



Public Notice Pursuant to A.R.S. § 38-431.02

ARIZONA MUNICIPAL WATER USERS ASSOCIATION MANAGEMENT BOARD

MEETING NOTICE AND AGENDA (UPDATED AND AMENDED)

Wednesday, November 8, 2023 – 10:00 a.m.

**This meeting will be held as a Hybrid meeting.
Attendance in person is welcomed; Others may join via Zoom.**

Access this [Link](#) to join via Zoom. Meeting ID: 838 3866 3296
(Option to join by phone: 602-753-0140, same Meeting ID as above)

A. Call to Order

B. General Business—Items for Discussion and Possible Action

1. Approval of the Minutes from the October 11, 2023, Meeting
2. Next Meeting Date: December 12, 2023, 10:00 a.m.
3. Conversation with Karen Peters about ADEQ’s Roadmap for Advanced Water Purification
4. Governor’s Water Policy Council
5. Fiscal Year 2024 Quarterly Financial Statements – First Quarter
6. AMWUA Annual Financial Audit Report for Fiscal Year 2023
7. Nominating Committee for AMWUA Management Board Chair & Vice-Chair for 2024

C. Member Reports

D. Executive Director’s Report

E. Future Agenda Items

F. Adjournment

*The order of the agenda may be altered or changed by the AMWUA Management Board. Members of the AMWUA Management Board may attend in person or by internet conferencing.

More information about AMWUA public meetings is available online at www.amwua.org/what-we-do/public-meetings, or by request.

Arizona Municipal Water Users Association

MANAGEMENT BOARD

MEETING MINUTES

October 11, 2023

HYBRID MEETING

MEMBERS PRESENT

Chris Hassert, Mesa, Chair
Brian Biesemeyer, Scottsdale, Vice Chair
Kirk Beaty, Avondale
Barbara Chappell, Goodyear
David Burks, Peoria
Tara Ford, Tempe
Troy Hayes, Phoenix
John Knudson, Chandler
Jessica Marlow, Gilbert
Ron Serio, Glendale

OTHERS PRESENT

Jeannie Aguilar, ASLD	Kathy Ferris, AMWUA	Drew Swieczkowski, Glendale
Anthony Beckham, CAP	Sherry Garcia, AMWUA	Tina Sleeper, Tempe
Paul Bergelin, AMWUA	Jake Golden, Phoenix	Ginger Spencer, Phoenix
Silvana Burgos, City of Goodyear	Lauren Hixson, Town of Gilbert	Martin Stiles, CAP
Craig Caggiano, City of Tempe	Simone Kjolsrud, Chandler	Warren Tenney, AMWUA
Harry Cooper, AMWUA	Meagan Johnson, Phoenix	Sheri Trapp, AMWUA
Ray Diaz, Goodyear	Jacob Perez Laurent, AMWUA	Stefan Walston, Gilbert

A. Call to Order

Mr. Hassert called the meeting to order at 10:00 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the August 9, 2023, Meeting

Upon a motion made by Mr. Biesemeyer and a second by Mr. Knudson, the AMWUA Management Board unanimously approved of the August 9, 2023, meeting minutes.

2. Next Meeting Date: Wednesday, November 8, 2023, at 10:00 a.m.

3. 2024 Legislative Agenda

Mr. Tenney explained that in 2015 the AMWUA Board adopted Board of Director Legislative Policy and Procedures to support the 1980 Groundwater Management Act, safeguard the 100-year Assured Water Supply Act, and protect local government's ability to manage their own water resources. This policy and procedure also states that the Executive Director and the Legislative Contractor are able take legislative positions consistent with prior AMWUA positions. Staff can take positions and advocate on legislation during the session in between Board meetings as long as they are consistent with prior AMWUA policies pending formal action by the Board. This helps us be effective and proactive at the legislature during the session. The annual legislative agenda highlights key focus areas for upcoming session, lay out general AMWUA positions on different water-related subject areas, and provide a resource for AMWUA members to incorporate and utilize in their legislative efforts. It is also a resource for the cities in developing their own legislative policies.

Once the legislative session begins, we review every legislative bill dealing with water, analyze it, research it, and discuss with the Water Resource Advisory Group, AMWUA Management Board, and the AMWUA Board of Directors. Last session, over 1562 bills were introduced and AMWUA took formal positions on 59 bills.

Looking forward to 2024, we have six categories for our legislative agenda, which include advocating for the AMWUA cities by educating that they are open for business due to their designations and for the Legislature support to municipal water providers' responsibilities to meet the long-term water needs of their communities. The legislative agenda includes that AMWUA promotes the ability of the Arizona Department of Water Resources and Arizona Department of Environmental Quality to perform effectively their statutory responsibilities including through the retention of staff and that AMWUA advocates for further investment in water supplies, infrastructure, and conservation through the Water Infrastructure Finance Authority of Arizona and using its funds only for their intended purposes. The rest of the legislative agenda is similar to previous years by protecting Arizona water management, stabilizing the Colorado River system, promoting water efficiency and conservation, improve water quality through watershed management, funding for Arizona Water Quality Assurance Revolving Fund, and supporting advanced water purification.

Mr. Biesemeyer said he was pleased to see the support of the advanced water purification. Have we looked at the combined aspects with WIFA regarding the federal revolving funds? Mr. Tenney reported that we understand that WIFA is carrying forward with those responsibilities, so we are emphasizing the need pursue investing in water supplies and water issues. This year, when the budget was being developed, they decided to not provide WIFA with the full amount that the long-term augmentation fund was supposed to receive for three years. We feel it's important that they put in for the full amount.

Upon a motion made by Ms. Chappell and a second from Ms. Marlow, the AMWUA Management Board approved to recommend the AMWUA 2024 Legislative Agenda to the AMWUA Board of Directors.

4. Governor's Water Policy Council

Mr. Tenney reminded everyone that last month we had a lengthy discussion about the overview of the Governor's Water Policy Council. Two weeks ago, the Assured Water Supply (AWS) Committee of the Council met and ADWR presented a concept for a proposal that they are calling the Alternative Pathway to Designation. There is still a lot of work to do on this proposal, but the framework appears to be promising and the AWS Committee members thought it should be further pursued.

Mr. Bergelin reported that the Alternative Pathway is a way for undesignated providers to become designated. The designation allows a water provider to grandfather its 2021 groundwater pumping volume but requires the provider to replenish some of its pumping as well as substitute a portion of its new supplies for its pumping. 2021 levels are being used since that is the year incorporated into the Phoenix AMA Groundwater Model. The alternative pathway works largely within the current designation framework shifting the foundation for future development from certificates to designations, which improves water supply management. Designations help manage and reduce groundwater pumping. This includes non-Assured Water Supply groundwater pumping that otherwise would be unconstrained and threaten other Assured Water Supply determinations.

ADWR's objective is to help these undesignated providers get their designation without increasing their groundwater pumping and provide a path to overcome hurdles such as assuming responsibility for large non-AWS pumping and Member Lands within services area, limited renewable supplies for current and future demands, limited customer based to finance water supply acquisition and infrastructure. Some providers don't have a large enough customer base to finance new water supply acquisitions or the improvement in their infrastructure to get those new supplies.

The requirements for this Alternative Pathway are similar to current designations. The provider must comply with all AWS requirements including financial capability and continuous availability for any water supply. The differences are that groundwater pumping at 2021 levels would be considered physically available and a percentage of new water supplies must permanently offset current groundwater pumping. In addition, a provider can't exceed its 2021 pumping levels, no additional pumping could occur unless groundwater is physically available, the provider would be given a groundwater allowance just like other designations-actual amount yet to be determined, the provider would become Member Service Area and pumping not covered by allowance would be subject to CAGRDR replenishment, and the provider would determine when to use groundwater allowance.

Mr. Bergelin explained that new supplies will be necessary to develop, and to avoid expending groundwater allowance and high cost of CAGRDR replenishment. This includes effluent, surface water, Colorado River water, CAP water, and transported groundwater not used in 2021. All new supplies would have to comply with all Assured Water Supply requirements. 30% of new supplies must substitute for groundwater pumping to facilitate a transition away from groundwater. ADWR will establish a streamlined process that all water providers can use to modify their designation to incorporate new water supplies.

Mr. Bergelin then walked through an example using the Town of Queen Creek to show how it would pump less groundwater under this alternative designation.

Like other designations, a designation under the Alternative Pathway would last up to 15 years. It may be renewed multiple times if the provider continues to meet applicable AWS requirements. The

remaining groundwater allowance would decrease with reported pumping and roll over into each renewal until eliminated. The provider could also apply for standard Designation of Assured Water Supply (DAWS), which does not require 30% of new supplies to offset groundwater pumping. Alternative Pathway does not increase groundwater pumping, it reduces previously unconstrained groundwater pumping with new supplies, and anchors new growth in designations. Issues the Assured Water Supply Committee will need to resolve are, 1) determine size of groundwater allowance, 2) impact to CAGR's replenishment obligation, 3) sufficiency of requiring 30% of new water supplies to offset groundwater pumping.

