

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2021**

TABLE OF CONTENTS

Financial Section

Independent Auditors' Report	1
Government-wide Statements:	
Statement of Net Position	6
Statement of Activities.....	7
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Position	9
Statement of Revenue, Expenditures, and Changes in Fund Balances.....	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	11
Proprietary Funds:	
Statement of Net Position	12
Statement of Revenue, Expenses, and Changes in Fund Net Position	13
Statement of Cash Flows	14
Fiduciary Funds:	
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18
Other Required Supplementary Information	
Budgetary Comparison Schedules	46
Notes to Budgetary Comparison Schedules.....	50

Schedule of the Town’s Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans	51
Schedule of Changes in the Town’s Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans.....	52
Schedule of Town Pension/OPEB Contributions	54
Notes to Pension/OPEB plan schedules.....	56

Other Communications from Independent Auditors

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
---	----



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Springerville, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

The Town of Springerville, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and Schedule of Town Pension/OPEB Contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the Town of Springerville, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town of Springerville, Arizona'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 Town of Springerville, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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

A handwritten signature in cursive script that reads "Colby J. Powell".

December 20, 2021



FINANCIAL SECTION

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,331,409	\$ 1,391,896	\$ 7,723,305
Cash and cash equivalents-restricted	-	142,719	142,719
Accounts receivable - net	-	95,635	95,635
Due from other governments	520,119	-	520,119
Other receivables	52,661	-	52,661
Inventory	24,324	-	24,324
Net other postemployment benefits asset	97,292	1,424	98,716
Capital assets, not being depreciated	3,641,451	255,203	3,896,654
Capital assets, being depreciated, net	11,322,990	3,104,813	14,427,803
Total assets	<u>21,990,246</u>	<u>4,991,690</u>	<u>26,981,936</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	<u>446,263</u>	<u>67,755</u>	<u>514,018</u>
LIABILITIES			
Accounts payable	43,574	14,613	58,187
Accrued expenses	61,602	11,097	72,699
Deferred revenue	-	6,022	6,022
Refundable deposits	699	24,885	25,584
Compensated absences	90,268	24,598	114,866
Noncurrent liabilities			
Due within one year	46,683	91,365	138,048
Due in more than one year	3,262,460	1,339,824	4,602,284
Total liabilities	<u>3,505,286</u>	<u>1,512,404</u>	<u>5,017,690</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	<u>215,420</u>	<u>9,621</u>	<u>225,041</u>
NET POSITION			
Net investment in capital assets	14,417,669	2,132,419	16,550,088
Restricted for:			
Debt service	-	84,167	84,167
Replacements	-	33,667	33,667
Public works and streets	1,167,773	-	1,167,773
Senior welfare	380,551	-	380,551
Tourism promotion	54,347	-	54,347
Unrestricted (deficit)	2,695,463	1,287,167	3,982,630
Total net position	<u>\$ 18,715,803</u>	<u>\$ 3,537,420</u>	<u>\$ 22,253,223</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 808,577	\$ 20,480	\$ 2,420	\$ -	\$ (785,677)	\$ -	\$ (785,677)
Public safety	1,428,577	157,290	272,013	11,191	(988,083)	-	(988,083)
Public works and streets	1,424,853	253,840	490,519	41,208	(639,286)	-	(639,286)
Culture and recreation	202,177	18,243	3,059	206,743	25,868	-	25,868
Community and economic development	131,668	-	9,523	-	(122,145)	-	(122,145)
Health and welfare	241,356	-	207,091	-	(34,265)	-	(34,265)
Interest	20,943	-	-	-	(20,943)	-	(20,943)
Total governmental activities	4,258,151	449,853	984,625	259,142	(2,564,531)	-	(2,564,531)
Business-type activities							
Water	557,216	476,507	-	-	-	(80,709)	(80,709)
Sewer	379,818	454,235	-	-	-	74,417	74,417
Total business-type activities	937,034	930,742	-	-	-	(6,292)	(6,292)
Total primary government	\$ 5,195,185	\$ 1,380,595	\$ 984,625	\$ 259,142	(2,564,531)	(6,292)	(2,570,823)
General revenues:							
Taxes:							
Local sales taxes					2,074,402	-	2,074,402
Share of state sales taxes					234,656	-	234,656
Share of state auto lieu taxes					173,016	-	173,016
State urban revenue sharing					282,684	-	282,684
Unrestricted investment earnings					3,549	-	3,549
Gain on disposal of capital assets					161,648	-	161,648
Miscellaneous					30,027	-	30,027
Total general revenues					2,959,982	-	2,959,982
Change in net position					395,451	(6,292)	389,159
Net position, beginning of year					18,320,352	3,543,712	21,864,064
Net position, end of year					\$ 18,715,803	\$ 3,537,420	\$ 22,253,223

