

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2019**



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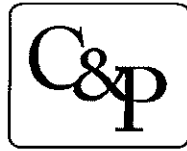
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INDEPENDENT AUDITORS' REPORT

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, 2019, 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, 2019, 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.

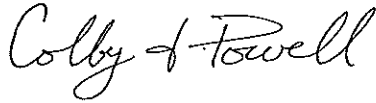
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 48 through 52, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans on pages 53 through 54, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans on pages 55 through 56, and Schedule of Town Pension/OPEB Contributions on pages 57 through 59 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*

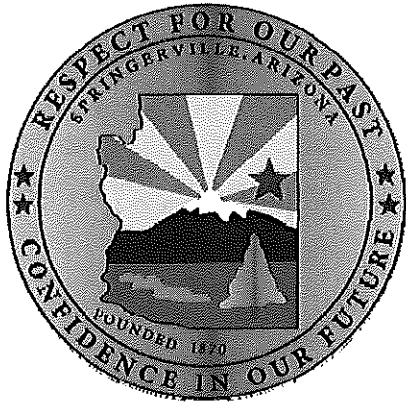
In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the Town of Springerville, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. 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 the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.



November 20, 2019



FINANCIAL SECTION

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,238,535	\$ 1,187,592	\$ 6,426,127
Cash and cash equivalents-restricted	-	126,940	126,940
Accounts receivable - net	-	78,641	78,641
Due from other governments	296,221	-	296,221
Other receivables	9,374	-	9,374
Inventory	46,189	-	46,189
Net other postemployment benefits asset	58,698	796	59,494
Capital assets, not being depreciated	3,330,650	103,563	3,434,213
Capital assets, being depreciated, net	12,133,157	3,369,457	15,502,614
Total assets	21,112,824	4,866,989	25,979,813
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	428,126	44,441	472,567
LIABILITIES			
Accounts payable	27,830	9,230	37,060
Accrued expenses	12,173	2,448	14,621
Deferred revenue	-	4,438	4,438
Refundable deposits	200	25,940	26,140
Compensated absences	136,167	23,121	159,288
Noncurrent liabilities			
Due within one year	32,298	62,538	94,836
Due in more than one year	2,967,010	1,280,833	4,247,843
Total liabilities	3,175,678	1,408,548	4,584,226
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	173,192	42,803	215,995
NET POSITION			
Net investment in capital assets	14,851,280	2,433,241	17,284,521
Restricted for:			
Debt service	-	84,167	84,167
Replacements	-	16,833	16,833
Public works and streets	810,151	-	810,151
Senior welfare	394,564	-	394,564
Tourism promotion	47,215	-	47,215
Unrestricted (deficit)	2,088,870	925,836	3,014,706
Total net position	\$ 18,192,080	\$ 3,460,077	\$ 21,652,157

