CITY OF SOUTH TUCSON, ARIZONA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

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ANNUAL FINANCIAL REPORT
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SOUTH
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THE PUEBLO WITHIN A CITY

FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council of the
City of South Tucson, Arizona

Reports on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Tucson, Arizona (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with the U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. 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 City and to meet our 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 reasonable basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, 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 City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 controls 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 City's internal control. Accordingly, we express no such opinion.
- 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 City'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 audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 7 through 13, Budgetary Comparison Schedules on pages 56 through 59, Schedule of Proportionate Share of the Net Pension Liability - Cost-Sharing Plans on page 60, Schedule of Changes in the Net Pension Liability and Related Ratios - Agent Plans on pages 61 and 62, and the Schedule of Pension Contributions on pages 63 and 64 be presented to supplement the basic financial statements. Such information, 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 U.S. generally accepted auditing standards, 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.

Other Matters

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with authorized transportation purposes, insofar as they relate to accounting matter, for Highway User Revenue Fund monies the City received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the City received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the authorized transportation purposes referred to above, insofar as they related to accounting matters.

The communications related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the City Council, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

March 31, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

As management of the City of South Tucson, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2021-22 as follows.

- The City's total net position of governmental activities increased by $2.6 million to $163,888 primarily due to a change in long term pension liabilities.
- General revenues from governmental activities accounted for $5.7 million in revenue, or 55 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for $4.7 million or 45 percent of total governmental activities revenues.
- The City had $7.7 million in expenses related to governmental activities, an decrease of $4 million or 34 percent from the prior fiscal year.
- Among major funds, the General Fund had $6.2 million in revenues, which primarily consisted of City sales taxes and intergovernmental revenues. The total expenditures of the General Fund were $5.9 million. The General Fund's fund balance increased from $1.8 million to $2.1 million.
- The Housing Fund had $2.1 million in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Housing Fund were $1.9 million.
- The Housing Fund reported a fund balance increase of $230,053.
- The total expenditures of the Non-major Governmental Fund were $1.1 million. This Fund reported a fund balance decrease of $125,587.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 City's finances, in a manner similar to a private sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two 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 City is improving or deteriorating.

The statement of activities presents information showing how the City'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 compensated absences).

The government-wide financial statements outline functions of the City that are principally supported by sales taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, redevelopment and housing, and economic development.

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 City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

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 use the modified accrual basis of accounting and focus on near term inflows 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 the City'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 City'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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Housing, Youth Operations Center, and Grant Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds financial statements are reported on the accrual basis of accounting, but due to their custodial nature, the fiduciary funds do not have a measurement focus.

Notes to the 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 financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceed assets by $163,888 at the current fiscal year end.

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

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2022 and June 30, 2021.

	Governmental Activities	
	2022	2021
Current and other assets	$ 4,990,618	$ 3,987,420
Capital assets, net	17,652,356	18,817,826
Total assets, net	22,642,974	22,805,246
Deferred outflows of resources	4,276,960	6,899,163
Current liabilities	580,394	1,067,703
Long-term liabilities	21,928,050	28,428,372
Total liabilities	22,508,444	29,496,075
Deferred inflows of resources	4,575,378	2,978,936
Net investment in capital assets	11,984,309	12,915,125
Restricted	1,286,662	919,199
Unrestricted	(13,434,859)	(16,604,926)
Total net position	$ (163,888)	$ (2,770,602)

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the statement of net position.

- The decrease of total liabilities in the amount of $7 million is primarily due to a decrease in the City's net pension liabilities.
- The reduction of $1.2 million in capital assets is due mostly to depreciation expense.
- The decrease in deferred outflows of resources in the amount of $2.6 million is related to pensions.

Changes in net position. The City's total revenues for the current fiscal year were $10.4 million. The total cost of all programs and services was $7.7 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Statement of Activities - Governmental Activities

	Year Ended June 30, 2022	2021
Revenues:		
Program revenues:		
Charges for services	$ 1,002,724	$ 958,200
Operating grants and contributions	3,653,768	3,505,216
General revenues:		
Property taxes	59,073	61,954
City sales tax	3,985,982	3,822,068
State shared revenues	1,624,035	1,823,677
Investment earnings	77	(58,729)
Miscellaneous	30,688	16,485
Total revenues	10,356,347	10,128,871
Expenses:		
General government	1,417,348	1,842,259
Public safety	2,386,485	5,680,332
Highways and streets	1,330,256	1,150,753
Culture and recreation	253,079	256,478
Redevelopment and housing	2,141,558	2,161,512
Economic developments	579	
Interest on long-term debt	220,328	530,302
Total expenses	7,749,633	11,621,636
Change in net position	2,606,714	(1,492,765)
Net position, beginning	(2,770,602)	(1,277,837)
Net position, ending	$ (163,888)	$ (2,770,602)

- Operating grants and contributions revenues increased $148,552 due primarily to prior year deferred revenue.
- Sales tax revenues increased $163,914 due to increased sales activity and out of state sales tax collections.
- General government expenditures decreased $424,911 due in part to depreciation expense.
- The decrease of $3.3 million in Public Safety expenditures is mostly due to the net pension liability.
- Interest on long-term debt decreased $309,974 as the prior fiscal year absorbed a higher portion of interest expense related to long-term pension liability in the Fire Department.

Governmental activities. The following table presents the cost of the City's functional activities. The table also shows each function's net cost (total cost less changes for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	2022		2021	
Governmental Activities	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	$ 1,417,348	$ (83,367)	$ 1,842,259	$ (1,496,195)
Public safety	2,386,485	(1,899,885)	5,680,332	(4,562,263)
Highways and streets	1,330,256	(842,247)	1,150,753	(565,118)
Culture and recreation	253,079	(98,364)	256,478	(66,252)
Redevelopment and housing	2,141,558	51,629	2,161,512	61,910
Economic development	579	(579)	-	-
Interest on long-term debt	220,328	(220,328)	530,302	(530,302)
Total	$ 7,749,633	$ (3,093,141)	$ 11,621,636	$ (7,158,220)

- Federal and state governments and charges for services subsidized certain governmental programs with revenues of $4.7 million.
- Net cost of governmental activities of $3 million was financed by general revenues, which are made up of primarily City sales tax and state shared revenues of $5.6 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of $3.4 million, an increase of $676,602 or 24 percent.