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	HURF Fund	Airport Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,248,767	\$ 1,139,401	\$ 488,355	\$ -	\$ 454,886	\$ 6,331,409
Due from other governments	343,687	41,794	43,231	72,245	19,162	520,119
Other receivables	39,159	-	13,502	-	-	52,661
Inventory	-	-	24,324	-	-	24,324
Due from other funds	57,820	-	-	-	-	57,820
Total assets	<u>4,689,433</u>	<u>1,181,195</u>	<u>569,412</u>	<u>72,245</u>	<u>474,048</u>	<u>6,986,333</u>
LIABILITIES						
Accounts payable	24,660	9,909	4,941	3,165	899	43,574
Accrued expenses	52,146	3,513	2,193	-	3,750	61,602
Unearned revenue	-	-	2,023	266	5,346	7,635
Deposits held for others	650	-	49	-	-	699
Due to other funds	-	-	-	57,820	-	57,820
Total liabilities	<u>77,456</u>	<u>13,422</u>	<u>9,206</u>	<u>61,251</u>	<u>9,995</u>	<u>171,330</u>
FUND BALANCES						
Nonspendable	57,820	-	24,324	-	-	82,144
Restricted for:						
Public Safety	-	-	-	-	14,393	14,393
Public works and streets	-	1,167,773	-	-	-	1,167,773
Tourism promotion	-	-	-	-	54,347	54,347
Senior welfare	-	-	-	-	380,551	380,551
Assigned	-	-	713,956	-	14,762	728,718
Unassigned	4,554,157	-	(178,074)	10,994	-	4,387,077
Total fund balances	<u>4,611,977</u>	<u>1,167,773</u>	<u>560,206</u>	<u>10,994</u>	<u>464,053</u>	<u>6,815,003</u>
Total liabilities and fund balances	<u>\$ 4,689,433</u>	<u>\$ 1,181,195</u>	<u>\$ 569,412</u>	<u>\$ 72,245</u>	<u>\$ 474,048</u>	<u>\$ 6,986,333</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2021

Fund balances-total governmental funds	\$ 6,815,003
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,964,441
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	7,635
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	97,292
Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(3,399,411)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>230,843</u>
Net position of governmental activities	<u><u>\$ 18,715,803</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	HURF Fund	Airport Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,059,693	\$ -	\$ -	\$ -	\$ 14,709	\$ 2,074,402
Intergovernmental	706,381	475,908	50,208	571,932	151,953	1,956,382
Charges for services	120,845	-	252,033	-	14,393	387,271
Other revenue	34,665	-	1,807	-	40,904	77,376
Investment income	3,549	-	-	-	-	3,549
Fines and forfeitures	34,849	-	-	6,400	-	41,249
Licenses and permits	20,345	-	-	-	-	20,345
Total revenues	<u>2,980,327</u>	<u>475,908</u>	<u>304,048</u>	<u>578,332</u>	<u>221,959</u>	<u>4,560,574</u>
Expenditures						
Current						
General government	759,428	-	-	-	-	759,428
Public safety	1,148,394	-	-	9,979	-	1,158,373
Public works and streets	160,897	289,955	383,578	1,960	-	836,390
Culture and recreation	177,313	-	-	1,986	-	179,299
Community and economic development	74,030	-	-	52,234	7,500	133,764
Health and welfare	-	-	-	-	240,775	240,775
Debt service						
Principal	14,375	-	-	-	19,315	33,690
Interest	852	-	-	-	20,091	20,943
Capital outlay	391,860	150,993	97,746	227,245	-	867,844
Total expenditures	<u>2,727,149</u>	<u>440,948</u>	<u>481,324</u>	<u>293,404</u>	<u>287,681</u>	<u>4,230,506</u>
Excess (deficiency) of revenue over expenditures	<u>253,178</u>	<u>34,960</u>	<u>(177,276)</u>	<u>284,928</u>	<u>(65,722)</u>	<u>330,068</u>
Other financing sources (uses)						
Sale of capital assets	174,748	-	-	-	-	174,748
Debt proceeds	120,000	-	-	-	-	120,000
Transfers	125,058	-	-	(210,806)	85,748	-
Total other financing sources (uses)	<u>419,806</u>	<u>-</u>	<u>-</u>	<u>(210,806)</u>	<u>85,748</u>	<u>294,748</u>
Net change in fund balances	672,984	34,960	(177,276)	74,122	20,026	624,816
Fund balances, beginning of year	3,938,993	1,132,813	737,482	(63,128)	444,027	6,190,187
Fund balances, end of year	<u>\$ 4,611,977</u>	<u>\$ 1,167,773</u>	<u>\$ 560,206</u>	<u>\$ 10,994</u>	<u>\$ 464,053</u>	<u>\$ 6,815,003</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021