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 623,469	\$ 6,403	\$ 4,875	\$ -	\$ (612,191)	\$ -	\$ (612,191)
Public safety	1,251,842	62,558	20,962	61,684	(1,106,638)	-	(1,106,638)
Public works and streets	1,343,335	260,014	446,983	529,525	(106,813)	-	(106,813)
Culture and recreation	208,201	12,435	5,014	7,430	(183,322)	-	(183,322)
Community and economic development	100,783	-	-	-	(100,783)	-	(100,783)
Health and welfare	231,368	-	256,028	-	24,660	-	24,660
Interest	12,943	-	-	-	(12,943)	-	(12,943)
Total governmental activities	<u>3,771,941</u>	<u>341,410</u>	<u>733,862</u>	<u>598,639</u>	<u>(2,098,030)</u>	<u>-</u>	<u>(2,098,030)</u>
Business-type activities							
Water	523,334	391,487	-	4,572	-	(127,275)	(127,275)
Sewer	392,278	420,974	-	-	-	28,696	28,696
Total business-type activities	<u>915,612</u>	<u>812,461</u>	<u>-</u>	<u>4,572</u>	<u>-</u>	<u>(98,579)</u>	<u>(98,579)</u>
Total primary government	<u>\$ 4,687,553</u>	<u>\$ 1,153,871</u>	<u>\$ 733,862</u>	<u>\$ 603,211</u>	<u>(2,098,030)</u>	<u>(98,579)</u>	<u>(2,196,609)</u>
General revenues:							
Taxes:							
Local sales taxes					1,535,523	-	1,535,523
Share of state sales taxes					196,965	-	196,965
Share of state auto lieu taxes					134,133	-	134,133
State urban revenue sharing					236,871	-	236,871
Unrestricted investment earnings					63,662	-	63,662
Miscellaneous					98,054	-	98,054
Special item - Settlements					1,401,317	-	1,401,317
Total general revenues and special items					<u>3,666,525</u>	<u>-</u>	<u>3,666,525</u>
Change in net position					1,568,495	(98,579)	1,469,916
Net position, beginning of year					<u>16,623,585</u>	<u>3,558,656</u>	<u>20,182,241</u>
Net position, end of year					<u>\$ 18,192,080</u>	<u>\$ 3,460,077</u>	<u>\$ 21,652,157</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	HURF Fund	Airport Fund	MPC Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,249,470	\$ 780,482	\$ 767,378	\$ 6,881	\$ 434,324	\$ 5,238,535
Due from other governments	232,264	42,098	8,680	-	13,179	296,221
Other receivables	6,220	-	3,154	-	-	9,374
Inventory	-	-	46,189	-	-	46,189
Total assets	<u>3,487,954</u>	<u>822,580</u>	<u>825,401</u>	<u>6,881</u>	<u>447,503</u>	<u>5,590,319</u>
LIABILITIES						
Accounts payable	13,482	12,429	102	-	1,816	27,829
Accrued expenses	12,173	-	-	-	-	12,173
Deposits held for others	200	-	-	-	-	200
Total liabilities	<u>25,855</u>	<u>12,429</u>	<u>102</u>	<u>-</u>	<u>1,816</u>	<u>40,202</u>
FUND BALANCES						
Nonspendable	-	-	46,189	-	-	46,189
Restricted for:						
Public works and streets	-	810,151	-	-	-	810,151
Tourism promotion	-	-	-	-	47,215	47,215
Senior welfare	-	-	-	-	394,564	394,564
Unassigned	3,462,099	-	779,110	6,881	3,908	4,251,998
Total fund balances	<u>3,462,099</u>	<u>810,151</u>	<u>825,299</u>	<u>6,881</u>	<u>445,687</u>	<u>5,550,117</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,487,954</u>	<u>\$ 822,580</u>	<u>\$ 825,401</u>	<u>\$ 6,881</u>	<u>\$ 447,503</u>	<u>\$ 5,590,319</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Fund balances-total governmental funds	\$ 5,550,117
<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.	15,463,807
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	58,698
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.	(3,135,475)
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>254,933</u>
Net position of governmental activities	<u><u>\$ 18,192,080</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, 2019

	General Fund	HURF Fund	Airport Fund	MPC Fund	Other Governmental Funds	Total Governmental Funds
Revenue						
Intergovernmental	\$ 588,400	\$ 446,214	\$ 43,403	\$ 58,150	\$ 210,163	\$ 1,346,330
Taxes	1,526,291	-	-	-	9,232	1,535,523
Charges for services	42,634	-	247,204	-	-	289,838
Other revenue	51,974	49,865	4,329	-	62,272	168,440
Fines and forfeitures	42,801	-	-	-	-	42,801
Licenses and permits	6,403	-	-	-	-	6,403
Investment income	63,662	-	-	-	-	63,662
Total revenue	<u>2,322,165</u>	<u>496,079</u>	<u>294,936</u>	<u>58,150</u>	<u>281,667</u>	<u>3,452,997</u>
Expenditures						
Current						
General government	598,894	-	-	6	-	598,900
Public safety	1,028,827	-	-	-	11,395	1,040,222
Public works and streets	74,727	343,263	337,296	-	-	755,286
Culture and recreation	185,175	-	-	-	3,642	188,817
Community and economic development	105,941	-	-	-	2,000	107,941
Health and welfare	-	-	-	-	232,848	232,848
Debt service						
Principal	10,210	-	-	15,495	305	26,010
Interest	1,210	-	-	11,705	28	12,943
Capital outlay	105,903	1,972	88,117	400,000	9,626	605,618
Total expenditures	<u>2,110,887</u>	<u>345,235</u>	<u>425,413</u>	<u>427,206</u>	<u>259,844</u>	<u>3,568,585</u>
Excess (deficiency) of revenue over (under) expenditures	<u>211,278</u>	<u>150,844</u>	<u>(130,477)</u>	<u>(369,056)</u>	<u>21,823</u>	<u>(115,588)</u>
Other financing sources (uses)						
Transfers	(68,337)	-	-	25,937	42,400	-
Installment purchase agreement	41,789	-	-	350,000	-	391,789
Total other financing sources (uses)	<u>(26,548)</u>	<u>-</u>	<u>-</u>	<u>375,937</u>	<u>42,400</u>	<u>391,789</u>
Special item(s)						
Litigation settlement proceeds	1,000,000	-	401,317	-	-	1,401,317
Net change in fund balances	<u>1,184,730</u>	<u>150,844</u>	<u>270,840</u>	<u>6,881</u>	<u>64,223</u>	<u>1,677,518</u>
Fund balances, beginning of year	<u>2,277,369</u>	<u>659,307</u>	<u>554,459</u>	<u>-</u>	<u>381,464</u>	<u>3,872,599</u>
Fund balances, end of year	<u>\$ 3,462,099</u>	<u>\$ 810,151</u>	<u>\$ 825,299</u>	<u>\$ 6,881</u>	<u>\$ 445,687</u>	<u>\$ 5,550,117</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2019