The General Fund is the principal operating fund of the City. The increase in fund balance of $320,962 from $1.8 million as of fiscal year end was mostly the result of increased state shared revenues.

The fund balance increased $230,053 in the Housing Fund to $766,421 as of fiscal year end. Housing Fund expenditures decreased $7,725 from prior year due mostly to capital outlay.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of $502,598 in City sales tax revenues was due to an increase in sales activity.
- A combined favorable variance of $43,728 in licenses and permits was primarily the result of increased state sales tax and increased building permits.
- Although the City initially faced a drop in state shared revenue estimates due to the decennial census count, revenues surpassed budget estimate by $104,097 at year end.
- An favorable variance of $420,230 in public safety expenditures was a result of overall decreased spending.
- A favorable variance of $441,755 in general government expenditures was a result of unused contingency in non-departmental.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets As of year end, the City had invested $17.7 million in capital assets, net of accumulated depreciation. This amount represents a net decrease of $1.2 million. Total depreciation expense for the current fiscal year was $1.3 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2022 and June 30, 2021.

	Governmental Activities	
	2022	2021
Capital assets - non-depreciable	$ 325,462	$ 357,947
Capital assets - depreciable, net	17,326,894	18,459,879
Total capital assets, net	$ 17,652,356	$ 18,817,826

Additional information on the City's capital assets can be found in Note 4.

Debt Administration At year end, the City had $7.2 million in long-term debt outstanding, excluding net pension liabilities. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2022 and June 30, 2021.

	Governmental Activities	
	2022	2021
Revenue bonds payable	$ 5,668,047	$ 5,902,701
Other commitments	1,561,383	1,639,414
Total	$ 7,229,430	$ 7,542,115

Additional information on the City's long-term debt can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

City management considered many factors in the process of developing the operating budget for the fiscal year 2022-23. The most significant factors affecting the subsequent year's budget are:

- City sales tax growth trends
- Increased costs for public safety
- Increased costs related to the replacement of aged equipment.
- Decreased decennial census population resulting in decreased state shared revenues.
- Possible receipt of emergency federal funding otherwise known as the State and Local Fiscal Recovery Fund (SLFRF / ARPA).
- Increased pension liability due to prior fire reserve service.
- Subsequent effects of the ongoing outbreak of the Coronavirus disease (COVID-19) on City operations. Possible effects to include, but not limited to, the disruption to City revenue streams, absenteeism in the workforce, unavailability of services and supplies used in operations, and a decline in value of assets held by the City, including inventories and property and equipment, ultimately resulting in an adverse impact on the City's financial position, operations, and cash flows.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, 1601 South 6th Avenue, South Tucson, Arizona 85713.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	$ 3,817,166
Accounts receivable	110,425
Due from governmental entities	836,134
Inventory	5,281
Prepaid items	56,772
Restricted cash held by other governments	164,840
Capital assets, not being depreciated	325,462
Capital assets, being depreciated, net	17,326,894
Total assets	22,642,974
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	4,276,960
LIABILITIES	
Accounts payable	345,759
Accrued payroll and employee benefits	145,824
Customer deposits	88,811
Noncurrent liabilities:	
Due within one year	401,422
Due in more than one year	21,526,628
Total liabilities	22,508,444
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,575,378
NET POSITION (DEFICIT)	
Net investment in capital assets	11,984,309
Restricted for:	
Public safety	218,394
Highways and streets	290,757
Redevelopment and housing	711,255
Culture and recreation	66,256
Unrestricted (deficit)	(13,434,859)
Total net position (deficit)	$ (163,888)

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
General government	$ 1,417,348	$ 379,633	$ 954,348	$ (83,367)
Public safety	2,386,485	101,591	385,009	(1,899,885)
Highways and streets	1,330,256		488,009	(842,247)
Culture and recreation	253,079		154,715	(98,364)
Redevelopment and housing	2,141,558	521,500	1,671,687	51,629
Economic development	579			(579)
Interest on long-term debt	220,328			(220,328)
Total governmental activities	$ 7,749,633	$ 1,002,724	$ 3,653,768	(3,093,141)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	59,073
City sales taxes	3,985,982
State shared sales tax	662,664
State shared vehicle license tax	281,778
Urban revenue sharing	679,593
Investment earnings	77
Miscellaneous	30,688
Total general revenues	5,699,855
Change in net position	2,606,714
Net position, July 1, 2021	(2,770,602)
Net position, June 30, 2022	$ (163,888)

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 1,711,254	$ 779,995	$ 1,325,917	$ 3,817,166
Cash held by other governments			164,840	164,840
Accounts receivable	110,425			110,425
Due from governmental entities	602,679	88,756	144,699	836,134
Due from other funds	1	7,503		7,504
Inventory		5,281		5,281
Prepaid items	6,887	49,885		56,772
Total assets	$ 2,431,246	$ 931,420	$ 1,635,456	$ 4,998,122
LIABILITIES				
Accounts payable	$ 124,404	$ 113,511	$ 107,844	$ 345,759
Accrued payroll and employee benefits	121,033	14,727	10,064	145,824
Due to other funds	7,503			7,503
Customer deposits and other liabilities	52,051	36,761		88,812
Total liabilities	304,991	164,999	117,908	587,898
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - intergovernmental			970,240	970,240
FUND BALANCES				
Nonspendable	6,887	55,166		62,053
Restricted		711,255	547,308	1,258,563
Unassigned	2,119,368			2,119,368
Total fund balances	2,126,255	766,421	547,308	3,439,984
Total liabilities, deferred inflows of resources and fund balances	$ 2,431,246	$ 931,420	$ 1,635,456	$ 4,998,122