Net change in fund balances-total governmental funds	\$	624,816
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as</p>		
Capital outlay	867,844	
Depreciation expense	<u>(809,682)</u>	58,162
<p>In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.</p>		
		(13,100)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in Deferred revenue		(68,621)
<p>Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.</p>		
Town pension/OPEB contributions	253,573	
Pension/OPEB expense	<u>(412,389)</u>	(158,816)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Capital leases incurred	(120,000)	
Debt principal repayments	<u>33,690</u>	(86,310)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.</p>		
Decrease in compensated absences payable		<u>39,320</u>
Change in net position of governmental activities	\$	<u>395,451</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,251,336	\$ 140,560	\$ 1,391,896
Accounts receivable - net	47,998	47,637	95,635
Total current assets	<u>1,299,334</u>	<u>188,197</u>	<u>1,487,531</u>
Noncurrent assets			
Cash and cash equivalents, restricted	97,754	44,965	142,719
Net other postemployment benefits asset	800	624	1,424
Capital assets, not being depreciated	207,686	47,517	255,203
Capital assets, being depreciated, net	1,576,256	1,528,557	3,104,813
Total noncurrent assets	<u>1,882,496</u>	<u>1,621,663</u>	<u>3,504,159</u>
Total assets	<u>3,181,830</u>	<u>1,809,860</u>	<u>4,991,690</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	38,060	29,695	67,755
LIABILITIES			
Current liabilities			
Accounts payable	11,855	2,758	14,613
Accrued expenses	8,031	3,066	11,097
Deferred revenue	6,022	-	6,022
Refundable deposits	15,315	9,570	24,885
Compensated absences	13,347	11,251	24,598
Notes payable, current portion	59,230	32,135	91,365
Total current liabilities	<u>113,800</u>	<u>58,780</u>	<u>172,580</u>
Noncurrent liabilities			
Notes payable, net of current portion	692,370	292,222	984,592
Net pension and other postemployment benefits liability	199,546	155,686	355,232
Total noncurrent liabilities	<u>891,916</u>	<u>447,908</u>	<u>1,339,824</u>
Total liabilities	<u>1,005,716</u>	<u>506,688</u>	<u>1,512,404</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	5,404	4,217	9,621
NET POSITION			
Net investment in capital assets	928,219	1,204,200	2,132,419
Restricted for:			
Debt service	58,885	25,282	84,167
Replacements	23,554	10,113	33,667
Unrestricted (deficit)	1,198,112	89,055	1,287,167
Total net position	<u>\$ 2,208,770</u>	<u>\$ 1,328,650</u>	<u>\$ 3,537,420</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues			
Charges for services	\$ 473,732	\$ 454,000	\$ 927,732
Other revenues	264	235	499
Total operating revenue	<u>473,996</u>	<u>454,235</u>	<u>928,231</u>
Operating expenses			
Service supplies, and other	195,907	88,960	284,867
Depreciation	149,388	123,551	272,939
Salaries and wages	126,955	107,340	234,295
Employee benefits	67,587	52,965	120,552
Total operating expenses	<u>539,837</u>	<u>372,816</u>	<u>912,653</u>
Operating income (loss)	<u>(65,841)</u>	<u>81,419</u>	<u>15,578</u>
Nonoperating revenues (expenses)			
Connection fees	2,510	-	2,510
Interest expense	(17,378)	(7,002)	(24,380)
Total nonoperating revenues (expenses)	<u>(14,868)</u>	<u>(7,002)</u>	<u>(21,870)</u>
Increase (decrease) in net position	<u>(80,709)</u>	<u>74,417</u>	<u>(6,292)</u>
Total net position, beginning of year	<u>2,289,479</u>	<u>1,254,233</u>	<u>3,543,712</u>
Total net position, end of year	<u><u>\$ 2,208,770</u></u>	<u><u>\$ 1,328,650</u></u>	<u><u>\$ 3,537,420</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 489,621	\$ 457,218	\$ 946,839
Payments to suppliers and providers of goods and services	(254,566)	(140,954)	(395,520)
Payments to employees	(124,306)	(104,395)	(228,701)
Net cash provided (used) by operating activities	<u>110,749</u>	<u>211,869</u>	<u>322,618</u>
Cash flows from noncapital financing activities			
Interfund loans	<u>22,926</u>	<u>(22,926)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Connection fees received	2,510	-	2,510
Interest paid	(17,378)	(7,002)	(24,380)
Principal paid on long-term debt	(40,969)	(17,906)	(58,875)
Issuance of long-term debt	110,075	47,517	157,592
Purchases of capital assets	(124,502)	(69,717)	(194,219)
Net cash provided (used) by capital and related financing activities	<u>(70,264)</u>	<u>(47,108)</u>	<u>(117,372)</u>
Net increase (decrease) in cash	63,411	141,835	205,246
Cash and cash equivalents, beginning of year	<u>1,285,679</u>	<u>43,690</u>	<u>1,329,369</u>
Cash and cash equivalents, end of year	<u>\$ 1,349,090</u>	<u>\$ 185,525</u>	<u>\$ 1,534,615</u>
Cash and cash equivalents	\$ 1,251,336	\$ 140,560	\$ 1,391,896
Cash and cash equivalents, restricted	<u>97,754</u>	<u>44,965</u>	<u>142,719</u>
Cash and cash equivalents, end of year	<u>\$ 1,349,090</u>	<u>\$ 185,525</u>	<u>\$ 1,534,615</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (65,841)	\$ 81,419	\$ 15,578
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	149,388	123,551	272,939
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	12,194	1,708	13,902
Net other postemployment benefits asset	(473)	(369)	(842)
Deferred outflows of resources related to pensions and other postemployment benefits	(18,835)	(14,696)	(33,531)
Accounts payable	9,304	2,421	11,725
Accrued expenses	1,721	364	2,085
Deferred revenue	481	-	481
Refundable deposits	2,950	1,275	4,225
Compensated absences payable	2,410	2,581	4,991
Net pension and other postemployment benefits liability	30,709	23,959	54,668
Deferred inflows of resources related to pensions and other postemployment benefits	(13,259)	(10,344)	(23,603)
Net cash provided (used) by operating activities	<u>\$ 110,749</u>	<u>\$ 211,869</u>	<u>\$ 322,618</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 18,339
Investments	70,875
Total assets	89,214
 NET POSITION	
Held in trust for investment trust participants	\$ 89,214

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021

	Volunteer Firefighters' Relief and Pension <hr style="border: 0.5px solid black;"/>
Additions	
Contributions from participants	\$ 9,115
Investment income	18,768
Total additions	<hr style="border: 0.5px solid black;"/> 27,883 <hr style="border: 0.5px solid black;"/>
 Deductions	
Other expenses	904
Distributions to participants	817
Total deductions	<hr style="border: 0.5px solid black;"/> 1,721 <hr style="border: 0.5px solid black;"/>
Change in net position	26,162
Net position, beginning of year	<hr style="border: 0.5px solid black;"/> 63,052 <hr style="border: 0.5px solid black;"/>
Net position, end of year	<hr style="border: 0.5px solid black;"/> \$ 89,214 <hr style="border: 0.5px solid black;"/>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Springerville, Arizona’s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Town is a general-purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town’s operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units; however, it does have a blended component unit. The blended component unit discussed below has a June 30 year-end.

The Town of Springerville Municipal Property Corporation (SMPC) is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the Town in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of all residents. The SMPC has a June 30 year end.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund statements—provide information about the Town’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The Town reports the following major governmental funds:

The ***General Fund*** is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund that is legally restricted to expenditures for specified street purposes.

The ***Airport Fund*** accounts for operations of the municipal airport.