Mr. Biesemeyer asked where the 30% formula came from? Mr. Bergelin responded that this is an initial number presented by ADWR.

Mr. Knudson asked how the groundwater allowance would compare with the original allowances given? Mr. Bergelin said there are a lot of different arguments about what the basis of the groundwater allowance should be. No one wants it to be so large that it allows providers to continue their current pumping without abandon for a long period of time.

Mr. Knudson stated that this will be interesting on how this plays into the Bartlett Dam discussion given that groundwater pumping is considered unmet demand and if this changes the groundwater pumping to be met demand based on 2021, does it change the math in the Bartlett Dam calculations? Mr. Tenney said he does not know but that the Assured Water Supply Committee is meeting again next week and there are a lot of conversations about the proposal and including how the proposal will fit with CAGR's requirements and not put more risk on CAGR. The Governor's Water Policy Council will be meeting at the end of the month, and I would expect a more defined proposal presented at that time.

Mr. Bergelin added that one factor weighing in on surrounding this proposal is how to go about implementing it. ADWR is interested in seeing if this proposal can be implemented by amending Arizona Administrative Code, which would be the preferred option because it would be subject to less legislature meddling. Mr. Tenney added that this is also one of the reasons ADWR is working hard to structure this proposal closely to the existing framework of designations, so they are pursuing it through a rules making process.

5. Current Conservation Efforts

Mr. Tenney reported that AMWUA has a long history of working with its members on conservation efforts. With the Colorado River shortage and the Phoenix AMA groundwater model in the news, the push for and interest in conservation has never been greater. We anticipate it will only increase. We have a great history that we need to continue to tout and make sure people are aware of, but the bigger question that we are continually being asked is – "what are the Valley cities doing right now?" This comes up in the seven Basin State negotiations, among discussions with other states, in the media, and among our communities.

Ms. Sheri Trapp reported three areas of conservation efforts that AMWUA is currently working on are 1) the plants for the Arizona Desert redesign initiative 2) elevating our collective conservation efforts regionally and nationally, 3) quantifying current conservation efforts and programs to get better tell our story.

Ms. Trapp outlined the strategy that AMWUA has pursued to redesign the Landscape Plants for the Arizona Desert. booklet due to several limitations of the current version of the booklet. The booklet

will match the new landscape plants website and use the 200 photos of low water use plants and trees that were photographed over a two-year period. It will include additional tips for planting, pruning, seeding, and watering. We are doing a final review and anticipate going to print and distribute before the end of the year.

Ms. Trapp explained that AMWUA is also touting our members' conservation efforts and want to expand our audience – where can we brag and tell our story (locally, regionally, and on a national level). Last month, we attended the Water Smart Innovations conference in Las Vegas. AMWUA elevated its presence with a booth to display resources and highlight our members. AMWUA and its members gave nine presentations. We were pleased with elevating awareness about Arizona's efforts.

Ms. Trapp reported that at the conference³, she gave a presentation on elevating conservation with collaborative and coordinated initiatives, educating the attendees on what Arizona is doing, who we are, and what we do. The session was well attended, with great comments and questions and more in-depth conversations.

Mr. Cooper reported that since coming on board with AMWUA, he has been getting to know your water conservation staffs. We need to further highlight our current collective initiatives. Numbers tell an impactful story, and others are recognizing this and compiling meaningful data to tell their story. Mr. Cooper shared an example of a water conservation messaging/publication recently released by Southern Nevada Water Association (SNWA). We need to increase messaging. This example from SNWA highlights quantifiable information about its rebates, programs, and successes. Many of our AMWUA cities are collecting similar data. AMWUA wants to use collective data from its members to reach further and tell our story.

Mr. Cooper presented recent quantifiable achievements. In 2022, AMWUA cities incentivized the conversion of more than 573,334 square feet of grass, saving at least 11 million gallons of water by targeting non-functional turf and expanding landscape rebate programs. In 2022, AMWUA cities provided outreach and education activities to almost 35,000 residents. Since 2022, AMWUA cities developed nearly 40 new enhanced programs tailored to HOAs, commercial, industrial, and institutional customers. 2022 was a banner year for program enhancement and expansion in water conservation considering the challenges we face regionally with the Colorado River and locally with unmet water demand. We want to and analyze ways to increase demand management with developing technology and use data to elevate conservation and better tell our collective story.

Mr. Tenney voiced appreciation for the AMWUA cities' conservation staffs. They have been working hard the past couple of years with increased work to further advance all your conservation programs.

B. Member Reports

Mr. Hassert reported that he is attending the Association of Metropolitan Water Agencies conference, where Mesa will be receiving an award.

Ms. Chappell reported that the City of Goodyear has adopted bylaws and created a new policy advisory committee for water, and Sheri Trapp will be a member of our policy committee.

Mr. Hassert also reported that the City of Mesa is currently reviewing its rates. We are raising rates 3% residential, 5% commercial and 7.5% on landscape meters. We are in the public notification period.

C. Executive Director's Report

Mr. Tenney reported that AMWUA is having challenges with its website and is working to resolve them.

Mr. Tenney reported that Lake Mead is currently at 34 percent full and is expected to remain at that level for the next few months. In addition to being in a Tier 1 shortage for 2024, Reclamation's September 24-month study projects that the Tier 1 shortage will continue in 2025.

Again, that is giving Reclamation and the Basin States space to work on the post-2026 reconsultation. We should avoid any false sense of security that there will be hard and tough decisions in the future and that the Colorado River remains on a trajectory to produce less water.

Water is a challenge around the nation and world. It was interesting to read an op-ed piece this morning about the water shortage in the Canadian Prairie provinces that was entitled Hope and History are not a Water Shortage Plan. Reservoirs in that region are seeing frightening levels from 36 percent of capacity to one down to 2 percent. Arizona is obviously not alone in water challenges and in many ways, we are better prepared because of actions that we have taken over the last four decades. Yet, the op-ed piece made some points that apply to Colorado River discussions. "What seems to be missing is a willingness by all users and all levels of government to consider and discuss the hard choices that might have to be made if the worst-case scenario occurs. Merely hoping things go well doesn't seem like a sound foundation on which to base policy decisions."

E. Future Agenda Items

No future agenda items were requested.

F. Adjournment

Mr. Hassert adjourned the meeting at 11:24 a.m.

MANAGEMENT BOARD

INFORMATION SUMMARY

November 8, 2023

Conversation with Karen Peters about ADEQ's Roadmap for Advanced Water Purification

ANNUAL PLAN REFERENCE

Sustainable Water Management

Promote efforts and policies that will sustain and safeguard our members' water resources and prepare for critical water management issues.

- Augmentation – Engage in water augmentation discussions and advocate for our members' perspectives per the Augmentation Principles.

Strategic Plan: Facilitate our Strength in Numbers, Educate – Excel as an Expert and Resource, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Strengthen Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy, Interconnect Disciplines

Colorado River Transition

Assist, monitor, and coordinate the impacts of reduced Colorado River water to ensure our members' interests are forefront.

- Long-Term Reliance – Facilitate opportunities to support collaboration for actions to replace Colorado River water with other long-term supplies, including Direct Potable Reuse, Bartlett Dam expansion, and long-term augmentation alternatives.

Strategic Plan: Facilitate our Strength in Numbers, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Prepare for Impacts of Drought & Shortage, Minimize Financial Impact

SUMMARY

ADEQ's Cabinet Executive Officer, Karen Peters, is scheduled to meet with the AMWUA Management Board to discuss ADEQ's roadmap for developing the regulatory requirements for Advanced Water Purification. Advanced Water Purification, or Direct Potable Reuse, has long been identified by AMWUA as an important tool for expanding water portfolios. This is an opportunity for the Management Board to express their perspectives with ADEQ's chief officer about ADEQ's process and how to best ensure that Advanced Water Purification is successfully accepted and realized in Arizona.

RECOMMENDATION

The AMWUA Management Board is requested to ask questions and discuss ADEQ's roadmap for Advanced Water Purification with Ms. Peters.

MANAGEMENT BOARD

INFORMATION SUMMARY

November 8, 2023

Governor's Water Policy Council

ANNUAL PLAN REFERENCE

Sustainable Water Management

Promote efforts and policies that will sustain and safeguard our members' water resources and prepare for critical water management issues.

- Governor's Water Council – Actively protect and promote our members' perspectives.
Strategic Plan: Facilitate our Strength in Numbers, Educate – Excel as an Expert and Resource, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Strengthen Groundwater Management, Pursue Post-2025 Water Policy

SUMMARY

Governor Hobbs established her Water Policy Council to update the tools available for managing groundwater by proposing changes to the Assured Water Supply Program and improving management of rural groundwater. The Governor is asking the Water Council to review and make recommendations by the end of 2023 that would improve challenges facing both issues. Subsequently, the Council has been divided into two committees to develop proposals for the Assured Water Supply Program and rural groundwater.

At its October 27, 2023 meeting, the Water Council discussed the Alternative Path to Designation proposal and recommended that it be further developed through a stakeholder and rulemaking process led by ADWR.

AMWUA staff will give an update about the Governor's Water Policy Council and the Assured Water Supply Committee.