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Fund balances - total governmental funds		$ 3,439,984
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Governmental capital assets	$ 49,294,773	
Less accumulated depreciation	(31,642,417)	17,652,356
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		970,240
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		(298,418)
Long-term liabilities, such as net pension/OPEB liabilities, bonds payable, compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated absences	(151,858)	
Net pension liabilities	(14,546,762)	
Revenue bonds payable	(5,668,047)	
Other commitments	(1,561,383)	(21,928,050)
Net position (deficit) of governmental activities		$ (163,888)

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	General Fund	Housing Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
City sales taxes	$ 3,985,982			$ 3,985,982
Property taxes	59,073			59,073
Licenses and permits	379,383			379,383
Intergovernmental	1,611,036	$ 1,616,387	$ 1,196,986	4,424,409
Fines and forfeits	101,591			101,591
Investment earnings	7	71		78
Rents		416,355		416,355
Miscellaneous	64,396	107,873		172,269
Total revenues	6,201,468	2,140,686	1,196,986	9,539,140
EXPENDITURES				
Current:				
General government	1,416,839			1,416,839
Public safety	3,782,754		243,909	4,026,663
Highways and streets	101,527		457,891	559,418
Culture and recreation			253,079	253,079
Redevelopment and housing		1,770,307	15	1,770,322
Economic development			579	579
Capital outlay	49,673	140,326	115,926	305,925
Debt service:				
Principal retirement	312,685			312,685
Interest and fiscal charges	220,328			220,328
Total expenditures	5,883,806	1,910,633	1,071,399	8,865,838
Excess (deficiency) of revenues over (under) expenditures	317,662	230,053	125,587	673,302
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	3,300			3,300
Total other financing sources (uses)	3,300			3,300
Net change in fund balances	320,962	230,053	125,587	676,602
Fund balances, July 1, 2021	1,805,293	536,368	421,721	2,763,382
Fund balances, June 30, 2022	$ 2,126,255	$ 766,421	$ 547,308	$ 3,439,984

CITY OF SOUTH TUCSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		$ 676,602
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 144,997	
Depreciation expense	(1,310,467)	(1,165,470)
City pension/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/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the statement of activities.		
Pension/OPEB contributions	998,123	
Pension/OPEB expense	962,722	1,960,845
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments have no effect on net position. This amount is the effect of difference in the treatment of repayments of long-term debt and related items.		
Principal repaid	234,654	
Other commitments	78,031	312,685
Under the modified accrual basis accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Compensated absences		8,147
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		813,905
Change in net position of governmental activities		$ 2,606,714

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Private Purpose Trust Fund
ASSETS	
Cash and cash equivalents	$ 159,131
Total assets	159,131
NET POSITION	
Restricted for individuals	$ 159,131

See accompanying notes to financial statements.

CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	Private Purpose Trust Fund
ADDITIONS:	
Contributions	$ 28,754
Total additions	28,754
DEDUCTIONS:	
Benefits	5,838
Total deductions	5,838
Change in net position	22,916
Net position, July 1, 2021	136,215
Net position, June 30, 2022	$ 159,131

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of South Tucson, Arizona (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2022, the City implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the City's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

A summary of the City's more significant accounting policies follows.

A. Financial Reporting Entity

The City is a municipal entity that is governed by an elected mayor and city council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

South Tucson Municipal Property Corporation. The City of South Tucson, Arizona, Arizona Municipal Property Corporation's (MPC) Board of Directors are appointed by the City of South Tucson, Arizona's City Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. The MPC debt service is reported within the Debt Service Fund and within the governmental activities in the government-wide statements. Separate financial statements are not prepared on a stand-alone basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City did not have any business-type activities during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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. City sales taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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 both 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 City 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, City sales taxes, licenses and permits, charges for services, fines and forfeits, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as deferred revenue on the governmental fund financial statements. 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. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund - This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Housing Fund - This fund accounts for the operations of the City's public housing program.

Additionally, the City reports the following fund type:

Fiduciary Fund - The Fiduciary Fund is a Pension Trust Fund which accounts for the activities of the Volunteer Firefighters' Relief and Pension Trust Fund (Trust Fund). The Trust Fund accumulates funds for the defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters.

D. Cash and Investments

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

G. Property Tax Calendar

The property tax levy, as described in the Arizona State Statutes, is divided into two levies, a primary levy and a secondary levy. Secondary taxes are levied strictly for the retirement and redemption of bonded indebtedness, while the primary levy may be used for any legal operating purpose. The primary property tax levy is limited to a 2% annual increase over the prior year's maximum allowable levy plus an adjustment for properties that were not taxed in the previous year.

Property taxes are levied by the City and collected by the County Treasurer. Real property taxes are levied on or before the third Monday in August, which 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 next year and becomes delinquent after the first business day of May. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

J. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, machinery, equipment, and vehicles; construction in progress; and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	15 - 50
Buildings and improvements	20 - 50
Infrastructure	20 - 75
Machinery, equipment, and vehicles	3 - 15

K. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits and compensation time vest for employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. The current and long-term liabilities for accumulated vacation and compensation time are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

L. Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of $10,000 or more. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is based on incremental borrowing rates published by the Arizona Department of Administration - General Accounting Office. Theses rates were developed specifically for GASB No.87 use.

As lessor, the City 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 City charges the lessee) and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The City's estimated incremental borrowing rate is calculated as described above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Debt premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the debt using the straight-line method over the term of the related debt.

N. 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 and after nonoperating revenues/expenses in proprietary funds.

O. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

Q. Post Employment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans’ fiduciary net position and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

NOTE 2 - FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balances classifications could be used.

The table below provides detail of the major components of the City's fund balance classifications at year end.

	General Fund	Housing Fund	Non-major Governmental Fund	Total
Fund Balances:				
Nonspendable:				
Inventory		$ 5,281		$ 5,281
Prepaid items	$ 6,887	49,885		56,772
Restricted:				
Public safety			$ 190,295	190,295
Highways and streets			290,757	290,757
Redevelopment and housing		711,255		711,255
Culture and recreation			66,256	66,256
Debt service				
Unassigned	2,119,368			2,119,368
Total fund balances	$ 2,126,255	$ 766,421	$ 547,308	$ 3,439,984

NOTE 3 - CASH AND INVESTMENTS

A.R.S. authorize the City to invest public monies the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned. As of June 30, 2022, the carrying amount of deposits was $3,811,457 and the bank balance was $4,194,030. As of June 30, 2022, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or collateralized by the Arizona State Treasurer pooled collateral program.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

At year end, the City's investments consisted of the following.