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

The ***Water*** and ***Sewer Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following fund types:

The ***Volunteer Firefighters' Relief and Pension*** accounts for assets held and invested by the Town Treasurer on behalf of qualified public safety employees for pension benefits.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For the statement of cash flows, the Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer’s local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2021 in the Water and Sewer Funds, respectively, were \$18,000 and \$12,000.

F. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Water rights	5,000	N/A	N/A
Artwork	5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings and improvements	5,000	Straight-line	10 - 40
Vehicles and equipment	5,000	Straight-line	3 - 10
Infrastructure	5,000	Straight-line	20 - 40

G. Investment Earnings

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

H. Inventories

Inventories are recorded as assets when purchased and expensed when consumed. These inventories are state at cost using the first-in, first-out method.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 320 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. However, employees may request in writing to the Town Manager to have excess hours carried forward. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate 480 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

J. Deferred Outflows and Inflows of Resources

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

K. Postemployment Benefits

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

L. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits – At June 30, 2021, the carrying amount of the Town’s total cash in bank was \$4,921,519, and the bank balance was \$4,257,948. Of the bank balance, \$272,996 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Restricted cash – Restricted cash in the Water and Sewer Funds consists of monies restricted for the following:

	Water Fund	Sewer Fund	Total
Refundable customer deposits	\$ 15,315	\$ 9,570	\$ 24,885
Debt service reserves	58,885	25,282	84,167
Replacement reserves	23,554	10,113	33,667
	\$ 97,754	\$ 44,965	\$ 142,719

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Investments – The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,028,492. The Standard and Poor’s credit quality rating of the pool is AAA.

The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Fiduciary-type fund	Total
Cash and cash equivalents:				
Cash on hand	\$ 1,677	\$ -	\$ -	\$ 1,677
Amount of deposits	3,297,691	1,534,615	89,213	4,921,519
State Treasurers investment pool 5	3,032,041	-	-	3,032,041
Total	<u>\$ 6,331,409</u>	<u>\$ 1,534,615</u>	<u>\$ 89,213</u>	<u>\$ 7,955,237</u>

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2021 consisted of the following:

	General Fund	HURF Fund	Airport Fund	Grants Fund	Non-Major Governmental Funds
State of Arizona					
State and city sales tax revenues	\$ 336,804	\$ -	\$ -	\$ -	\$ -
Auto lieu tax revenues	6,883	-	-	-	-
Highway user revenues	-	41,794	-	-	-
CDBG grant revenues	-	-	-	72,245	-
NACOG revenues	-	-	-	-	19,162
FAA	-	-	43,231	-	-
	<u>\$ 343,687</u>	<u>\$ 41,794</u>	<u>\$ 43,231</u>	<u>\$ 72,245</u>	<u>\$ 19,162</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,830,650	\$ -	\$ 13,100	\$ 1,817,550
Artwork	1,500,000	-	-	1,500,000
Construction in progress	65,814	323,901	65,814	323,901
Total capital assets not being depreciated	<u>3,396,464</u>	<u>323,901</u>	<u>78,914</u>	<u>3,641,451</u>
Capital assets being depreciated:				
Buildings and improvements	5,083,064	90,098	70,137	5,103,025
Vehicles and equipment	5,246,122	277,854	-	5,523,976
Infrastructure	14,947,252	241,805	-	15,189,057
Total	<u>25,276,438</u>	<u>609,757</u>	<u>70,137</u>	<u>25,816,058</u>
Less accumulated depreciation for:				
Buildings and improvements	2,352,043	153,855	70,137	2,435,761
Vehicles and equipment	3,796,783	212,202	-	4,008,985
Infrastructure	7,604,697	443,625	-	8,048,322
Total	<u>13,753,523</u>	<u>809,682</u>	<u>70,137</u>	<u>14,493,068</u>
Total capital assets being depreciated, net	<u>11,522,915</u>	<u>(199,925)</u>	<u>-</u>	<u>11,322,990</u>
Governmental activities capital assets, net	<u>\$ 14,919,379</u>	<u>\$ 123,976</u>	<u>\$ 78,914</u>	<u>\$ 14,964,441</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Construction in progress	-	151,640	-	151,640
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	<u>103,563</u>	<u>151,640</u>	<u>-</u>	<u>255,203</u>
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	863,495	42,581	-	906,076
Infrastructure	6,334,050	-	-	6,334,050
Total	<u>9,313,933</u>	<u>42,581</u>	<u>-</u>	<u>9,356,514</u>
Less accumulated depreciation for:				
Buildings and improvements	1,521,122	42,359	-	1,563,481
Vehicles and equipment	490,598	68,194	-	558,792
Infrastructure	3,967,040	162,386	-	4,129,426
Total	<u>5,978,760</u>	<u>272,939</u>	<u>-</u>	<u>6,251,699</u>
Total capital assets being depreciated, net	<u>3,335,173</u>	<u>(230,358)</u>	<u>-</u>	<u>3,104,815</u>
Business-type activities capital assets, net	<u>\$ 3,438,736</u>	<u>\$ (78,718)</u>	<u>\$ -</u>	<u>\$ 3,360,018</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 4 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 62,932
Public safety	107,161
Public works and streets	603,138
Culture and recreation	26,733
Health and welfare	9,718
Total governmental activities depreciation expense	<u>\$ 809,682</u>
Business-type activities:	
Water	\$ 149,388
Sewer	123,551
Total business-type activities depreciation expense	<u>\$ 272,939</u>

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2021.