RECOMMENDATION

The AMWUA Management Board is encouraged to ask questions and discuss the current activities regarding the Governor's Water Policy Council.

MANAGEMENT BOARD INFORMATION SUMMARY

November 8, 2023

AMWUA Fiscal Year 2024 Quarterly Financial Statements – First Quarter

ANNUAL PLAN REFERENCE

Day-to-Day Operations

Maintain the daily operations of an effective organization and the services members rely on.

- AMWUA will continue to wisely manage its financial resources
Strategic Plan: Facilitate our Strength in Numbers, Educate - Excel as an Expert and Resource

SUMMARY

The AMWUA Statement of Revenues and Expenses for the period July 1, 2023 through September 30, 2023 and the Balance Sheet dated September 30, 2023 are presented for your information.

AMWUA actual revenue at the end of the first quarter is \$16,576 over year-to-date budget. This increase is due to the collection of interest revenue.

AMWUA has incurred year-to-date actual expenses that are \$2,123 under the year-to-date budget. This variance is due to a savings in medical insurance premiums for employees, ASRS retirement payments, water conservation expenses, website services, occupancy expenses, and outreach efforts. These savings are offset against overages in payroll expenses and consultant-finance/accounting expenses year-to-date.

RECOMMENDATION

AMWUA staff is requesting that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the AMWUA quarterly financial statements for the first quarter as presented.

SUGGESTED MOTION

I move that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the AMWUA quarterly financial statements for the first quarter as presented.

ATTACHMENTS

- **Attachment A:** Statement of Revenues and Expenses
- **Attachment B:** Balance Sheet

Substantially all required disclosures are omitted, and no assurance is provided on these financial statements.

ARIZONA MUNICIPAL WATER USERS ASSOCIATION

Statement of Revenues and Expenses

(Actual to Budget Comparison)

For Period July 1, 2023 through September 30, 2023

	Year-To-Date	Year-To-Date	Over(Under)	Approved	Over(Under)
	Actual	Budget	Year-To-Date	Annual	Budget
			Variance	Budget	Variance
Funding Sources					
Assessment - Water	1,261,578.00	1,261,578.00	0.00	1,381,869.00	(120,291.00)
Assessment - Wastewater	248,071.00	248,071.00	0.00	248,070.00	1.00
Water Loss Control Training Program Income	0.00	0.00	0.00	0.00	-
2022 Carryover Applied to Reduce Member Assessments	(81,477.00)	(81,477.00)	0.00	(88,000.00)	6,523.00
Interest Revenues	16,576.39	0.00	16,576.39	0.00	16,576.39
Other Revenues	0.00	0.00	0.00	0.00	-
Net Revenues	1,444,748.39	1,428,172.00	16,576.39	1,541,939.00	(97,190.61)
Operating Expenses					
Payroll (Salaries)	210,676.70	194,925.00	15,751.70	779,700.00	(569,023.30)
Deferred Compensation (ASRS Payments)	16,736.99	23,956.25	(7,219.26)	95,825.00	(79,088.01)
Payroll Processing, Taxes and Insurance	18,462.24	17,500.00	962.24	70,000.00	(51,537.76)
Medical and Disability Insurance	21,220.04	27,500.00	(6,279.96)	110,000.00	(88,779.96)
Cell Phone Allowance	2,080.00	2,000.00	80.00	8,000.00	(5,920.00)
Temporary Services/Receptionist	13,230.00	0.00	13,230.00	0.00	13,230.00
Legal/Consulting Services (Ferris Contract)	15,000.00	15,000.00	0.00	60,000.00	(45,000.00)
Legislative Services (Aarons Company-Contract)	0.00	13,230.00	(13,230.00)	52,920.00	(52,920.00)
Audit - Water	5,950.00	5,950.00	0.00	10,200.00	(4,250.00)
Audit - Waste Water	0.00	0.00	0.00	23,800.00	(23,800.00)
Website Services	0.00	1,250.00	(1,250.00)	5,000.00	(5,000.00)
Communication Services (Kossan Contract)	0.00	0.00	0.00	0.00	-
Consultant-Finance/Accounting	18,510.00	12,500.00	6,010.00	50,000.00	(31,490.00)
Audio/Visual Development	299.90	0.00	299.90	0.00	299.90
IT Services	1,200.00	1,500.00	(300.00)	6,000.00	(4,800.00)
Office Space - Lease	50,094.57	51,311.00	(1,216.43)	205,244.00	(155,149.43)
Common Area Maintenance	13.47	875.00	(861.53)	3,500.00	(3,486.53)
Telephone	1,505.66	1,500.00	5.66	6,000.00	(4,494.34)
E-Mail/Webpage/Internet	1,414.20	1,500.00	(85.80)	6,000.00	(4,585.80)
Travel/Conferences	2,853.57	1,875.00	978.57	7,500.00	(4,646.43)
Milage Reimbursement	0.00	500.00	(500.00)	2,000.00	(2,000.00)
Continuing Professional Ed	0.00	0.00	0.00	0.00	-
Staff Development	0.00	500.00	(500.00)	2,000.00	(2,000.00)
Copy Machine - Lease	865.75	1,250.00	(384.25)	5,000.00	(4,134.25)
Computer Hardware/Software	1,550.85	1,625.00	(74.15)	6,500.00	(4,949.15)
Office Supplies	1,796.06	1,000.00	796.06	4,000.00	(2,203.94)
Meetings	1,472.02	1,187.50	284.52	4,750.00	(3,277.98)
Outreach Efforts	0.00	1,875.00	(1,875.00)	7,500.00	(7,500.00)
Printing	878.22	250.00	628.22	1,000.00	(121.78)
Postage & Deliveries	189.26	250.00	(60.74)	1,000.00	(810.74)
Subscription & Reference	1,695.62	1,000.00	695.62	4,000.00	(2,304.38)
Dues & Memberships	476.22	750.00	(273.78)	3,000.00	(2,523.78)
Insurance	1,910.28	1,375.00	535.28	5,500.00	(3,589.72)
Equipment Maintenance	334.89	500.00	(165.11)	2,000.00	(1,665.11)
Water Loss Control Program	0.00	0.00	0.00	0.00	-
Water Conservation	12,395.10	20,500.00	(8,104.90)	82,000.00	(69,604.90)
Total Operating Expenses	402,811.61	404,934.75	(2,123.14)	1,629,939.00	(1,227,127.39)
Reserve and Contingency Funds Summary:					
Contingency Fund Balance on 09/30/23	\$600,000				
Reserve Fund Balance on 09/30/23	388,840				
Total Contingency and Reserve Funds	\$988,840				

Reserve and Contingency Funds Summary

Fund Restructuring:

On March 28, 2013 the Board of Directors established a Contingency Fund in the amount of \$600,000 with monies from AMWUA's current reserve amount. The Reserve Fund shall be the difference between AMWUA's current reserve amount and the \$600,000 used to establish the AMWUA Contingency Fund.

Arizona Municipal Water Users Association
Statement of Net Position
As of September 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

1000 Petty Cash	500.00	
1015 Compass Checking 39 1139 0592	52,950.93	
1025 Compass Money Market 39 1098 8939	92,297.71	
1030 Investment Account (LGIP)	2,055,400.83	
1050 Prepaid Expenses	39,383.35	
	<hr/>	
Total Cash		\$ 2,240,532.82

CAPITAL ASSETS

1100 Furniture & Equipment	133,700.55	
1150 Leasehold Improvements	7,101.50	
1160 Right-of-use Asset	1,409,508.16	
	<hr/>	
Total depreciable assets		\$ 1,550,310.21
Less accumulated depreciation		
1200 Accum Depreciation Furniture	-112,490.86	
1250 Accum Depreciation Leasehold	-7,101.50	
1265 Accumulated amortization Right-of-use asset	-317,139.32	
	<hr/>	
Total 1260 Accumulated amortization		-\$ 436,731.68
Total Capital Assets		\$ 1,113,578.53

OTHER ASSETS

1400 Refundable Deposits	23,500.00	
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DEFERRED OUTFLOWS OF RESOURCES

1450 Deferred Outflow - Pension Resources	149,510.00	
	<hr/>	
Total Other Assets		\$ 173,010.00

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 3,527,121.35

Arizona Municipal Water Users Association
Statement of Net Position
As of September 30, 2023

LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION

CURRENT LIABILITIES

2005 BBVA Compass Credit Card	2,419.48
2050 Accrued Expenses	61,210.36
2070 ICMA Withheld	350.00
2110 Retirees Excess Benefit Clearance	<u>3,660.24</u>

Total Current Liabilities \$ 67,640.08

NONCURRENT LIABILITIES

2210 Net Pension Liability	900,987.00
2230 Lease Liability	<u>1,231,035.89</u>

Total Noncurrent Liabilities \$ 2,132,022.89

TOTAL LIABILITIES

DEFERRED INFLOWS OF RESOURCES

2220 Deferred Inflow-Pension Resources	<u>64,159.00</u>
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Total Deferred Inflow-Pension Resources \$ 64,159.00

NET POSITION

Restricted Net Position	235,327.97
Unrestricted Net Position	<u>1,027,971.41</u>

Total Net Position \$ 1,263,299.38

**TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES
AND NET POSITION**

\$ 3,527,121.35

Arizona Municipal Water Users Association
Selected Information
FOR THE QUARTER ENDED September 30, 2023

- The financial statements omit substantially all disclosures required by GAAP basis of accounting.