Investment Type	Maturities	Fair Value
State Treasurer's investment pool 5		$ 28,059
Total		$ 28,059

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The City has no investment policy that would further limit its investment choices. The State Treasurer's investment pool 5 was rated AAAF/Sl+ by Standard and Poor's at year end.

Custodial Credit Risk - Investments. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows.

Governmental activities:	July 1, 2021	Increases	Decreases	June 30, 2022
Capital assets not being depreciated:				
Land	$ 315,962			$ 315,962
Construction in progress		9,500	$	9,500
Total capital assets not being depreciated	315,962	9,500		325,462
Capital assets being depreciated:				
Land improvements	2,970,748			2,970,748
Buildings and improvements	13,218,166	$ 16,366		13,234,532
Infrastructure	28,743,213	78,281		28,821,494
Machinery, equipment and vehicles	3,901,687	40,850		3,942,537
Total capital assets being depreciated	48,833,814	135,497		48,969,311
Less accumulated depreciation for:				
Land improvements	(1,642,663)	(58,377)		(1,701,040)
Buildings and improvements	(9,223,940)	(299,370)		(9,523,310)
Infrastructure	(16,338,963)	(828,226)		(17,167,189)
Machinery, equipment and vehicles	(3,126,384)	(124,494)		(3,250,878)
Total accumulated depreciation	(30,331,950)	(1,310,467)		(31,642,417)
Total capital assets being depreciated, net	18,501,864	(1,174,970)		17,326,894
Governmental activities capital assets, net	$ 18,817,826	$ (1,165,470)	$	$ 17,652,356

Depreciation expense was charged to governmental activities' functions as follows:

Governmental activities:	
General government	$ 315,899
Public safety	164,038
Highways and streets	599,620
Redevelopment and housing	230,910
Total depreciation expense - governmental activities	$ 1,310,467

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2022:

Governmental activities:	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within 1 Year
Revenue bonds payable	$ 5,902,701		$ (234,654)	$ 5,668,047	$ 237,795
Net bonds payable	5,902,701		(234,654)	5,668,047	237,795
Compensated absences payable	160,005	$ 63,440	(71,587)	151,858	83,561
Net pension liabilities	20,726,252		(6,179,490)	14,546,762	
Other commitments	1,639,414		(78,031)	1,561,383	80,066
Governmental activities long-term liabilities	$ 28,428,372	$ 63,440	$ (6,563,762)	$ 21,928,050	$ 401,422

Revenue bonds currently outstanding are as follows:

	Original Amount Issued	Interest Rate	Remaining Maturities	Outstanding Principle June 30, 2022	Due Within One Year
Governmental activities:					
Excise Tax Revenue Bond, Series 2019	$ 6,445,135	2.94%	7/1/20-34	$ 5,668,047	$ 237,795
Total				$ 5,668,047	$ 237,795

The City has pledged future excise taxes and state shared revenues to repay an outstanding revenue bond and refunding revenue bonds of $5.7 million as of June 30, 2022. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for public works and other City vehicles and equipment. On December 19, 2019, an advance refunding of $6.2 million was completed on the series 2007 revenue bonds and replaced with the series 2019 bonds. The bond is payable through 2034. The total principal and interest to be paid on the bonds is $6.83 million. The current total excise taxes and state shared revenues were $4,648,646 and the total principal and interest paid on the bond was $406,469 or 10% of gross revenues.

Other commitments are composed of a long-term agreement with Pima County totaling $1,100,000 related to the City's settlement of a lawsuit involving the collection of a secondary property tax for the tax years 2011 through 2013. In July 2019, the City entered into a promissory note with the County to finance the settlement. The promissory note matures in October 2038 and has an interest rate of 3.50%.

Other commitments are also composed of a long-term agreement with the Pima County Sheriff's department for service fees and interest charges for housing prisoners. In October 2013, Pima County and the City entered into a settlement agreement whereby $806,155 of fees and interest charges were forgiven. In August 2017, the City revised the agreement to extend repayment of settlement amount, plus interest at the rate of 1.5%, over a 20-year period.

Compensated absences accrue during each pay period at a rate determined by years of service. Both vacation and personal time can be taken off from work, within certain limitations, or may be payable to employees upon termination or retirement.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Principal and interest payments on the governmental activities revenue bonds payable at year-end are summarized as follows:

	Governmental Activities			
	Bond Payable		Other Commitments	
Year ending June 30:	Principal	Interest	Principal	Interest
2023	$ 237,795	$ 164,893	$ 80,066	$ 43,722
2024	245,448	157,845	82,161	41,627
2025	451,063	149,118	84,319	39,469
2026	468,219	135,731	86,541	37,246
2027-2031	2,548,722	462,748	468,463	153,333
2032-2036	1,716,800	89,276	535,041	86,977
2037-2040			224,792	15,916
Total	$ 5,668,047	$ 1,159,611	$ 1,561,383	$ 418,290

NOTE 6 - INTERFUND BALANCES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022, consisted of amounts loaned by the Housing Funds to the General Funds to help meet fund obligations. The amounts payable to the Housing Funds at year end was $7,503.

NOTE 7 - RISK MANAGEMENT

The City 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 City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is $2.0 million per occurrence on a claims made basis. Excess coverage is for an additional $2.0 million per occurrence on a follow form, claims made basis. The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the three plans described below and on the following pages. The plans are component units of the State of Arizona. At June 30, 2022, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Government Activities
Net pension and OPEB liabilities	$ 14,546,762
Deferred outflows of resources related to pensions and OPEB	4,276,960
Deferred inflows of resources related to pensions and OPEB	4,575,378
Pension and OPEB expense	(962,722)

The City did not disclose the OPEB plan separately because of its insignificance to the City's financial statements. The City's accrued payroll and employee benefits includes $44,479 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the City reported $998,123 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description - City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement 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 benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

*With actuarially reduced benefits.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 of the service on record as of the effective disability date if their service is greater than 30 years.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the city to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members’ annual covered payroll. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were $125,476.

