At June 30, 2023, the District reported a liability of $55,496 for its proportionate share of the ASRS' net pension liability.

The net liability was measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The District's proportion measured as of June 30, 2022, was 0.00034% and the change from its proportion measured as of June 30, 2021, was a decrease of 0.00005%

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP
Healthcare cost trend rate	Not applicable

Note 6 – Retirement Plans – Continued

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return
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 percent. 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 the District's proportionate share of the ASRS net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate.

Note 6 – Retirement Plans – Continued

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	$ 81,882	$ 55,496	$ 33,493

Plan fiduciary net position – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System (PSPRS)

Plan description **–** The District has entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS) which administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans, to cover all full-time personnel engaged in fire suppression activities and/or fire support. 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 financial statements and required supplementary information for the PSPRS. The report is available on the PSPRS website at www.psprs.com.

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

Note 6 – Retirement Plans – Continued

	Initial Membership Date:	
	Before January 1, 2012	**On or after January 1, 2012 and before July 1, 2017**
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from $100 per month to $260 per month depending on the age of the member and dependents.

Note 6 – Retirement Plans – Continued

Employees covered by benefit terms – At June 30, 2023, the following employees were covered by the agent plans' benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	-	-
Inactive employees entitled to but not yet receiving benefits	4	-
Active employees	3	3
Total	7	3

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. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

The rates for the year ended June 30, 2023, were 12.79% for the pension plan and 0.05% for the health insurance premium benefit for the District portion and 7.65% - 10.65% for the employee portion. The total pension contributions made during the year were $82,082 and the total health insurance premium benefit contributions were $321. During fiscal year 2023, the District paid for PSPRS pension and OPEB contributions from the general fund.

Liability (asset) – At June 30, 2023, the District reported assets of $133,191 and liability of $14,336 for the pension and health insurance premium benefit, respectively. The net asset and net liability 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 assets and liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

Note 6 – Retirement Plans – Continued

Actuarial assumptions – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.00 – 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% 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 were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

Discount Rate – At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021.

Note 6 – Retirement Plans – Continued

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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.

	Pension Increase (decrease)			Health Insurance Premium Benefit Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension (asset) liability (a) – (b)**	**Total OPEB liability (a)**	**Plan fiduciary net position (b)**	**Net OPEB (asset) liability (a) – (b)**
Balances at June 30, 2022	$1,191,978	$1,487,477	$(295,499)	$ 12,821	$ 36,404	$(23,583)
Changes for the year:						
Service cost	72,551	-	72,551	1,775	-	1,775
Interest on the total liability	89,464	-	89,464	980	-	980
Differences between expected and actual experience in the measurement of the liability	(47,516)	-	(47,516)	33,296	-	33,296
Changes of assumptions or other inputs	50,419	-	50,419	686	-	686
Contributions—employer	-	31,592	(31,592)	-	248	(248)
Contributions—employee	-	31,041	(31,041)	-	-	-
Net investment income	-	(58,960)	58,960	-	(1,405)	1,405
Benefit payments, including refunds of employee contributions	(77,987)	(77,987)	-	(2,340)	(2,340)	-
Administrative expense	-	(1,063)	1,063	-	(25)	25
Net changes	86,931	(75,377)	162,308	34,397	(3,522)	37,919
Balances at June 30, 2023	$1,278,909	$1,412,100	$(133,191)	$ 47,218	$ 32,882	$ 14,336

Sensitivity of the District's net pension/OBEB liability (asset) to changes in the discount rate – The following table presents the District's net pension/OPEB liabilities (assets) calculated using the discount rate of 7.2 percent, as well as what the District's net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

Note 6 – Retirement Plans – Continued

	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Net pension liability (asset)	$ 134,103	$ (133,191)	$ (339,946)
Net OPEB liability	$ 20,365	$ 14,336	$ 9,373

Plan fiduciary net position – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

C. Volunteer Fire Pension

The District maintains a *Volunteer Fire Pension Fund* as allowed by A.R.S. §9-951. This plan is administered by the District. The plan is reviewed by the Arizona State Fire Marshal's office.

Benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Entry dates are January 1 and July 1 of each year. The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan.

Note 7 – Subsequent Events

Management evaluated subsequent events through October 20, 2023, the date the financial statements were available to be issued noting the following:

- In August 2023, the District purchased cardiac monitors for $33,089 with proceeds of an insurance claim received during fiscal year 2023 and the trade-in of two other District monitors.
- The District made a final payment of $17,227 for its fiscal year 2023 roof replacement.