- The Statement of Cash Flows has been omitted.

The effects of these departures have not been determined.

MANAGEMENT BOARD INFORMATION SUMMARY

November 8, 2023

AMWUA Annual Financial Audit Report for Fiscal Year 2023

STRATEGIC PLAN REFERENCE

Operational Principles – Manage an Efficient and Effective Association

SUMMARY

The AMWUA Annual Financial Audit Report for the fiscal year ending June 30, 2023 is presented for your review and information. This audit report issued by the independent accounting firm of Heinfeld, Meech & Co., P.C. includes their opinion that the financial statements included in this report present fairly, in all material respects, the financial position of AMWUA as of June 30, 2023.

Also provided is the letter addressed to the AMWUA Board of Directors, which is required to communicate various items to those charged with governance on the Association. There were no significant findings with respect to the audit, which means AMWUA's finances are in good standing.

AMWUA takes seriously its fiduciary responsibility to our member cities by fulfilling our mission requirements within the parameters of the approved budget. This independent audit report confirms that AMWUA completed Fiscal Year 2023 under budget and continues to be on a fiscally sound footing to meet the future needs of the Association.

RECOMMENDATION

AMWUA staff proposes that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the audit report as presented.

Suggested motion: I move that the AMWUA Management Board recommend to the AMWUA Board of Directors acceptance of the AMWUA Annual Financial Audit Report for Fiscal Year 2023.

ATTACHMENTS

- **Attachment A:** Board of Directors Governance Letter
- **Attachment B:** Annual Financial Audit Report

October 11, 2023

To the Board of Directors
Arizona Municipal Water Users Association

We have audited the financial statements of Arizona Municipal Water Users Association (AMWUA) for the years ended June 30, 2023 and 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arizona Municipal Water Users Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by AMWUA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, AMWUA implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. GASB Statement No. 96 increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. AMWUA's analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.

- The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

In addition, as part of the professional services we provided to AMWUA, we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to AMWUA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as AMWUA's auditors.

Other Matters

An emphasis of matter paragraph has been included in the auditor's opinion due to the comparative financial statements presented.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper "tone at the top", increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor's report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of Arizona Municipal Water Users Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?

- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**

- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations

- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**

- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check

- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**

- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**

- 11. Are anonymous surveys conducted to assess employee morale?**

May 23, 2023

Governing Board and Management
Arizona Municipal Water Users Association
3003 N. Central Ave. Suite 1550
Phoenix, AZ 85012-2901

We are pleased to confirm our understanding of the services we are to provide for Arizona Municipal Water Users Association (Association) for the year ended June 30, 2023. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the Association. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements, including the disclosures, which collectively comprise the basic financial statements of Arizona Municipal Water Users Association as of and for the year ended June 30, 2023.

We have also been engaged to report on supplementary information that accompanies the Association's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the Association's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the Association's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. GASB-required pension schedules

The objectives of our audit 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 issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the Association's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the Association and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Association’s compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Reporting

We will issue a written report upon completion of our audit of the financial statements. Our report will be addressed to the Board of Directors of the Association. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association’s internal control and compliance. The report will also state that the report is not suitable for any other purpose.

If during our audit we become aware that the Association is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws, regulations and the provisions of contracts and grant agreements. Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform our audit; (3) additional information we may request for the purpose of the audit; and (4) and unrestricted access to persons within the Association from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Association involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Association complies with applicable laws, regulations, contracts, agreements, and grants.

You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, it is management's responsibility to evaluate and monitor noncompliance with laws, regulations, and the terms and conditions of contracts; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America ; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America ; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in May 2023 and conclude audit procedures and date our report in November 2023.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the Association; however, management is responsible for distribution of the reports and the financial statements.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim (“dispute”) that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“limitation period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client's acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the Association as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$281; Manager - \$208; Senior - \$168; Staff - \$118.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect. *Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Warren Tenney, Executive Director

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Name: _____

This letter correctly sets forth the understanding of Arizona Municipal Water Users Association.

Printed Name: _____

Title: _____

Signature: _____

Date: _____

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

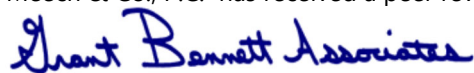
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.



Heinfeld, Meech & Co. P.C.
1365 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of Arizona Municipal Water Users Association (AMWUA), which comprise the respective financial positions as of June 30, 2023 and 2022, the respective changes in financial position and, where applicable, cash flows for the periods then ended, and the disclosures (collectively the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

I confirm, to the best of my knowledge and belief, as of the date of my signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

Arizona Municipal Water Users Association

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and responses.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which AMWUA is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within AMWUA from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects AMWUA and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting AMWUA's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of AMWUA's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. AMWUA has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. AMWUA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. AMWUA has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements include all fiduciary activities required by U.S. GAAP.
35. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.
36. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
37. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
38. Investments are properly valued.
39. If applicable, provisions for uncollectible receivables have been properly identified and recorded.

40. All payroll information and the individual employment data have been properly submitted to the state retirement system, and the employer contributions have been properly submitted to the retirement system.
41. Revenues and expenses have been appropriately classified in or allocated to functions and programs on the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
42. Internal and intra-entity activity and balances have been appropriately classified and reported.
43. Special and extraordinary items, if any, are appropriately classified and reported.
44. Deposits and investment securities are properly classified as to risk and are properly disclosed.
45. Capital assets and intangible assets are properly capitalized, reported, and, if applicable, depreciated or amortized.
46. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. We have evaluated and determined SBITAs are not material, both individually and in the aggregate, to the financial statements.
47. We have appropriately disclosed AMWUA's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
48. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
49. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
50. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

I understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the Board of Directors a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.


Warren Tenney

10/09/2023

Warren Tenney, Executive Director
Arizona Municipal Water Users Association

Date


SIGNATURE CERTIFICATE



REFERENCE NUMBER
2D3DDA1D-E0D7-4911-BCDA-A4AB2903DA29


<p>TRANSACTION DETAILS</p> <p>Reference Number 2D3DDA1D-E0D7-4911-BCDA-A4AB2903DA29</p> <p>Transaction Type Signature Request</p> <p>Sent At 10/09/2023 15:55 EDT</p> <p>Executed At 10/09/2023 16:35 EDT</p> <p>Identity Method email</p> <p>Distribution Method email</p> <p>Signed Checksum 3c1c5b23f9c84d2c96140c36879316877987b402be894189ed6e4ef26acad902</p> <p>Signer Sequencing Disabled</p> <p>Document Passcode Disabled</p>	<p>DOCUMENT DETAILS</p> <p>Document Name General Rep Ltr 23 Arizona Municipal Water Users</p> <p>Filename General_Rep_Non_SA_23_Arizona_Municipal_Water_Users.pdf</p> <p>Pages 6 pages</p> <p>Content Type application/pdf</p> <p>File Size 209 KB</p> <p>Original Checksum 9bd82fc770d7f72b902e1d2f87fd297fd02e40b61d65b221ffc0506f3d895eb</p>
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SIGNERS

SIGNER	E-SIGNATURE	EVENTS
<p>Name Warren Tenney</p> <p>Email wtenney@amwua.org</p> <p>Components 2</p>	<p>Status signed</p> <p>Multi-factor Digital Fingerprint Checksum 1ef435e6a87cd194396bee1b20c8c571826e142f7cd2b01e3f17c9848c1bd653</p> <p>IP Address 68.110.2.147</p> <p>Device Safari via Mac</p> <p>Typed Signature </p> <p>Signature Reference ID EB921545</p>	<p>Viewed At 10/09/2023 16:34 EDT</p> <p>Identity Authenticated At 10/09/2023 16:35 EDT</p> <p>Signed At 10/09/2023 16:35 EDT</p>

AUDITS

TIMESTAMP	AUDIT
10/09/2023 15:55 EDT	Kalkin Stransky (kalkin.stransky@hm.cpa) created document 'General_Rep_Non_SA_23_Arizona_Municipal_Water_Users.pdf' on Chrome via Windows from 199.117.84.122.
10/09/2023 15:55 EDT	Warren Tenney (wtenney@amwua.org) was emailed a link to sign.
10/09/2023 16:34 EDT	Warren Tenney (wtenney@amwua.org) viewed the document on Safari via Mac from 68.110.2.147.
10/09/2023 16:35 EDT	Warren Tenney (wtenney@amwua.org) authenticated via email on Safari via Mac from 68.110.2.147.
10/09/2023 16:35 EDT	Warren Tenney (wtenney@amwua.org) signed the document on Safari via Mac from 68.110.2.147.