During fiscal year 2022, the City paid for ASRS and OPEB contributions from the General Fund.

Liability - At June 30, 2022, the City reported a liability of $1,205,935 for its proportionate share of the ASRS' net pension/OPEB liability.

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

The City’s proportion of the net asset and net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The City’s proportion measured as of June 30, 2021 was 0.00950 percent, which was a decrease of 0.00044 percent from its proportion measured as of June 30, 2020.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Expense - For the year ended June 30, 2022, the City recognized pension expense for ASRS of $13,515.

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

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,582	$ 15,498
Changes of assumptions or other inputs	165,277	4,203
Net difference between projected and actual earnings on pension plan investments		413,229
Changes in proportion and differences between City contributions and proportionate share of contributions	85	57,352
City contributions subsequent to the measurement date	125,476	
Total	$ 310,420	$ 490,282

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

Year ending June 30,	
2023	$ (38,281)
2024	(24,246)
2025	(95,411)
2026	(145,525)
2027	(1,015)
Thereafter	(860)

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

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

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Discount Rate - At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, 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 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.

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

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
The City's proportionate share of the net pension/OPEB liability	$ 1,936,609	$ 1,205,935	$ 596,430

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

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Public Safety Personnel Retirement System (PSPRS)

Plan descriptions - The City's police and fire 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 and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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 City's financial statements.

The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information for the PSPRS plan. 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 for public safety personnel who are regularly assigned hazardous duty. 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:

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSPRS	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability:		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 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% or 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% of retired member's pension benefit	
Active Members	80% 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 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	PSPRS - Police	PSPRS - Fire
Inactive employees or beneficiaries currently receiving benefits	17	7
Inactive employees entitled to but not yet receiving benefits	3	5
Active employees	6	1
Total	26	13

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 the 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. Contributions rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS - Police	PSPRS - Fire
Active members—Pension	7.65%	7.65%
City		
Pension	110.98%	288.95%
Health insurance premium benefit	1.06%	0.00%

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

	Pension	Health Insurance Premium Benefit
PSPRS - Police	$ 665,606	$ 3,743
PSPRS - Fire	191,790	

During fiscal year 2022, the City paid for PSPRS and OPEB contributions from the General Fund.

Liability - At June 30, 2022, the City reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS - Police	$ 12,083,256	$ (1,738)
PSPRS - Fire	1,215,691	(83,693)

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

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash - Mellon	1%	-0.31%
Total	100%	

Discount Rate - At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.3 percent. 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 rate 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.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net Pension/OPEB Liability - Changes in the net pension/OPEB liability are as follows for the year ended June 30, 2022:

PSPRS - Police:	Pension Increase (Decrease)			Health Insurance Premium Benefit Increase (Decrease)		
	Total Position 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, 2021	$ 16,091,059	$ 493,441	$ 15,597,618	$ 158,498	$ 112,246	$ 46,252
Changes for the year:						
Service cost	87,205		87,205	3,317		3,317
Interest on the total liability	629,708		629,708	11,486		11,486
Differences between expected and actual experience in the measurement of the liability	254,051		254,051	(28,780)		(28,780)
Changes of assumptions or other inputs	(3,510,125)		(3,510,125)			
Contributions—employer		739,352	(739,352)		4,814	(4,814)
Contributions—employee		41,677	(41,677)			
Net investment income		194,835	(194,835)		29,320	(29,320)
Benefit payments, including refunds of employee contributions	(712,897)	(712,897)		(8,939)	(8,939)	
Administrative expense		(663)	663		(121)	121
Net changes	(3,252,058)	262,304	(3,514,362)	(22,916)	25,074	(47,990)
Balances at June 30, 2022	$ 12,839,001	$ 755,745	$ 12,083,256	$ 135,582	$ 137,320	$ (1,738)

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSPRS - Fire:	Pension Increase (Decrease)			Health Insurance Premium Benefit Increase (Decrease)		
	Total Position Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)	Total Position Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balances at June 30, 2021	$ 4,428,191	$ 1,153,994	$ 3,274,197	$ 30,023	$ 90,940	$ (60,917)
Changes for the year:						
Service cost	13,052		13,052	462		462
Interest on the total liability	314,609		314,609	2,218		2,218
Differences between expected and actual experience in the measurement of the liability	107,677		107,677	(318)		(318)
Changes of assumptions or other inputs						
Contributions—employer		1,825,839	(1,825,839)			
Contributions—employee		285,313	(285,313)			
Net investment income		385,546	(385,546)		25,242	(25,242)
Benefit payments, including refunds of employee contributions	(263,070)	(263,070)		(200)	(200)	
Administrative expense		(1,754)	1,754		(104)	104
Other changes		(1,100)	1,100			
Net changes	172,268	2,230,774	(2,058,506)	2,162	24,938	(22,776)
Balances at June 30, 2022	$ 4,600,459	$ 3,384,768	$ 1,215,691	$ 32,185	$ 115,878	$ (83,693)

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

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS - Police:			
Net pension liability	$ 13,720,368	$ 12,083,256	$ 10,746,334
Net OPEB (asset) liability	12,097	(1,738)	(13,459)
PSPRS - Fire:			
Net pension liability	1,720,832	1,215,691	794,997
Net OPEB (asset) liability	(80,345)	(83,693)	(86,536)

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Expense - For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS - Police	$ 604,061	$ (26,419)
PSPRS - Fire	(1,553,570)	(7,055)

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

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 424,463	$ 66,624		$ 55,031
Changes of assumptions	2,660,596	3,703,746	$ 4,198	
Net difference between projected and actual earnings on pension plan investments		88,800		12,048
City contributions subsequent to the measurement date	665,606		3,743	
Total	$ 3,750,665	$ 3,859,170	$ 7,941	$ 67,079

PSPRS - Fire	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		$ 133,446		$ 10,869
City contributions subsequent to the measurement date	$ 191,790			
Total	$ 191,790	$ 133,446		$ 10,869

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	PSPRS - Police		PSPRS - Fire	
Year ending June 30,	Pension	Health	Pension	Health
2023	$ (914,982)	$ (27,903)	$ (26,999)	$ (2,222)
2024	192,873	(27,823)	(27,832)	(2,290)
2025	(20,732)	(2,899)	(31,832)	(2,634)
2026	(31,270)	(4,256)	(46,783)	(3,723)

C. Elected Officials Retirement Plan

Plan description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information, for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits provided - The EORP 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 yearly compensation, and service credit as follows:

EORP	Initial membership date: Before January 1, 2012	Initial membership date: On or after January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit:		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member’s normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

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. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2022, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.21 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension plan for the year ended June 30, 2022, was $11,508.