Net change in fund balances-total governmental funds \$ 1,677,518

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	605,618	
Depreciation expense	(782,891)	
	(177,273)	(177,273)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Donated capital assets		486,122
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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.

Town pension/OPEB contributions	189,108	
Pension/OPEB expense	(250,529)	
	(61,421)	(61,421)

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.

Notes payable incurred	(350,000)	
Capital leases incurred	(41,789)	
Debt principal repayments	26,010	
	(365,779)	(365,779)

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.

Decrease in compensated absences payable		9,328
		9,328

Change in net position of governmental activities		\$ 1,568,495
		1,568,495

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,187,592	\$ -	\$ 1,187,592
Accounts receivable - net	38,005	40,636	78,641
Due from other funds	139,547	-	139,547
Total current assets	1,365,144	40,636	1,405,780
Noncurrent assets			
Cash and cash equivalents, restricted	86,047	40,893	126,940
Net other postemployment benefits asset	447	349	796
Capital assets, not being depreciated	103,563	-	103,563
Capital assets, being depreciated, net	1,611,613	1,757,842	3,369,455
Total noncurrent assets	1,801,670	1,799,084	3,600,754
Total assets	3,166,814	1,839,720	5,006,534
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	24,964	19,477	44,441
LIABILITIES			
Current liabilities			
Accounts payable	7,353	1,877	9,230
Accrued expenses	2,448	-	2,448
Deferred revenue	4,438	-	4,438
Due to other funds	-	139,547	139,547
Refundable deposits	15,385	10,555	25,940
Compensated absences	12,495	10,626	23,121
Lease payable, current portion	5,139	-	5,139
Notes payable, current portion	39,921	17,478	57,399
Total current liabilities	87,179	180,083	267,262
Noncurrent liabilities			
Notes payable, net of current portion	682,495	294,746	977,241
Net pension and other postemployment benefits liability	170,538	133,054	303,592
Total noncurrent liabilities	853,033	427,800	1,280,833
Total liabilities	940,212	607,883	1,548,095
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	24,044	18,759	42,803
NET POSITION			
Net investment in capital assets	987,621	1,445,618	2,433,239
Restricted for:			
Debt service	58,885	25,282	84,167
Replacements	11,777	5,056	16,833
Unrestricted (deficit)	1,169,239	(243,401)	925,838
Total net position	\$ 2,227,522	\$ 1,232,555	\$ 3,460,077