Arizona Municipal Water Users Association
Phoenix, Arizona
Financial Statements
June 30, 2023 and 2022

Arizona Municipal Water Users Association
Phoenix, Arizona

Financial Statements
June 30, 2023 and June 30, 2022

Issued by:
Finance Department

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
JUNE 30, 2023 AND 2022**

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Independent Auditor's Report

Board of Directors
Arizona Municipal Water Users Association

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the Arizona Municipal Water Users Association (AMWUA), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise of AMWUA's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of Arizona Municipal Water Users Association as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Arizona Municipal Water Users Association, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, Arizona Municipal Water Users Association implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arizona Municipal Water Users Association's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arizona Municipal Water Users Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arizona Municipal Water Users Association's ability to continue as a going concern for a reasonable period of time.

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

Report on Comparative Information

We have previously audited the Arizona Municipal Water Users Association's financial statements for the fiscal year ended June 30, 2022. Our report dated October 11, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and net pension liability information, as listed in the table of contents, be presented to supplement the financial statements. Such information, is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of the Arizona Municipal Water Users Association'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 Arizona Municipal Water Users Association'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 Arizona Municipal Water Users Association's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 9, 2023

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

The following Management Discussion and Analysis (MD&A) of the Arizona Municipal Water Users Association's (AMWUA) activities and financial performance provides an introduction to AMWUA's financial statements for the fiscal years ended June 30, 2023 and 2022.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Total net position for AMWUA equaled \$230,127 at June 30, 2023, and \$238,361 at June 30, 2022 decreasing by \$8,234 for fiscal year 2023 and decreasing by \$14,274 for fiscal year 2022.

For fiscal year 2023 revenues assessed to the member cities totaled \$1,419,541 which represents a \$23,058 increase from fiscal year 2022, including a carryover credit of \$85,000. For fiscal year 2022 revenues assessed to the member cities totaled \$1,396,486 which represents a \$71,683 increase from fiscal year 2021, including a carryover credit of \$75,000. Each city is assessed the same amount for the first 50 percent of the water portion of the budget, and the second 50 percent is based on population.

FISCAL YEAR 2023 ASSESSMENTS BY CITY

<u>CITY</u>	<u>ASSESSMENT</u>	<u>PERCENTAGE</u>
Phoenix	\$432,429	30.46
Mesa	171,845	12.11
Scottsdale	122,419	8.62
Tempe	123,601	8.71
Glendale	118,626	8.36
Chandler	104,190	7.34
Gilbert	99,872	7.04
Peoria	91,850	6.47
Goodyear	78,150	5.51
Avondale	<u>76,559</u>	<u>5.38</u>
	\$1,419,541	100.00

Below is a listing of operating expenditures by major budget category comparing the approved budget to actual budget (cash) basis, and actual GAAP basis:

	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Actual GAAP</u>
Administration	\$792,469	\$749,439	\$749,439
Employee Benefits	168,400	147,808	147,808
Professional Services	192,520	189,411	194,371
Occupancy	214,952	156,106	156,106
Travel and Training	10,750	10,635	10,635
Capital Outlay	11,200	8,631	8,517
Office Operating Expenses	32,750	30,821	31,063
Water Conservation	<u>81,500</u>	<u>50,353</u>	<u>50,353</u>
	\$1,504,541	\$1,343,204	\$1,348,292

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

OVERVIEW OF OPERATING EXPENDITURES

Expenditures for Administration include salaries and pension-funding payments to the Arizona State Retirement System. The actual for Administration and Benefits was under budget by \$63,381. Employee Benefits, includes payroll taxes, payroll processing, medical, dental, and disability insurance, and cell phone allowance. The savings was due to timing of staff compensation and health benefit plan participation changes.

Professional Services include audit fees and contracts for the following services: Website Maintenance and Redevelopment, Communication, Legal, Legislative, and Financial. The actual for Professional Services was under budget by \$3,109.

Occupancy costs include building lease, building operating expenses; and telephone and internet charges. The actual was under budget by \$58,846. The savings was primarily due to a credit given AMWUA during the leasehold improvement phase of construction as well as a 3 month rent abatement.

Travel and Training was under budget \$115.

Capital Outlay includes the copier lease and money spent on computer software and hardware upgrades. The expenditures for this line item was under budget by \$2,569.

Office operating expenses includes all expenses related to office operations. This includes supplies, meetings (lunch and snacks provided to attendees of the Management and Board meetings), printing costs, postage and deliveries, subscription and reference, dues and memberships, office liability insurance, and equipment maintenance costs. The actual was under budget by \$1,929.

Water Conservation and the Water Loss Control and Training Program had total expenditures of \$31,147 under budget. This is primarily due to a retainer for plants book design and production being placed on the balance sheet and expensed in the subsequent fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

AMWUA's basic financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and the notes to the financial statements. AMWUA's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

SUMMARY OF NET POSITION

	<u>Years ended June 30</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$1,270,725	\$1,156,298	\$1,126,227
Net capital assets	1,151,280	1,302,086	1,448,888
Deferred outflows	<u>149,510</u>	<u>237,768</u>	<u>175,261</u>
Total assets and deferred outflows of resources	\$2,571,515	\$2,696,152	\$2,750,376
Current Liabilities	\$121,290	\$70,152	\$83,400
Net Pension Liability	900,987	777,862	942,563
Lease Liability	1,254,952	1,342,128	1,409,508
Deferred Inflow	64,159	267,649	62,270
Net investment in capital assets	0	0	39,379
Restricted net position	73,686	83,686	46,843
Unrestricted	<u>156,441</u>	<u>154,675</u>	<u>166,413</u>
Total liabilities, deferred inflows of resources and net position	<u>\$2,571,515</u>	<u>\$2,696,152</u>	<u>\$2,750,376</u>

- ◆ Current assets increased by \$114,427 in 2023 and by \$30,071 in 2022. Current assets consist primarily of cash, investments in the Arizona State Local Government Investment Pool, and in some years, a small amount of receivables and prepaids. Since the cash assessments generally match the anticipated expenses for each fiscal year, the cash and investments balances will fluctuate based upon the level of actual expenditures compared to the approved budget.
- ◆ Net Capital assets decreased by \$150,806 during fiscal year 2023 and decreased by \$146,802 during fiscal year 2022. Capital assets consist of office furniture, equipment, and certain leasehold improvements. In 2021 AMWUA capitalized \$1,409,508 for the Right-of-use Asset in accordance with GASB 87. In 2022, AMWUA capitalized \$6,674 for the purchase of a microphone system upgrade for the board room. AMWUA's threshold for capitalization is \$1,000 with a useful life of greater than one year.
- ◆ Current Liabilities increased by \$51,138 in 2023 and decreased by \$13,248 in 2022. At fiscal year end, all current liabilities consist of unpaid operating expenses, unearned revenues.
- ◆ Net Pension Liability represents AMWUA's proportionate share of the net pension liability of the Arizona State Retirement System. This reporting requirement was implemented in Fiscal Year 2015 to satisfy the requirements of GASB 68.
- ◆ Total Net Position decreased by \$8,234 to \$230,127 in Fiscal Year 2023 and decreased by \$14,274 to \$238,361 in Fiscal Year 2022

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

CONTINGENCY AND RESERVE FUNDS STATUS

In March 2013, the Board of Directors approved the Contingency Fund and Reserve Fund Policy directing and restricting the use of AMWUA's excess cash.

The Contingency Fund was established in the amount of \$600,000 that may only be used as authorized by the Board of Directors for unanticipated emergency or extraordinary expenses. Pursuant to the policy these funds are held in the Local Government Investment Pool with the Arizona State Treasurer.

The Reserve Fund was established with a balance equal to the difference between AMWUA's excess cash and the Contingency Fund. If the balance of the Reserve Fund falls below \$50,000, the Board of Directors shall determine how to restore the balance to at least \$50,000. Monies in the Reserve Fund may only be used as authorized by the Board of Directors. In accordance with the policy this fund may not be used for on-going operational expenses, but may be used for capital expenditures (such as office equipment and furniture), to offset the cost of relocating the office, or for professional services that fall outside of the normal operations of AMWUA. At June 30, 2023, the balance of the Reserve Fund is \$388,840. Pursuant to the policy these funds are held in the Local Government Investment Pool with the Arizona State Treasurer.