During fiscal year 2022, the City paid for EORP pension contributions from the General Fund.

Liability - At June 30, 2022, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	$	148,103
State's proportionate share of the EORP net pension liability associated with the City		14,886
Total	$	162,989

The City also reported an asset of $20,792 for its proportionate share of EORP's net OPEB asset.

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

The City's proportion of the net pension liability was based on the City's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2021. The City's proportion of the net OPEB asset was based on the City's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2021. The City's proportion measured as of June 30, 2021 was 0.024336 percent, which was a decrease of 0.212484 percent from its proportion measured as of June 30, 2020.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Expense - For the year ended June 30, 2022, the City recognized pension and OPEB expense for EORP of $1,431 and $(3,624), respectively for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

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

EORP	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 1,971		$ 1,765
Changes of assumptions or other inputs				
Net difference between projected and actual earnings on pension plan investments		7,546		3,250
Changes in proportion and differences between city contributions and proportionate share of contributions	$ 2,166		$ 2,470	
City contributions subsequent to the measurement date	11,508			
Total	$ 13,674	$ 9,517	$ 2,470	$ 5,015

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023**.** Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	Health Insurance Premium Benefit
2023	$ (1,354)	$ 363
2024	(1,571)	(991)
2025	(1,856)	(801)
2026	(2,570)	(1,116)

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

EORP	
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on EORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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:

EORP Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash - Mellon	1%	-0.31%
Total	100%	

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount rates - At June 30, 2021, the discount rates used to measure the EORP total pension liability and total OPEB liability was 7.3 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension 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/OPEB liability.

Sensitivity of the City's proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rates of 7.3 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.3 percent) or one percentage point higher (8.3 percent) than the current rate:

EORP	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
City's proportionate share of the net pension liability	$ 170,182	$ 148,103	$ 129,154
City's proportionate share of the net OPEB (asset)	(19,513)	(20,792)	(21,908)

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

SOUTH
TUCSON
THE PUEBLO WITHIN A CITY

OTHER REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOUTH TUCSON, ARIZONA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES			
City sales taxes	$ 3,483,384	$ 3,985,982	$ 502,598
Property taxes	58,889	59,073	184
License and permits	335,655	379,383	43,728
Intergovernmental	1,406,939	1,611,036	204,097
Fines and forfeits	94,002	101,591	7,589
Investment earnings	8,000	7	(7,993)
Miscellaneous	46,400	64,396	17,996
Total revenues	5,433,269	6,201,468	768,199
EXPENDITURES			
General government:			
City manager	230,679	229,999	680
Mayor and Council	41,210	41,343	(133)
City clerk	106,844	77,664	29,180
Finance	203,907	221,503	(17,596)
Information technologies	98,550	99,200	(650)
Development services	245,866	169,866	76,000
Public buildings	21,002	45,439	(24,437)
Non-departmental	910,536	531,825	378,711
Total general governments	1,858,594	1,416,839	441,755
Public safety:			
Magistrate Court	260,649	252,073	8,576
Fire department	1,761,496	1,645,964	115,532
Police department	2,180,839	1,884,717	296,122
Total public safety	4,202,984	3,782,754	420,230
Highways and streets:			
Public works	108,918	101,527	7,391

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2022

(CONTINUED)

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
Capital outlay	215,000	49,673	165,327
Debt services	600,522	533,013	67,509
Total expenditures	6,986,018	5,883,806	1,102,212
Excess (deficiency) of revenues over (under) expenditures	(1,552,749)	317,662	1,870,411
OTHER FINANCING SOURCES (USES)			
Sales of capital assets		3,300	3,300
Total other financing sources (uses)		3,300	3,300
Net changes in fund balance	(1,552,749)	320,962	1,873,711
Fund balance, beginning of year	1,552,749	1,805,293	252,544
Fund balance, end of year	$	$ 2,126,255	$ 2,126,255

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
BUDGETARY COMPARISON SCHEDULE - HOUSING FUND
YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES			
Intergovernmental	$ 2,087,807	$ 1,616,387	$ (471,420)
Investment earnings		71	71
Rents	57,195	416,355	359,160
Miscellaneous		107,873	107,873
Total revenues	2,145,002	2,140,686	(4,316)
EXPENDITURES			
Redevelopment and housing	2,145,002	1,770,307	374,695
Capital outlay		140,326	(140,326)
Total expenditures	2,145,002	1,910,633	234,369
Excess (deficiency) of revenues over (under) expenditures		230,053	230,053
Fund balance, beginning of year		536,368	536,368
Fund balance, end of year	$	$ 766,421	$ 766,421

See accompanying notes to schedule.

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The accompanying Budgetary Comparison Schedules are prepared on a modified accrual basis of accounting.

Expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds (except for the Housing Fund). The City Manager, subject to City Council approval, may at any time unencumbered appropriation balance or option thereof between a department or activity. The adopted budget can not be amended in any way without City Council approval.

NOTE 2 - EXCESS EXPENDITURES OVER BUDGET

At year end, the City had expenditures in the General Fund that exceeded the budget; however, this does not constitute a violation of any legal provisions.