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Governmental activities:					
Notes payable from direct borrowings and direct placements	\$ 562,341	\$ -	\$ 19,314	\$ 543,027	\$ 19,962
Capital leases payable	18,121	120,000	14,376	123,745	26,721
Net pension and other postemployment benefits liability	2,507,793	134,578	-	2,642,371	-
Compensated absences	129,588	-	39,320	90,268	90,268
	<u>\$ 3,217,843</u>	<u>\$ 254,578</u>	<u>\$ 73,010</u>	<u>\$ 3,399,411</u>	<u>\$ 136,951</u>
Business-type activities:					
Notes payable from direct borrowings and direct placements	\$ 977,240	\$ 157,592	\$ 58,875	\$ 1,075,957	\$ 91,365
Net pension and other postemployment benefits liability	300,564	54,668	-	355,232	-
Compensated absences	19,607	4,991	-	24,598	24,598
	<u>\$ 1,297,411</u>	<u>\$ 217,251</u>	<u>\$ 58,875</u>	<u>\$ 1,455,787</u>	<u>\$ 115,963</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 5 – LONG-TERM LIABILITIES – Continued

The Town’s notes payable from direct borrowings and direct placements consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Note payable - USDA	\$ 250,000	2034	3.250%	\$ 204,588
Note payable - USDA	350,000	2054	3.875%	338,439
Note payable - WIFA	907,218	2034	2.625%	641,525
Note payable - WIFA	396,000	2034	2.450%	276,840
Note payable - WIFA	110,075	2041	1.764%	110,075
Note payable - WIFA	47,517	2041	1.653%	47,517
Total notes payable	<u>\$ 2,060,810</u>			<u>\$ 1,618,984</u>

The following schedule details debt service requirements to maturity for the Town’s notes payable from direct borrowings and direct placements at June 30, 2021.

Year Ending June 30	Governmental Activities		Business-type Activities		Total	
	Note Payable		Note Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2022	\$ 19,962	\$ 19,446	\$ 91,365	\$ 22,294	\$ 111,327	\$ 41,740
2023	20,655	18,753	93,450	20,707	114,105	39,460
2024	21,372	18,036	95,583	19,078	116,955	37,114
2025	22,113	17,295	88,737	17,407	110,850	34,702
2026	22,881	16,527	85,276	60,438	108,157	76,965
2027-2031	126,898	70,142	381,987	13,588	508,885	83,730
2032-2036	76,007	50,376	239,560	-	315,567	50,376
2037-2041	51,143	40,417	-	-	51,143	40,417
2042-2046	62,057	29,512	-	-	62,057	29,512
2047-2051	75,301	16,259	-	-	75,301	16,259
2052-2055	44,638	2,533	-	-	44,638	2,533
Total	<u>\$ 543,027</u>	<u>\$ 299,296</u>	<u>\$ 1,075,957</u>	<u>\$ 153,512</u>	<u>\$ 1,618,984</u>	<u>\$ 452,808</u>

Capital leases – The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as a capital lease for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

Vehicles and equipment	\$ 169,750
Less: accumulated depreciation	(26,236)
Carrying value	<u>\$ 143,514</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 5 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2021:

Year Ending June 30	Governmental Activities
2022	\$ 29,399
2023	25,592
2024	25,592
2025	25,592
2026	25,592
Total minimum lease payments	131,767
Less amount representing interest	(8,022)
Present value of net minimum lease payments	\$ 123,745

NOTE 6 – RISK MANAGEMENT, SETTLEMENTS, AND PENDING LITIGATION

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

Pending Litigation

The Town is subject to a number of lawsuits, investigations, and other claims. The Town records liabilities for lawsuits, investigations, and other claims where the possibility of an unfavorable outcome is probable and whereas the amount of loss is reasonably estimable. As of June 30, 2021, the Town has not recorded a liability for pending litigation.

The Town’s groundwater rights have been subject to pending litigation for many years. It is virtually impossible at this time to make an evaluation as to the likelihood of an unfavorable outcome or what the potential loss of such an unfavorable outcome would be. No monetary damages are being claimed by any party at this time.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2021, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net OPEB assets	\$ 97,292	\$ 1,424	\$ 98,716
Net pension and OPEB liabilities	2,642,371	355,232	2,997,603
Deferred outflows of resources related to pension and OPEB	446,263	67,755	514,018
Deferred inflows of resources related to pension and OPEB	215,420	9,621	225,041
Pension and OPEB expense	261,803	25,340	287,143

The Town reported \$253,573 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2021, were \$120,423, \$4,959, and \$1,746, respectively.

During fiscal year 2021, the Town paid for ASRS pension and OPEB contributions as follows: 78.00 percent from the General Fund, 11.95 percent from the Water Fund, and 10.05 percent from the Sewer Fund.

Liability - At June 30, 2021, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB
	(Asset) Liability
Pension	\$ 1,666,811
Health insurance premium benefit	(6,712)
Long-term disability	7,230

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020. The Town’s proportions were measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	<u>Proportion June 30, 2020</u>	<u>Increase (decrease) from June 30, 2019</u>
Pension	0.00962%	-0.00007%
Health insurance premium benefit	0.00948%	-0.00045%
Long-term disability	0.00953%	-0.00031%

Expense – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	115,056
Health insurance premium benefit	2,127
Long-term disability	2,233

Deferred Outflows/Inflows of Resources—At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium</u>		<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,079	\$ -	\$ -	\$ 13,225	\$ 629	\$ 186
Changes of assumptions or other inputs	-	-	3,721	-	779	-
Net difference between projected and actual earnings on pension plan investments	160,766	-	6,867	-	796	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	31,593	43	8	-	327
Town contributions subsequent to the measurement date	124,630	-	4,098	-	1,891	-
Total	<u>\$ 300,475</u>	<u>\$ 31,593</u>	<u>\$ 14,729</u>	<u>\$ 13,233</u>	<u>\$ 4,095</u>	<u>\$ 513</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2022	\$ (9,548)	\$ (1,422)	278
2023	45,925	35	407
2024	58,151	352	431
2025	49,724	(356)	381
2026	-	(1,211)	176
Thereafter	-	-	18

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

ASRS

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Asset Class	Target Allocation	Long-term Expected Geometric Rate of Return
Equity	50%	3.20%
Credit	20%	1.09%
Interest rate sensitive bonds	10%	0.02%
Real estate	20%	1.17%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate share of the			
Net pension liability	\$ 2,279,342	\$ 1,666,811	\$ 1,154,767
Net insurance premium benefit liability (asset)	8,807	(6,712)	(19,919)
Net long-term disability liability	7,894	7,230	6,585

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

B. Public Safety Personnel Retirement System

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

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	4	4
Total	9	9

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	55.78%	0.00%

In addition, statute required the Town to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	9.05%	56.05%	0.00%

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2021, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 155,390	\$ -

During fiscal year 2021, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2021, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 1,323,562	\$ (92,004)

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2020, reflect the actuarial assumptions.