Summary of Changes in Net Position

	<u>Years ended June 30</u>		
	<u>2023</u>	<u>2022</u>	<u>2021 (as restated)</u>
Operating revenues			
Annual assessments	\$1,419,541	\$1,396,484	\$1,333,303
Other	4	45,250	198,589
Total operating revenues	<u>1,419,545</u>	<u>1,441,734</u>	<u>1,531,892</u>
Operating expenses	<u>1,358,148</u>	<u>1,385,298</u>	<u>1,457,927</u>
Nonoperating revenues/(expenses)			
Interest on investments	34,593	2,464	1,468
Interest Paid	<u>(104,225)</u>	<u>(73,174)</u>	<u> </u>
Total nonoperating revenues	<u>(69,632)</u>	<u>(70,710)</u>	<u>1,468</u>

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

CONTINGENCY AND RESERVE FUNDS STATUS

Increase(decrease) in net position	(8,234)	(14,274)	75,433
Net position, July 1	<u>238,361</u>	<u>252,635</u>	<u>177,202</u>
Net position, June 30	<u>\$230,127</u>	<u>\$238,361</u>	<u>\$252,635</u>

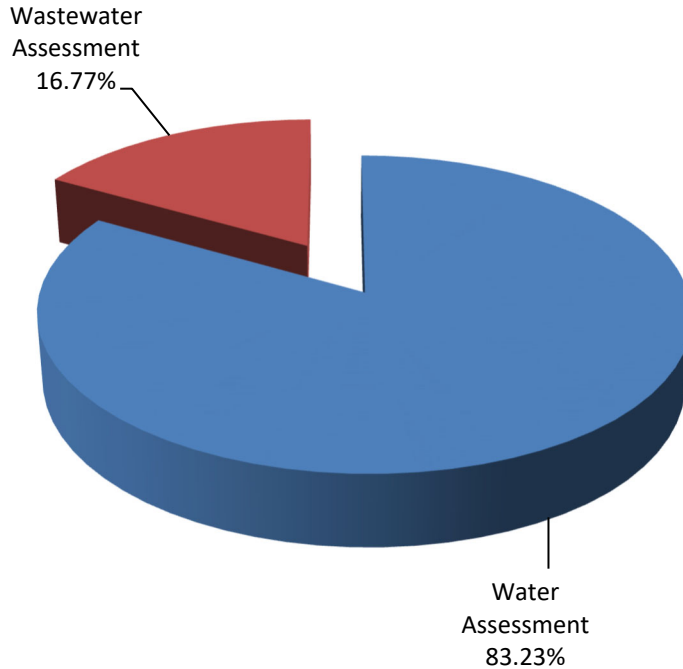
- ◆ Actual annual assessments billed to the cities increased by \$23,057 in 2023 and increased by \$63,181 in 2022. Annual assessments include a decrease for a carryover credit given to the members. The carryover credit for June 30, 2023 was \$85,000 and June 30, 2022 was \$75,000.
- ◆ Other revenues decreased \$45,246 in 2023. Other revenues include a contribution in the LGIP investment account.
- ◆ Total operating expenses decreased by \$27,150 in 2023 and decreased by \$72,629 in 2022.
- ◆ Nonoperating revenues increased by \$1,078 in 2023 and decreased by \$69,242 in 2022. Non-operating revenues consist of interest on investments and interest on the operating lease.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

OPERATING REVENUES

AMWUA's revenue is primarily (97.62%) generated by water and wastewater assessments from member cities. For fiscal year 2023, of the \$1,419,541 in revenue recognized from annual assessments, \$1,181,444 represents water assessments, \$238,097 representing wastewater assessments with the remaining credit of \$85,001 applied to overall assessments due. The following chart shows the sources and the percentage of all revenue by category for the fiscal year ended June 30, 2023.

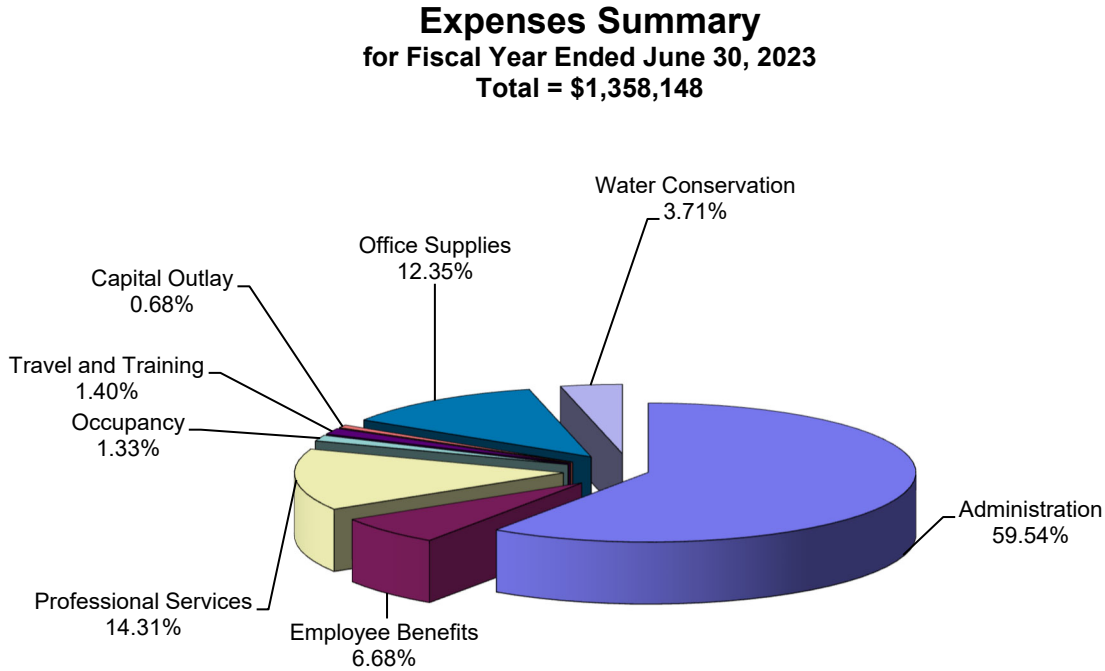
**Revenues Summary
for Fiscal Year Ended June 30, 2023
Total = \$1,419,541**



**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

OPERATING EXPENSES

The following chart shows AMWUA's operating expenses by category for the year ended June 30, 2023.



AMWUA'S CAPITAL ASSETS

	Years ended June 30		
	<u>2023</u>	<u>2022</u>	<u>2021 (as restated)</u>
Property and Equipment	\$1,543,208	\$1,543,208	\$1,537,270
Leasehold Improvements	7,102	7,102	7,102
Less accumulated depreciation and amortization	<u>(399,030)</u>	<u>(248,224)</u>	<u>(95,485)</u>
Net property and equipment	<u>\$ 1,151,280</u>	<u>\$ 1,302,086</u>	<u>\$ 1,448,888</u>

AMWUA owns no real property. Property and equipment consist of office equipment for office operations and administration such as office furniture, computers, telephone equipment, etc. The Right-of-use Asset is 91.33%

of property and equipment and the primary cause of increase for the 2021 year. Net property and equipment decreased \$150,806 during fiscal year 2023 and decreased by \$146,802 during fiscal year 2022.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023 AND 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Starting in Fiscal Year 2017 all AMWUA members are voting members and each member pays 50% of the AMWUA water portion of the budget equally and the remaining 50% by member population. During fiscal year 2016 voting membership water assessments were based on Maricopa Association of Governments' most recent population estimates, with a 49% ceiling and \$40,000 minimum. Non-voting membership assessment was set at \$25,000 for a population under 50,000 and \$35,000 for a population equal to or greater than 50,000. Wastewater assessments are based on flow ownership in the 91st Avenue WWTP at 204.50 mgd.

In June 2023, the AMWUA Board of Directors approved the Fiscal Year 2024 Budget. The fiscal year 2024 Budget increased by 8.33% over the fiscal year 2023 budget. The actual assessments to the members are being reduced proportionately by \$88,000, due to savings recognized during FY23. Comparing the FY24 budget to FY 23 budget after the carryovers, there is a 2.49% increase.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of AMWUA's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Executive Director of AMWUA.

FINANCIAL STATEMENTS

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 205,380	\$ 298,024
Investments	988,840	854,426
Prepaid expenses and other assets	76,505	3,848
Total current assets	1,270,725	1,156,298
CAPITAL ASSETS, NET	1,151,280	1,302,086
TOTAL ASSETS	2,422,005	2,458,384
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan items	149,510	237,768
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,571,515	\$ 2,696,152

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 59,730	\$ 4,773
Accrued expenses	-	-
Compensated absences payable	61,560	65,379
Lease liability	98,593	87,176
Total current liabilities	219,883	157,328
NONCURRENT LIABILITIES		
Net pension liability	900,987	777,862
Lease liability	1,156,359	1,254,952
Total noncurrent liabilities	2,057,346	2,032,814
TOTAL LIABILITIES	2,277,229	2,190,142
DEFERRED INFLOWS OF RESOURCES		
Pension plan items	64,159	267,649
NET POSITION		
Net investment in capital assets	-	-
Restricted net position	73,686	83,686
Unrestricted	156,441	154,675
Total net position	230,127	238,361
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,571,515	\$ 2,696,152

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Annual assessments	\$ 1,419,541	\$ 1,396,484
Other	4	45,250
	1,419,545	1,441,734
OPERATING EXPENSES		
Salaries	808,662	770,906
Benefits	90,718	93,997
Occupancy costs	18,077	24,257
Legal and accounting	136,651	129,117
Temporary services	52,920	50,400
Water conservation	50,353	117,176
Printing and duplicating	4,485	4,856
Consulting services	4,800	4,800
Depreciation and amortization	150,806	152,739
Travel and meetings	7,254	5,291
Office supplies	8,496	9,527
Subscription and reference materials	6,049	3,669
Postage and shipping	694	842
General business insurance	4,942	4,851
Dues	1,539	3,510
Conferences	11,702	9,360
	1,358,147	1,385,298
Operating income	61,398	56,436
NON-OPERATING REVENUES AND EXPENSES		
Interest on investments	34,593	2,464
Interest Paid	(104,225)	(73,174)
	(69,632)	(70,710)
CHANGE IN NET POSITION	(8,234)	(14,274)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	238,361	252,635
NET POSITION, END OF YEAR	\$ 230,127	\$ 238,361