Fund/Department	Excess
General Fund:	
Finance	$ 17,596
Public building	24,437

CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING PLANS
JUNE 30, 2022

ASRS

	Reporting Fiscal Year (Measurement Date)								
	2022(2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
City's proportion of the net pension liability	0.00950%	0.00994%	0.01019%	0.01119%	0.01177%	0.01547%	0.0113%	0.0121%	Information not available
City's proportionate share of the net pension liability	$ 1,205,935	$ 1,722,895	$ 1,486,452	$ 1,562,770	$ 1,831,619	$ 2,497,013	$ 1,757,071	$ 1,794,262	
City's covered payroll	$ 994,403	$ 1,000,716	$ 948,453	$ 992,624	$ 1,174,479	$ 1,029,098	$ 1,062,705	$ 1,144,019	
City's proportionate share of the net pension liability as a percentage of its covered payroll	121.27%	172.17%	156.72%	157.44%	155.95%	242.64%	165.34%	156.84%	
Plan fiduciary net position as a percentage of the total pension liability	78.58 %	69.33 %	73.24 %	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

EORP

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
City's proportion of the net pension liability	0.24336**%**	0.23682%	0.02600%	0.02739%	0.02192%	0.0194012%	0.02068%	0.02700%	Information not available
City's proportionate share of the net pension liability	$ 148,103	$ 159,848	$ 172,474	$ 172,607	$ 246,826	$ 183,294	$ 161,579	$ 181,117	
State's proportionate share of the net pension liability associated with the City	14,886	14,886	16,211	29,575	54,095	37,845	50,374	55,532	
Total	$ 162,989	$ 174,734	$ 188,685	$ 202,182	$ 300,921	$ 221,139	$ 211,953	$ 236,649	
City's covered payroll	$ 21,465	$ 20,814	$ 19,679	$ 30,074	$ 17,600	$ 19,200	$ 18,400	$ 18,400	
City's proportionate share of the net pension liability as a percentage of its covered payroll	759.32 %	839.50 %	958.81 %	672.28 %	1,709.78 %	1,151.77 %	1,151.92 %	1,286.14 %	
Plan fiduciary net position as a percentage of the total pension liability	36.28 %	29.80 %	30.14 %	30.36 %	49.21 %	23.42 %	28.32 %	31.91 %	

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AGENT PLANS
JUNE 30, 2022

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability:									
Service cost	$ 87,205	$ 101,623	$ 107,973	$ 108,583	$ 128,576	$ 147,746	$ 125,289	$ 119,965	Information not available
Interest on the total pension liability	629,708	762,724	543,377	673,874	595,757	584,629	622,567	506,492	
Changes of benefit terms					129,091	(276,431)	-	320,282	
Differences between expected and actual experience in the measurement of the pension liability	254,051	(133,246)	1,020,380	100,547	357,248	302,447	(700,135)	(141,838)	
Changes of assumptions or other inputs	(3,510,125)	5,321,190	(5,454,649)	5,416,989	549,517	288,288	-	1,233,249	
Benefit payments, including refunds of employee contributions	(712,897)	(615,758)	(601,911)	(625,508)	(548,916)	(533,415)	(551,060)	(573,234)	
Net change in total pension liability	(3,252,058)	5,436,533	(4,384,830)	5,674,485	1,211,273	513,264	(503,339)	1,464,916	
Total pension liability—beginning	16,091,059	10,654,526	15,039,356	9,364,871	8,153,598	7,640,334	8,143,673	6,678,757	
Total pension liability—ending (a)	$ 12,839,001	$16,091,059	$ 10,654,526	$ 15,039,356	$ 9,364,871	$ 8,153,598	$ 7,640,334	$ 8,143,673	
Plan fiduciary net position:									
Contributions—employer	$ 739,352	$ 685,562	$ 710,429	$ 393,004	$ 479,505	$ 599,358	$ 412,532	$ 420,896	
Contributions—employee	41,677	36,508	41,567	66,894	66,858	91,595	65,326	66,539	
Net investment income	194,835	(19,133)	17,410	25,932	60,059	1,149	4,804	30,627	
Benefit payments, including refunds of employee contributions	(712,897)	(615,758)	(601,911)	(625,508)	(548,916)	(533,415)	(551,060)	(573,234)	
Hall/Parker settlement				(93,209)					
Administrative expense	(663)	(539)	(1,250)	(1,095)	(931)	(565)	(354)	(247)	
Other changes	-	-	-	(2)	(17,623)	219,560	341	1,423	
Net change in plan fiduciary net position	262,304	86,640	166,245	(233,984)	38,952	377,682	(68,411)	(53,996)	
Plan fiduciary net position—beginning	493,441	406,801	287,855	528,385	489,433	111,751	180,162	234,158	
Plan fiduciary net position—ending (b)	$ 755,745	$ 493,441	$ 454,100	$ 294,401	$ 528,385	$ 489,433	$ 111,751	$ 180,162	
City's net pension liability (asset)—ending (a) – (b)	$ 12,083,256	$15,597,618	$ 10,200,426	$ 14,744,955	$ 8,836,486	$ 7,664,165	$ 7,528,583	$ 7,963,511	
Plan fiduciary net position as a percentage of the total pension liability	5.89 %	3.07 %	4.26 %	1.96 %	5.64 %	6.00 %	1.46 %	2.21 %	
Covered payroll	$ 542,556	$ 585,407	$ 482,168	$ 498,544	$ 647,063	$ 746,054	$ 587,388	$ 646,705	
City's net pension liability (asset) as a percentage of covered payroll	2,227.10 %	2,664.41 %	2,115.53 %	2,957.60 %	1,365.63 %	1,027.29 %	1,281.71 %	1,231.40 %	

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AGENT PLANS
JUNE 30, 2022
(CONTINUED)