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenue			
Charges for services	\$ 391,487	\$ 420,974	\$ 812,461
Operating expenses			
Salaries and wages	126,268	108,325	234,593
Employee benefits	58,122	49,324	107,446
Service supplies, and other	178,240	98,191	276,431
Depreciation	140,701	128,579	269,280
Total operating expenses	<u>503,331</u>	<u>384,419</u>	<u>887,750</u>
Operating income (loss)	<u>(111,844)</u>	<u>36,555</u>	<u>(75,289)</u>
Nonoperating revenue (expenses)			
Connection fees	4,572	-	4,572
Interest expense	(20,003)	(7,859)	(27,862)
Total nonoperating revenue (expenses)	<u>(15,431)</u>	<u>(7,859)</u>	<u>(23,290)</u>
Increase (decrease) in net position	<u>(127,275)</u>	<u>28,696</u>	<u>(98,579)</u>
Total net position, beginning of year	<u>2,354,797</u>	<u>1,203,859</u>	<u>3,558,656</u>
Total net position, end of year	<u><u>\$ 2,227,522</u></u>	<u><u>\$ 1,232,555</u></u>	<u><u>\$ 3,460,077</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 385,020	\$ 421,584	\$ 806,604
Payments to suppliers and providers of goods and services	(244,650)	(154,008)	(398,658)
Payments to employees	(125,251)	(108,370)	(233,621)
Net cash provided (used) by operating activities	<u>15,119</u>	<u>159,206</u>	<u>174,325</u>
Cash flows from noncapital financing activities			
Interfund loans	130,094	(130,094)	-
Cash flows from capital and related financing activities			
Connection fees received	4,572	-	4,572
Interest paid	(20,003)	(7,859)	(27,862)
Principal paid on long-term debt	(48,828)	(17,092)	(65,920)
Purchases of capital assets	(16,005)	(7,545)	(23,550)
Net cash provided (used) by capital and related financing activities	<u>(80,264)</u>	<u>(32,496)</u>	<u>(112,760)</u>
Net increase (decrease) in cash	64,949	(3,384)	61,565
Cash and cash equivalents, beginning of year	1,208,690	44,277	1,252,967
Cash and cash equivalents, end of year	<u>\$ 1,273,639</u>	<u>\$ 40,893</u>	<u>\$ 1,314,532</u>
Cash and cash equivalents	\$ 1,187,592	\$ -	\$ 1,187,592
Cash and cash equivalents, restricted	86,047	40,893	126,940
Cash and cash equivalents, end of year	<u>\$ 1,273,639</u>	<u>\$ 40,893</u>	<u>\$ 1,314,532</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	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)	\$ (111,844)	\$ 36,555	\$ (75,289)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	140,701	128,579	269,280
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	8,270	9,050	17,320
Net other postemployment benefits asset	237	185	422
Deferred outflows of resources related to pensions and other postemployment benefits	1,080	842	1,922
Accounts payable	2,845	1,877	4,722
Accrued expenses	(406)	-	(406)
Deferred revenue	813	-	813
Refundable deposits	(15,550)	(8,440)	(23,990)
Compensated absences payable	1,017	(44)	973
Net pension and other postemployment benefits liability	(22,845)	(17,824)	(40,669)
Deferred inflows of resources related to pensions and other postemployment benefits	10,801	8,426	19,227
Net cash provided (used) by operating activities	\$ 15,119	\$ 159,206	\$ 174,325

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 14,310
Investments	51,229
Total assets	65,539
NET POSITION	
Held in trust for investment trust participants	\$ 65,539

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions	
Contributions from participants	\$ 2,693
Investment income	<u>1,393</u>
Total additions	4,086
Deductions	
Other expenses	<u>750</u>
Total deductions	<u>750</u>
Change in net position	3,336
Net position, beginning of year	<u>62,203</u>
Net position, end of year	<u><u>\$ 65,539</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Springerville, Arizona, conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's significant accounting policies are as follows.

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. The 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 and, therefore, are clearly identifiable to a particular function.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 operating revenues, such as charges for services, result from transactions associated with the fund’s principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

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 ***MPC Fund*** accounts for the Springerville Municipal Property Corporation (SMPC) which is a blended component unit of the Town. 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.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

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. Property taxes are recognized as revenue in the year for which they are levied. 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, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, 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 SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2019 in the Water and Sewer Funds, respectively, were \$18,000 and \$12,000.

F. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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 reported in the government-wide statements and proprietary funds 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 Income

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

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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/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.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. 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.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

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.

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.

The Town's investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Deposits – At June 30, 2019, the carrying amount of the Town’s total nonpooled cash in bank was \$3,585,736, and the bank balance was \$3,632,359. Of the bank balance, \$276,164 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	\$ 15,385	\$ 10,555	\$ 25,940
Debt service reserves	58,885	25,282	84,167
Replacement reserves	11,777	5,056	16,833
Total	\$ 86,047	\$ 40,893	\$ 126,940

Investments – The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$2,980,284. 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 on hand	\$ 1,357	\$ -	\$ -	\$ 1,357
Amount of deposits	2,256,894	1,314,532	14,310	3,585,736
State Treasurers investment pool 5	2,980,284	-	-	2,980,284
Total	\$ 5,238,535	\$ 1,314,532	\$ 14,310	\$ 6,567,377