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED BY/(USED FOR) OPERATING ACTIVITIES		
Cash received from members and customers	\$ 1,422,811	\$ 1,464,137
Cash paid to employees	(895,305)	(888,221)
Cash paid to suppliers and vendors	(328,928)	(374,862)
	<u>198,578</u>	<u>201,054</u>
CASH FLOWS PROVIDED BY/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on debt	(87,176)	(67,380)
Interest paid on debt	(104,225)	(73,174)
Transfers from Investment Account	100,000	-
Transfers to Investment Account	(200,000)	-
Purchases of capital assets	-	(5,938)
	<u>(291,401)</u>	<u>(146,492)</u>
CASH FLOWS FROM/(USED FOR) INVESTING ACTIVITIES		
Interest on investments	179	218
	<u>179</u>	<u>218</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(92,644)	54,780
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>298,024</u>	<u>243,244</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 205,380</u>	<u>\$ 298,024</u>
Reconciliation of operating income to net cash provided by/(used for) operating activities:		
Operating income	\$ 61,398	\$ 56,436
Adjustments:		
Depreciation and amortization	150,806	152,739
(Increase) decrease in assets		
Prepaid expenses and other current assets	(72,657)	26,956
Increase (decrease) in liabilities		
Accounts payable	54,957	1,247
Accrued expenses	(3,819)	(14,495)
Pension plan items	7,893	(21,829)
Unearned revenue	-	-
	<u>198,578</u>	<u>201,054</u>
Net cash provided by/(used for) operating activities	<u>\$ 198,578</u>	<u>\$ 201,054</u>

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arizona Municipal Water Users Association (AMWUA) was incorporated on March 10, 1969. The Association is a not-for-profit corporation formed for the purpose of providing a forum for the discussion of planning for the solution of regional water problems, to ensure maximum efficiency and economy in maintaining and securing water and water rights, and in producing, treating, conserving, and distributing water for urban uses through the pooling of common resources and intergovernmental cooperation.

During the year ended June 30, 2023, AMWUA implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. This Statement also required a government to disclose essential information about the arrangement. AMWUA's analysis of SBITAs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

The more significant of AMWUA's accounting policies are described below.

A. Basis of Presentation

The financial statements 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. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

AMWUA is a special purpose governmental entity, engaged only in business-type activities. It is required to present the financial statements required for enterprise funds, which include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It also requires a Management's Discussion and Analysis as required supplementary information.

B. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, AMWUA evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from those estimates.

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Investments

AMWUA places all of its investments within the Arizona Local Government Investment Pool. All such investments are stated at fair value based upon quoted market prices. Investment income is included in nonoperating revenues in the financial statements.

D. Capital Assets

Capital assets are initially recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives, generally three to five years for furniture and equipment. The capitalization threshold is \$1,000 with a useful life greater than one year. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the associated lease. Intangible right-to-use assets are amortized over the lease term or the underlying asset's useful life. The useful life of the intangible right-to-use asset is 10 years.

E. Operating Revenues

Operating revenues primarily reflect members' assessments for water and wastewater activities. All operating revenues are recognized when earned. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Tax-Exempt Status

AMWUA has received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code. AMWUA is also exempt from State of Arizona taxation.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, AMWUA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

H. Deferred Outflows/Inflows of Resources

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

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

I. Compensated Absences

AMWUA's personnel regulations generally provide for granting paid time off in varying amounts. Benefits are accrued when earned by employees.

J. Contingency and Reserve Funds Status

In March 2013, the Board of Directors approved the Contingency Fund and Reserve Fund Policy directing and restricting the use of AMWUA's excess cash.

The Contingency Fund was established in the amount of \$600,000 that may only be used as authorized by the Board of Directors for unanticipated emergency or extraordinary expenses. Pursuant to the policy these funds are held in the Local Government Investment Pool with the Arizona State Treasurer.

The Reserve Fund was established with a balance equal to the difference between AMWUA's excess cash and the Contingency Fund. Monies in the Reserve Fund may only be used as authorized by the Board of Directors. In accordance with the policy this fund may not be used for on-going operational expenses, but may be used for capital expenditures (such as office equipment and furniture), to offset the cost of relocating the office, or for professional services that fall outside of the normal operations of AMWUA. At June 30, 2023, the balance of the Reserve Fund is \$388,840. Pursuant to the policy these funds are held in the Local Government Investment Pool with the Arizona State Treasurer.

In June 2020, the Board of Directors approved the Office Lease Stabilization Fund policy to smooth the effect of rent increases in future years. AMWUA received six (6) months of free rent overlapping Fiscal Year 2021 and Fiscal Year 2022. Rather than reduce budget and assessments, AMWUA kept these consistent and designated \$90,000 (\$45,000 in each fiscal year) to be held in the Office Lease Stabilization Fund. Beginning in fiscal Year 2022 \$10,000 will be utilized to reduce the office space line item in future budgets. At June 30, 2023, the balance of the Office Lease Stabilization fund is \$73,686. Pursuant to the policy these funds are held in the local Government Investment pool with the Arizona State Treasurer.

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Leases

AMWUA recognizes lease liabilities with an initial, individual value of \$30,000 or more. AMWUA uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position Flow Assumption

In the financial statements, AMWUA applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

NOTE 2 – CASH AND INVESTMENTS

AMWUA places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. At June 30, 2023, the bank balance was \$205,380. AMWUA also had petty cash of \$500 at June 30, 2023 and 2022.

AMWUA places all of its investments within the Arizona Local Government Investment Pool (LGIP). The Arizona State Treasurer's Office operates this pool to provide professional short-term investment services to a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. Therefore, AMWUA has no individual investments in excess of five percent of the total investments as of June 30, 2023 and 2022.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company 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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – CASH AND INVESTMENTS

The LGIP is primarily invested in commercial paper and government agency notes, with lesser investments in repurchase agreements and corporate notes. AMWUA’s funds are invested in Pool 5 with the LGIP which is rated AA Af/S1+ by Standard and Poor’s and had a weighted average maturity of 48 days and 51 days at June 30, 2023 and 2022, respectively. The maximum weighted average maturity permitted for the LGIP is 90 days.

The following is a summary of AMWUA’s cash and investments:

	2023	2022
Cash and cash equivalents	\$ 205,380	\$ 298,024
Investments in LGIP	988,840	854,426
Total cash and investments	\$ 1,194,220	\$ 1,152,450

NOTE 3 – CAPITAL ASSETS

Capital assets at June 30, 2023, consist of the following:

	Beginning Balance July 1, 2022	Increase	Decrease	Ending Balance June 30, 2023
<u>Capital Assets</u>				
Capital assets:				
Furniture and equipment	\$ 133,701	\$	\$	\$ 133,701
Leasehold improvements	7,102			7,102
Right-of-use Asset:				
Leased buildings and improvements	1,409,508			1,409,508
Total depreciable assets	1,550,311			1,550,311
Less accumulated depreciation:				
Furniture and equipment	(100,172)	(9,855)		(110,027)
Leasehold improvements	(7,102)			(7,102)
Leased buildings and improvements	(140,951)	(140,951)		(281,902)
Total accumulated depreciation and Amortization	(248,225)	(150,806)		(399,031)
Capital assets, net of accumulated depreciation and amortization	\$ 1,302,086	\$(150,806)	\$	\$ 1,151,280

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – CAPITAL ASSETS

Capital assets at June 30, 2022, consist of the following:

<u>Capital Assets</u>	Beginning Balance (as restated) July 1, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets:				
Furniture and equipment	\$ 127,762	\$ 5,938	\$	\$ 133,701
Leasehold improvements	7,102			7,102
Right-of-use Asset:				
Leased buildings and improvements	1,409,508			1,409,508
Total depreciable assets	1,544,372	5,938		1,550,311
Less accumulated depreciation:				
Furniture and equipment	(88,381)	(11,789)		(100,172)
Leasehold improvements	(7,102)			(7,102)
Leased buildings and improvements		(140,951)		(140,951)
Total accumulated depreciation and amortization	(95,483)	(152,740)		(248,225)
Capital assets, net of accumulated depreciation and amortization	\$ 1,448,888	\$ (146,802)	\$	\$ 1,302,086

NOTE 4 –LEASES

AMWUA entered into a facility lease which expires September 2031. The lease provides incentives in the form of abatement of monthly rent during the work construction period and thereafter from April 1, 2021 through September 30, 2021. The related obligation under the lease agreement has been recorded at the present value of its future minimum lease payments using a discount rate of 8 percent. Amortization of right-to-use assets recorded under leases is included with depreciation and amortization expense.