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2016 (2015)	2014 through 2013
Total pension liability:									
Service cost	$ 13,052	$ 12,474	$ 10,159	$ 9,905	$ 20,508	$ 19,410	$ 28,968	$ 30,423	Information not available
Interest on the total pension liability	314,609	304,940	293,857	278,048	267,833	267,942	265,218	210,418	
Changes of benefit terms	-	-	-	-	35,564	(53,755)	-	92,636	
Differences between expected and actual experience in the measurement of the pension liability	107,677	74,943	85,816	175,300	(47,375)	38,866	(40,483)	145,266	
Changes of assumptions or other inputs	-	-	69,464	-	168,658	117,102	-	451,472	
Benefit payments, including refunds of employee contributions	(263,070)	(257,912)	(252,855)	(256,808)	(250,354)	(214,223)	(214,223)	(248,574)	
Net change in total pension liability	172,268	134,445	206,441	206,445	194,834	175,342	39,480	681,641	
Total pension liability—beginning	4,428,191	4,293,746	4,087,305	3,880,860	3,686,026	3,510,684	3,471,204	2,789,563	
Total pension liability—ending (a)	$ 4,600,459	$ 4,428,191	$ 4,293,746	$ 4,087,305	$ 3,880,860	$ 3,686,026	$ 3,510,684	$ 3,471,204	
Plan fiduciary net position:									
Contributions—employer	$ 1,825,839	$ 336,167	$ 159,811	$ 65,946	$ 74,718	$ 102,548	$ 84,561	$ 44,137	
Contributions—employee	285,313	8,996	4,163	3,910	10,114	17,377	17,436	16,767	
Net investment income	385,546	5,913	57,683	79,007	139,853	7,602	49,864	183,267	
Benefit payments, including refunds of employee contributions	(263,070)	(257,912)	(252,855)	(256,808)	(250,354)	(214,223)	(214,223)	(248,574)	
Hall/Parker settlement				(26,772)					
Administrative expense	(1,754)	(1,166)	(2,004)	(1,902)	(1,637)	(1,494)	(1,594)	(1,476)	
Other changes	(1,100)	-	-	16	17	9	(1,256)	-	
Net change in plan fiduciary net position	2,230,774	91,998	(33,202)	(136,603)	(27,289)	(88,181)	(65,212)	(5,879)	
Plan fiduciary net position—beginning	1,153,994	1,061,996	1,095,198	1,231,801	1,259,090	1,347,271	1,412,483	1,418,362	
Plan fiduciary net position—ending (b)	$ 3,384,768	$ 1,153,994	$ 1,061,996	$ 1,095,198	$ 1,231,801	$ 1,259,090	$ 1,347,271	$ 1,412,483	
City's net pension liability (asset)—ending (a) – (b)	$ 1,215,691	$ 3,274,197	$ 3,231,750	$ 2,992,107	$ 2,649,059	$ 2,426,936	$ 2,163,413	$ 2,058,721	
Plan fiduciary net position as a percentage of the total pension liability	73.57 %	26.06 %	24.73 %	26.80 %	31.74 %	34.16 %	38.38 %	40.69 %	
Covered payroll	$ 94,356	$ 61,783	$ 56,417	$ 44,879	$ 93,860	$ 146,708	$ 158,399	$ 166,427	
City's net pension liability (asset) as a percentage of covered payroll	1,288.41 %	5,299.51 %	5,728.33 %	6,667.05 %	2,822.35 %	1,654.26 %	1,365.80 %	1,237.01 %	

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2022

ASRS

	Reporting Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014 through 2013
Statutorily required contribution	$ 125,476	$ 115,848	$ 114,582	$ 106,037	$ 108,196	$ 124,512	$ 111,657	$ 113,145	Information not available
City's contributions in relation to the statutorily required contribution	125,476	115,848	114,582	106,037	108,196	124,512	111,657	113,145	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$1,044,763	$ 994,403	$1,000,716	$ 948,453	$ 992,624	$1,174,479	$1,029,098	$1,062,705	
City's contributions as a percentage of covered payroll	12.01 %	11.65 %	11.45 %	11.18 %	10.90 %	10.60 %	10.85 %	10.65 %	

PSPRS - Police

	Reporting Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014 through 2013
Actuarially determined contribution	$ 665,606	$ 621,932	$ 611,165	$ 499,599	$ 375,977	$ 484,872	$ 572,629	$ 412,532	Information not available
City's contributions in relation to the actuarially determined contribution	665,606	621,932	611,165	499,599	375,977	484,872	572,629	412,532	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$ 599,753	$ 542,556	$ 585,407	$ 482,168	$ 458,788	$ 647,063	$ 746,054	$ 587,388	
City's contributions as a percentage of covered payroll	110.98 %	114.63 %	104.40 %	103.67 %	81.95 %	74.93 %	76.75 %	70.23 %	

See accompanying notes to schedule.

CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2022

PSPRS - Fire

	Reporting Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014 through 2013
Actuarially determined contribution	$ 191,790	$ 308,356	$ 241,867	$ 93,416	$ 66,111	$ 74,717	$ 98,267	$ 84,561	Information not available
City's contributions in relation to the actuarially determined contribution	191,790	308,356	241,867	93,416	66,111	74,717	98,267	84,561	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$ 66,375	$ 94,356	$ 61,783	$ 56,417	$ 44,879	$ 93,860	$ 146,708	$ 158,399	
City's contributions as a percentage of covered payroll	288.95 %	326.80 %	391.48 %	167.10 %	147.31 %	79.60 %	66.98 %	53.38 %	

EORP

	Reporting Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014 through 2013
Statutorily required contribution	$ 11,508	$ 10,563	$ 10,301	$ 9,812	$ 3,657	$ 3,514	$ 4,095	$ 4,350	Information not available
City's contributions in relation to the statutorily required contribution	11,508	10,563	10,301	9,812	3,657	3,514	4,095	4,350	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$ 18,734	$ 21,465	$ 20,814	$ 19,679	$ 30,074	$ 17,600	$ 19,200	$ 18,400	
City's contributions as a percentage of covered payroll	61.43 %	49.21 %	49.49 %	49.86 %	12.16 %	19.97 %	21.33 %	23.64 %	

See accompanying notes to schedule.

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2020 actuarial valuation	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 - FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, and EORP 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 and EORP 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 2019 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. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

NOTE 3 - OPEB DISCLOSURE

No OPEB pension plan schedules were provided as it was considered insignificant to the financial statements.