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2019 consisted of the following:

	General Fund	HURF Fund	Airport Fund	Non-Major Governmental Funds
U.S. Dept of Transportation FFA	\$ -	\$ -	\$ 8,274	\$ -
State of Arizona				
Highway user revenues	-	42,098	-	-
State and city sales tax revenues	226,775	-	-	-
Auto lieu tax revenues	5,489	-	-	-
Department of Transportation	-	-	406	-
GOHS grant revenues	-	-	-	3,534
NACOG revenues	-	-	-	9,644
	<u>\$ 232,264</u>	<u>\$ 42,098</u>	<u>\$ 8,680</u>	<u>\$ 13,178</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,796,848	\$ 33,802	\$ -	\$ 1,830,650
Artwork	1,500,000	-	-	1,500,000
Construction in progress	72,188	-	72,188	-
Total capital assets not being depreciated	<u>3,369,036</u>	<u>33,802</u>	<u>72,188</u>	<u>3,330,650</u>
Capital assets being depreciated:				
Buildings and improvements	4,622,950	444,605	-	5,067,555
Vehicles and equipment	4,982,439	143,720	-	5,126,159
Infrastructure	14,405,451	541,801	-	14,947,252
Total	<u>24,010,840</u>	<u>1,130,126</u>	<u>-</u>	<u>25,140,966</u>
Less accumulated depreciation for:				
Buildings and improvements	2,052,241	146,963	-	2,199,204
Vehicles and equipment	3,461,852	184,679	-	3,646,531
Infrastructure	6,710,825	451,249	-	7,162,074
Total	<u>12,224,918</u>	<u>782,891</u>	<u>-</u>	<u>13,007,809</u>
Total capital assets being depreciated, net	<u>11,785,922</u>	<u>347,235</u>	<u>-</u>	<u>12,133,157</u>
Governmental activities capital assets, net	<u>\$ 15,154,958</u>	<u>\$ 381,037</u>	<u>\$ 72,188</u>	<u>\$ 15,463,807</u>

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 4 – CAPITAL ASSETS - Continued

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	103,563	-	-	103,563
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	793,192	23,550	-	816,742
Infrastructure	6,141,202	-	-	6,141,202
Total	9,050,782	23,550	-	9,074,332
Less accumulated depreciation for:				
Buildings and improvements	1,436,405	42,359	-	1,478,764
Vehicles and equipment	356,523	64,276	-	420,799
Infrastructure	3,642,669	162,645	-	3,805,314
Total	5,435,597	269,280	-	5,704,877
Total capital assets being depreciated, net	3,615,185	(245,730)	-	3,369,455
Business-type activities capital assets, net	\$ 3,718,748	\$ (245,730)	\$ -	\$ 3,473,018

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government		\$ 50,649
Public safety		86,590
Public works and streets		610,624
Culture and recreation		25,844
Health and welfare		9,184
Total governmental activities depreciation expense		\$ 782,891
Business-type activities:		
Water		\$ 140,701
Sewer		128,579
Total business-type activities depreciation expense		\$ 269,280

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Governmental activities:					
Notes payable from direct borrowings and direct placements	\$ 246,748	\$ 350,000	\$ 15,800	\$ 580,948	\$ 18,840
Capital leases payable	-	41,789	10,210	31,579	13,458
Net pension and other postemployment benefits liability	2,482,882	-	96,101	2,386,781	-
Compensated absences	145,495	-	9,328	136,167	136,167
	<u>\$ 2,875,125</u>	<u>\$ 391,789</u>	<u>\$ 131,439</u>	<u>\$ 3,135,475</u>	<u>\$ 168,465</u>
Business-type activities:					
Notes payable from direct borrowings and direct placements	\$ 1,090,631	\$ -	\$ 55,991	\$ 1,034,640	\$ 57,399
Capital leases payable	15,068	-	9,929	5,139	5,139
Net pension and other postemployment benefits liability	344,261	-	40,669	303,592	-
Compensated absences	22,148	973	-	23,121	23,121
	<u>\$ 1,472,108</u>	<u>\$ 973</u>	<u>\$ 106,589</u>	<u>\$ 1,366,492</u>	<u>\$ 85,659</u>

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%	\$ 232,524
Note payable - USDA	350,000	2054	3.875%	348,424
Note payable - WIFA	907,218	2034	2.625%	722,416
Note payable - WIFA	396,000	2034	2.450%	312,224
Total notes payable	<u>\$ 1,903,218</u>			<u>\$ 1,615,588</u>

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s notes payable from direct borrowings and direct placements at June 30, 2019.