The net present value and future minimum lease payments at year end were as follows:

	Principal	Interest
Year ending June 30:		
2024	\$ 98,593	\$ 96,838
2025	110,957	88,503
2026	124,347	79,142
2027	138,849	68,670
2028	154,556	56,994
2029-31	627,651	88,089
Total	\$ 1,254,952	\$ 478,237

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2023, consist of the following:

	Beginning Balance (As restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Lease payable	\$ 1,342,128	\$ -	\$ 87,176	\$ 1,254,952	\$ 98,593
Net pension liability	777,862	123,125	-	900,987	-
Compensated absences payable	65,379	9,524	13,343	61,560	61,560
Governmental activity long-term liabilities	\$ 2,185,369	\$ 132,649	\$ 100,519	\$ 2,217,499	\$ 160,153

Long-term liabilities at June 30, 2022, consist of the following:

	Beginning Balance (As restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Lease payable	\$ 1,409,508	\$ -	\$ 67,380	\$ 1,342,128	\$ 87,176
Net pension liability	942,563	-	164,701	777,862	-
Compensated absences payable	66,868	65,312	66,801	65,379	65,379
Governmental activity long-term liabilities	\$ 2,418,939	\$ 65,312	\$ 298,882	\$ 2,185,369	\$ 152,555

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – ANNUAL ASSESSMENTS

AMWUA assesses membership dues based upon operating costs for the year. During fiscal year 2023, the members paid 50 percent of the AMWUA water portion of the budget equally and the remaining 50 percent was allocated based on member population. The wastewater portion of the budget is paid only by the five members who own an interest in the 91st Avenue Wastewater Treatment Plant. Wastewater assessments are based on percentage of ownership in the 204.50 million gallons per day plant. The following summarizes the dues assessed for fiscal years 2023 and 2022. The 2023 assessments are net of a \$85,000 credit given to members.

	2023	2022
Voting members:		
City of Chandler*	\$ 104,190	\$ 101,948
City of Glendale	118,626	112,787
City of Mesa	171,845	168,853
City of Peoria*	91,850	89,118
City of Phoenix	432,429	428,367
City of Scottsdale	122,419	121,616
City of Tempe	123,601	122,853
Town of Gilbert*	99,872	100,695
City of Goodyear*	78,150	75,692
City of Avondale*	76,559	74,555
Total annual assessments	\$ 1,419,541	\$ 1,396,483

*Member does not have an ownership interest in the 91st Avenue Wastewater Treatment Plant.

NOTE 7 – DEFERRED COMPENSATION PLANS

In October 2004, the Association became eligible to join the Arizona State Retirement System (ASRS). The ASRS is a cost-sharing, multiple-employer, defined benefit pension plan established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. Additionally, the ASRS provides a health insurance premium benefit (OPEB) plan and sponsors medical and dental coverage for retired members. AMWUA made monthly retirement contributions into the ASRS at the rate of 12.17 percent and 12.22 percent of the participants' annual salaries in 2023 and 2022, respectively. AMWUA still maintains the Plan 457, in that each employee who wishes to participate has an individual account to which the employee may make voluntary contributions.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 – RISK MANAGEMENT

AMWUA 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. AMWUA carries commercial insurance for risks of loss, including property, and liability and workers' compensation and director and officers. There were no claims in any of the past three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

AMWUA's governing board is comprised of individuals from each member city. The member cities contributed nearly all revenues in the form of annual assessments during fiscal years 2023 and 2022. Annual assessments are based upon the Board adopted budget. For additional information on annual assessments see Note 6.

NOTE 10 – PENSIONS

Plan Description. AMWUA employees 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. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

The ASRS OPEB plans are not further disclosed because of their relative insignificance to AMWUA's financial statements.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 – PENSIONS

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

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

*With actuarially reduced benefits

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

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

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 – PENSIONS

AMWUA’s contributions related to the ASRS were \$86,196 and \$58,499 for the years ended June 30, 2023 and 2022, respectively. AMWUA funded 100 percent of its annual required contribution to the ASRS for the years ended June 30, 2023 and 2022.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. AMWUA was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 for retirement, 0.00 percent for health insurance premium benefit, and .06 percent for long-term disability). ACR contributions are included in employer contributions presented above.

Pension Liability. The net pension liability was measured as of June 30, 2022. The total pension liability of \$900,987 used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. AMWUA’s proportion of the net pension liability was based on AMWUA’s actual contributions to the plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2022.

At June 30, 2023, AMWUA reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2022, AMWUA’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2021 was:

Net Liability	AMWUA % Proportion	Increase (Decrease)
\$ 900,987	0.006	-

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 – PENSIONS

Pension Expense and Deferred Outflows/Inflows of Resources. AMWUA has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. For the year ended June 30, 2023, AMWUA recognized pension expense of \$81,933 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,677	\$
Changes of assumptions or other inputs	44,718	
Net difference between projected and actual earnings on pension plan investments		23,733
Changes in proportion and differences between contributions and proportionate share of contributions	23,075	40,426
Contributions subsequent to the measurement date	74,040	
Total	<u>\$ 149,510</u>	<u>\$ 64,159</u>

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment 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 will be recognized in pension expense as follows:

Year Ending June 30:	
2024	\$ 44,475
2025	(29,944)
2026	(41,206)
2027	37,986

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 – PENSIONS

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

	<u>Pension</u>
Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 – 8.4%
Inflation	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

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 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 excluding any 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	3.90%
Credit	20%	5.30%
Interest rate sensitive bonds	10%	(0.20)%
Real estate	20%	6.00%
Total	<u>100%</u>	

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 – PENSIONS

Discount Rate. The discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate share of the net pension liability	\$1,329,379	\$ 900,987	\$ 543,774

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

REQUIRED SUPPLEMENTARY INFORMATION

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
AMWUA's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%	0.01%
AMWUA's proportionate share of the net pension liability (asset)	\$ 900,987	\$ 777,862	\$ 942,563	\$ 857,064	\$ 874,444
AMWUA's covered payroll	\$ 632,390	\$ 656,240	\$ 600,259	\$ 621,646	\$ 630,523
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142.47%	118.53%	157.03%	137.87%	138.69%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	
AMWUA's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%	
AMWUA's proportionate share of the net pension liability (asset)	\$ 937,799	\$ 873,228	\$ 924,728	\$ 1,198,514	
AMWUA's covered payroll	\$ 586,438	\$ 506,728	\$ 576,162	\$ 735,857	
AMWUA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	159.91%	172.33%	160.50%	162.87%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
SCHEDULE OF CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST NINE FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 74,040	\$ 75,950	\$ 75,823	\$ 67,109	\$ 69,500
Contributions in relation to the actuarially determined contribution	<u>74,040</u>	<u>75,950</u>	<u>75,823</u>	<u>67,109</u>	<u>69,500</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
AMWUA's covered payroll	\$ 632,390	\$ 632,390	\$ 656,240	\$ 586,096	\$ 621,646
Contributions as a percentage of covered-employee payroll	11.71%	12.01%	11.55%	11.45%	11.18%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Actuarially determined contribution	\$ 68,727	\$ 63,218	\$ 54,980	\$ 62,744	
Contributions in relation to the actuarially determined contribution	<u>68,727</u>	<u>63,218</u>	<u>54,980</u>	<u>62,744</u>	
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
AMWUA's covered payroll	\$ 630,523	\$ 586,438	\$ 506,728	\$ 576,161	
Contributions as a percentage of covered-employee payroll	10.90%	10.78%	10.85%	10.89%	

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2023 AND 2022**

NOTE 10 – PENSIONS

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed on the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2021, valuation were based upon the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based upon the results of an actuarial experience, 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.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Arizona Municipal Water Users Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arizona Municipal Water Users Association, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Arizona Municipal Water Users Association’s basic financial statements, and have issued our report thereon dated October 9, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 9, 2023

MANAGEMENT BOARD
INFORMATION SUMMARY
November 8, 2023

**Nominating Committee for AMWUA Management Board Chair
and Vice-Chair for 2024**

STRATEGIC PLAN REFERENCE

Operational Principles – Facilitate our Strength in Numbers

SUMMARY

The AMWUA Management Board is to elect a Chair and Vice-Chair to serve from January 1, 2024 through December 31, 2024. To accomplish this, the current Management Board Chair is to appoint a three-member nominating committee to recommend a candidate for Chair and a candidate for Vice-Chair at the November 8th meeting.

Per the AMWUA Bylaws, the qualifications for serving as an officer are 1) serve as a member of the current Management Board for at least the immediately preceding twelve months (January 2022 – December 2022); 2) have not missed more than three Management Board meetings in the preceding twelve months; 3) be able to serve at least one year as Chair or Vice-Chair; and 4) the Chair and Vice-Chair may serve a maximum of two consecutive years in the same position.

Based on those requirements, the Management Board members who qualify as Chair or Vice-Chair are Kirk Beaty, Brian Biesemeyer, Tara Ford, Chris Hassert, John Knudson, and Ron Serio.

RECOMMENDATION

The AMWUA Management Board Chair is requested to appoint a three-member nominating committee to recommend a candidate for Chair and a candidate for Vice-Chair for 2024.