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

PSPRS

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 Geometric Real Rate of Return</u>
Cash - Mellon	1%	-0.60%
Diversifying strategies	12%	3.22%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Other assets (capital appreciation)	7%	5.61%
Private equity	18%	8.42%
Non-U.S. equity	15%	6.09%
U.S. equity	23%	4.93%
Total	<u>100%</u>	

Discount Rate – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which there was no change from the discount rate used as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 3,330,413	\$ 1,938,474	\$ 1,391,939
Changes for the year			
Service Cost	39,939	-	39,939
Interest on the total liability	237,172	-	237,172
Differences between expected and actual experience in the measurement of the liability	(166,273)	-	(166,273)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	134,903	(134,903)
Contributions-employee	-	21,659	(21,659)
Net investment income	-	24,665	(24,665)
Benefit payments, including refunds of employee contributions	(242,838)	(242,838)	-
Administrative expense	-	(2,012)	2,012
Net changes	(132,000)	(63,623)	(68,377)
Balances at June 30, 2021	\$ 3,198,413	\$ 1,874,851	\$ 1,323,562

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2020	\$ 42,827	\$ 126,343	\$ (83,516)
Changes for the year			
Service Cost	1,621	-	1,621
Interest on the total liability	3,289	-	3,289
Differences between expected and actual experience in the measurement of the liability	(11,922)	-	(11,922)
Changes of assumptions or other inputs	-	-	-
Net investment income	-	1,607	(1,607)
Administrative expense	-	(131)	131
Net changes	(7,012)	1,476	(8,488)
Balances at June 30, 2021	\$ 35,815	\$ 127,819	\$ (92,004)

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 1,702,245	\$ 1,323,562	\$ 1,010,031
Net OPEB (asset) liability	(87,732)	(92,004)	(95,594)

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

Expense – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 181,253	\$ (13,526)

Deferred Outflows/Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,073	\$ 154,542	\$ -	\$ 24,434
Changes of assumptions or other inputs	80,133	-	238	726
Net difference between projected and actual earnings on pension plan investments	102,446	-	6,829	-
Town contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 187,652</u>	<u>\$ 154,542</u>	<u>\$ 7,067</u>	<u>\$ 25,160</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2022	\$ 28,281	\$ (9,348)
2023	18,286	(7,494)
2024	(2,926)	(389)
2025	(10,531)	(862)
2026	-	-
Thereafter	-	-

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2021 consisted of \$57,820 owed by the Grants Fund to the General Fund. These interfund receivables and payables were necessary in order to fund the ongoing activities of the respective funds in current and prior periods.

Interfund transfers—Interfund transfers for the year ended June 30, 2021, consisted of \$102,029 transferred from the General Fund to the Grants Fund \$(16,281) and nonmajor funds (\$85,748). Additionally, the grants fund transferred \$227,087 to the General Fund. The transfers were made to fund ongoing operations, or to fund debt service. The transfer from the Grants fund to the General Fund was to reimburse the General Fund for expenditures paid directly by that fund for grant expenditures.



REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,570,000	\$ 1,570,000	\$ 2,059,693	\$ 489,693
Intergovernmental	610,309	610,309	706,381	96,072
Other revenue	169,643	169,643	34,665	(134,978)
Charges for services	3,700	3,700	120,845	117,145
Investment income	58,000	58,000	3,549	(54,451)
Fines and forfeitures	40,000	40,000	34,849	(5,151)
Licenses and permits	11,200	11,200	20,345	9,145
Total revenues	<u>2,462,852</u>	<u>2,462,852</u>	<u>2,980,327</u>	<u>517,475</u>
Expenditures				
Current				
General government	335,000	335,000	201,555	133,445
Mayor & Council	63,894	63,894	59,155	4,739
Legal	49,000	49,000	79,924	(30,924)
Magistrate	57,470	57,470	54,594	2,876
Administration	267,630	267,630	262,143	5,487
Finance	199,711	199,711	171,051	28,660
Community development	83,789	83,789	74,030	9,759
Police	1,034,276	1,034,276	937,767	96,509
Animal control	58,160	58,160	53,581	4,579
Fire	398,018	398,018	495,138	(97,120)
Building maintenance	69,824	69,824	134,711	(64,887)
Heritage/casa	127,150	127,150	110,170	16,980
Mechanic shop	27,821	27,821	26,186	1,635
Parks and cemetery	78,787	78,787	65,869	12,918
Total expenditures	<u>2,850,530</u>	<u>2,850,530</u>	<u>2,727,149</u>	<u>123,381</u>
Excess (deficiency) of revenue over (under) expenditures	(387,678)	(387,678)	253,178	640,856
Other financing sources (uses)				
Sale of capital assets	-	-	174,748	174,748
Transfers	(102,400)	(102,400)	125,058	227,458
Debt proceeds	-	-	120,000	-
Total other financing sources (uses)	<u>(102,400)</u>	<u>(102,400)</u>	<u>419,806</u>	<u>402,206</u>
Net change in fund balance	(490,078)	(490,078)	672,984	1,163,062
Fund balances, beginning of year	<u>3,938,993</u>	<u>3,938,993</u>	<u>3,938,993</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,448,915</u>	<u>\$ 3,448,915</u>	<u>\$ 4,611,977</u>	<u>\$ 1,163,062</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 474,230	\$ 474,230	\$ 475,908	\$ 1,678
Expenditures				
Public works and streets	<u>764,821</u>	<u>764,821</u>	<u>440,948</u>	<u>323,873</u>
Net change in fund balance	(290,591)	(290,591)	34,960	325,551
Fund balances, beginning of year	<u>1,132,813</u>	<u>1,132,813</u>	<u>1,132,813</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 842,222</u></u>	<u><u>\$ 842,222</u></u>	<u><u>\$ 1,167,773</u></u>	<u><u>\$ 325,551</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Airport Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 257,568	\$ 257,568	\$ 252,033	\$ (5,535)
Intergovernmental	-	-	50,208	50,208
Other revenue	-	-	1,807	1,807
Total revenues	<u>257,568</u>	<u>257,568</u>	<u>304,048</u>	<u>46,480</u>
Expenditures				
Public works and streets	496,438	496,438	481,324	15,114
Net change in fund balance	(239,870)	(239,870)	(177,276)	62,594
Fund balances, beginning of year	737,482	737,482	737,482	-
Fund balances, end of year	<u>\$ 497,612</u>	<u>\$ 497,612</u>	<u>\$ 560,206</u>	<u>\$ 62,594</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,780,000	\$ 4,780,000	\$ 571,932	\$ (4,208,068)
Fines and forfeitures	-	-	6,400	6,400
Total revenues	<u>4,780,000</u>	<u>4,780,000</u>	<u>578,332</u>	<u>(4,201,668)</u>
Expenditures				
Current				
General government	3,920,000	3,920,000	-	3,920,000
Public safety	260,000	260,000	9,979	250,021
Public works and streets	600,000	600,000	1,960	598,040
Culture and recreation	-	-	1,986	(1,986)
Community and economic dev	-	-	52,234	(52,234)
Capital outlay	-	-	227,245	(227,245)
Total expenditures	<u>4,780,000</u>	<u>4,780,000</u>	<u>293,404</u>	<u>4,486,596</u>
Other financing sources (uses)				
Transfers	-	-	(210,806)	(210,806)
Net change in fund balance	-	-	74,122	74,122
Fund balances, beginning of year	(63,128)	(63,128)	(63,128)	-
Fund balances, end of year	<u>\$ (63,128)</u>	<u>\$ (63,128)</u>	<u>\$ 10,994</u>	<u>\$ 74,122</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2021

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

NOTE3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2021, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Legal, Fire, and Building maintenance.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2021

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.009620%	0.010220%	0.010220%	0.010390%	0.010450%	0.010100%	0.010188%	Information not available
Town's proportionate share of the net pension liability	\$ 1,666,811	\$ 1,410,008	\$ 1,425,330	\$ 1,618,559	\$ 1,686,735	\$ 1,172,965	\$ 1,000,283	
Town's covered payroll	\$ 1,016,033	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	\$ 978,479	\$ 930,634	\$ 918,383	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	164.05%	137.99%	140.30%	159.69%	172.38%	126.04%	108.92%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Town's proportion of the net OPEB (asset)	0.009480%	0.009930%	0.010420%	0.010540%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (6,712)	\$ (2,744)	\$ (3,752)	\$ (5,738)	
Town's covered payroll	\$ 1,016,033	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.66%	-0.27%	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Town's proportion of the net OPEB (asset)	0.009530%	0.009840%	0.010250%	0.010430%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 7,230	\$ 6,410	\$ 5,356	\$ 3,781	
Town's covered payroll	\$ 1,016,033	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.71%	0.63%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2021

	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
Total pension liability								Information not available
Service cost	\$ 39,939	\$ 37,570	\$ 44,574	\$ 59,053	\$ 51,746	\$ 57,729	\$ 51,036	
Interest on the total pension liability	237,172	236,583	230,173	212,620	197,119	185,622	153,315	
Changes of benefit terms	-	-	-	29,829	68,337	-	48,631	
Differences between expected and actual experience in the measurement of the pension liability	(166,273)	(37,671)	15,879	(11,965)	(847)	331	(172)	
Changes of assumptions or other inputs	-	102,203	-	93,009	99,265	-	248,915	
Benefit payments, including refunds of employee contributions	(242,838)	(335,541)	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Net change in total pension liability	(132,000)	3,144	187,603	285,966	321,388	149,450	408,912	
Total pension liability - beginning	3,330,413	3,327,269	3,139,666	2,853,700	2,532,312	2,382,862	1,973,950	
Total pension liability - ending (a)	<u>\$ 3,198,413</u>	<u>\$ 3,330,413</u>	<u>\$ 3,327,269</u>	<u>\$ 3,139,666</u>	<u>\$ 2,853,700</u>	<u>\$ 2,532,312</u>	<u>\$ 2,382,862</u>	
Plan fiduciary net position								
Contributions - employer	\$ 134,903	\$ 93,313	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	
Contributions - employee	21,659	9,703	40,346	43,257	46,406	42,555	35,700	
Net investment income	138,286	106,265	134,221	203,406	9,786	58,728	192,437	
Difference between projected and actual earnings on Pension plan investments	(113,621)	-	-	-	-	-	-	
Benefit payments, including refunds of employee contributions	(242,838)	(335,541)	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Hall/Parker Settlement	-	-	(44,903)	-	-	-	-	
Administrative expense	(2,012)	(2,848)	(2,743)	(2,200)	(1,808)	(1,811)	-	
Other changes	-	-	23	24	10	(1,382)	(76,069)	
Net change in plan fiduciary net position	(63,623)	(129,108)	132,719	219,030	53,525	63,422	123,349	
Plan fiduciary net position - beginning	1,938,474	2,067,582	1,934,863	1,715,833	1,662,308	1,598,886	1,475,537	
Plan fiduciary net position - ending (b)	<u>\$ 1,874,851</u>	<u>\$ 1,938,474</u>	<u>\$ 2,067,582</u>	<u>\$ 1,934,863</u>	<u>\$ 1,715,833</u>	<u>\$ 1,662,308</u>	<u>\$ 1,598,886</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,323,562</u>	<u>\$ 1,391,939</u>	<u>\$ 1,259,687</u>	<u>\$ 1,204,803</u>	<u>\$ 1,137,867</u>	<u>\$ 870,004</u>	<u>\$ 783,976</u>	
Plan fiduciary net position as a percentage of the total pension liability	58.62%	58.21%	62.14%	61.63%	60.13%	65.64%	67.10%	
Covered payroll	\$ 237,039	\$ 224,545	\$ 224,556	\$ 263,277	\$ 269,513	\$ 325,488	\$ 309,043	
Town's net pension (asset) liability as a percentage of covered payroll	558.37%	619.89%	560.97%	457.62%	422.19%	267.29%	253.68%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2021

PSPRS	(Measurement Date)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability					
Service cost	\$ 1,621	\$ 1,168	\$ 1,145	\$ 1,369	Information not available
Interest on the total OPEB liability	3,289	4,838	4,586	4,442	
Changes of benefit terms	-	-	-	519	
Differences between expected and actual experience in the measurement of the OPEB liability	(11,922)	(27,862)	(2,928)	(142)	
Changes of assumptions or other inputs	-	477	-	(3,326)	
Net change in total OPEB liability	(7,012)	(21,379)	2,803	2,862	
Total OPEB liability - beginning	42,827	64,206	61,403	58,541	
Total OPEB liability - ending (a)	\$ 35,815	\$ 42,827	\$ 64,206	\$ 61,403	
 Plan fiduciary net position					
Net investment income	\$ 9,218	\$ 6,507	\$ 7,844	\$ 11,838	
Difference between projected and actual earnings on					
OPEB plan investments	(7,611)	-	-	-	
Administrative expense	(131)	(112)	(119)	(105)	
Net change in plan fiduciary net position	1,476	6,395	7,725	11,733	
Plan fiduciary net position - beginning	126,343	119,948	112,223	100,490	
Plan fiduciary net position - ending (b)	\$ 127,819	\$ 126,343	\$ 119,948	\$ 112,223	
 Town's net OPEB (asset) liability - ending (a) - (b)	\$ (92,004)	\$ (83,516)	\$ (55,742)	\$ (50,820)	
 Plan fiduciary net position as a percentage of the total OPEB liability	356.89%	295.01%	186.82%	182.76%	
 Covered payroll	\$ 237,039	\$ 224,545	\$ 224,556	\$ 263,277	
 Town's net OPEB (asset) liability as a percentage of covered payroll	-38.81%	-37.19%	-24.82%	-19.30%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2021

ASRS-Pension

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 124,630	\$ 116,150	\$ 114,240	\$ 110,736	\$ 109,261	\$ 106,165	\$ 101,346	\$ 98,267	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(124,630)</u>	<u>(116,150)</u>	<u>(114,240)</u>	<u>(110,736)</u>	<u>(109,261)</u>	<u>(106,165)</u>	<u>(101,346)</u>	<u>(98,267)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,069,785</u>	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	<u>\$ 978,479</u>	<u>\$ 930,634</u>	<u>\$ 918,383</u>	
Town's contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 4,098	\$ 4,891	\$ 4,699	\$ 4,470	\$ 5,676	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(4,098)</u>	<u>(4,891)</u>	<u>(4,699)</u>	<u>(4,470)</u>	<u>(5,676)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,069,785</u>	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.39%	0.49%	0.46%	0.44%	0.56%	

ASRS-Long-Term Disability

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,891	\$ 1,697	\$ 1,635	\$ 1,626	\$ 1,419	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(1,891)</u>	<u>(1,697)</u>	<u>(1,635)</u>	<u>(1,626)</u>	<u>(1,419)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,069,785</u>	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.18%	0.17%	0.16%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2021

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 155,390	\$ 138,277	\$ 93,313	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(155,390)</u>	<u>(138,277)</u>	<u>(93,313)</u>	<u>(108,798)</u>	<u>(71,123)</u>	<u>(93,363)</u>	<u>(59,564)</u>	<u>(64,094)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 278,266</u>	<u>\$ 261,741</u>	<u>\$ 224,545</u>	<u>\$ 224,556</u>	<u>\$ 263,277</u>	<u>\$ 269,513</u>	<u>\$ 325,488</u>	<u>\$ 309,043</u>	
Town's contributions as a percentage of covered payroll	55.84%	52.83%	41.56%	48.45%	27.01%	34.64%	18.30%	20.74%	

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 278,266</u>	<u>\$ 261,741</u>	<u>\$ 224,545</u>	<u>\$ 224,556</u>	<u>\$ 263,277</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2021

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Layered amortization approach for Tier 1 & 2. Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from, 7.40% to 7.30% for Tiers 1 & 2. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2020 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2021

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council
Town of Springerville, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Springerville, Arizona's, basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Springerville, Arizona's internal control over financial reporting (internal control) to determine the 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 the Town of Springerville, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Springerville, Arizona's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Springerville, Arizona's financial statements are free of 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 determination of financial statement amounts. 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.

A handwritten signature in cursive script that reads "Colby J. Powell".

December 20, 2021