Year Ending June 30	Governmental Activities		Business-type Activities		Total	
	Note Payable		Note Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2020	\$ 18,840	\$ 20,568	\$ 57,399	\$ 25,350	\$ 76,239	\$ 45,918
2021	19,292	20,116	58,875	23,842	78,167	43,958
2022	19,962	19,446	60,390	22,294	80,352	41,740
2023	20,655	18,753	61,942	20,707	82,597	39,460
2024	21,372	18,036	63,536	19,078	84,908	37,114
2025-29	118,518	78,522	343,048	69,458	461,566	147,980
2030-34	111,538	57,037	389,450	21,976	500,988	79,013
2035-39	47,335	44,225	-	-	47,335	44,225
2040-44	57,436	34,133	-	-	57,436	34,133
2045-49	69,695	21,865	-	-	69,695	21,865
2050-54	76,305	7,049	-	-	76,305	7,049
Total	\$ 580,948	\$ 339,750	\$ 1,034,640	\$ 202,705	\$ 1,615,588	\$ 542,455

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:

	Governmental Activities	Business-type Activities
Vehicles and equipment	\$ 41,789	\$ 29,466
Less: accumulated depreciation	(5,572)	(13,260)
Carrying value	<u>\$ 36,217</u>	<u>\$ 16,206</u>

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2019:

Year Ending June 30	Governmental Activities	Business-Type Activities
2020	\$ 15,227	\$ 5,229
2021	15,227	-
2022	3,807	-
Total minimum lease payments	34,261	5,229
Less amount representing interest	(2,682)	(90)
Present value of net minimum lease payments	<u>\$ 31,579</u>	<u>\$ 5,139</u>

NOTE 6 – RISK MANAGEMENT

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's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Town is insured by Municipal Workers compensation for potential work related accidents.

NOTE 7 – CONTINGENCIES

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 SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – 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, 2019, 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	Governmental Activities	Business-type Activities	Total
Net OPEB assets	\$ 58,698	\$ 796	\$ 59,494
Net pension and OPEB liabilities	2,386,781	303,592	2,690,373
Deferred outflows of resources related to pension and OPEB	428,126	44,441	472,567
Deferred inflows of resources related to pension and OPEB	173,192	42,803	215,995
Pension and OPEB expense	250,529	6,666	257,195

The Town reported \$192,854 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description – 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.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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. 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.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.16 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, 2019, were \$114,029, \$4,691, and \$1,635, respectively.

During fiscal year 2019, the Town paid for ASRS pension and OPEB contributions as follows: 47.37 percent from the General Fund, 14.48 percent from the HURF Fund, 6.06 percent from the Airport Fund, 1.22 percent from the Grants Fund, 9.65 percent from the Senior Center Fund (nonmajor), 11.92 percent from the Water Fund, and 9.30 percent from the Sewer Fund.

Liability - At June 30, 2019, 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	\$ 1,425,330
Health insurance premium benefit	(3,752)
Long-term disability	5,356

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decrease in the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The Town's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	<u>Proportion June 30, 2018</u>	<u>Increase (decrease) from June 30, 2017</u>
Pension	0.01022%	-0.00017%
Health insurance premium benefit	0.01042%	-0.00012%
Long-term disability	0.01025%	-0.00018%

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	25,759
Health insurance premium benefit	3,728
Long-term disability	1,926

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2019, 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 Benefit</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	\$ 39,267	\$ 7,858	\$ -	\$ 3,463
Changes of assumptions or other inputs	37,717	126,375	7,236	-
Net difference between projected and actual earnings on pension plan investments	-	34,276	-	7,495
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,559	21,641	-	16
Town contributions subsequent to the measurement date	<u>114,029</u>	<u>-</u>	<u>4,691</u>	<u>-</u>
Total	<u><u>\$ 194,572</u></u>	<u><u>\$ 190,150</u></u>	<u><u>\$ 11,927</u></u>	<u><u>\$ 10,974</u></u>
	<u>Long-Term Disability</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 137	\$ -		
Changes of assumptions or other inputs	1,160	-		
Net difference between projected and actual earnings on pension plan investments	-	588		
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-		
Town contributions subsequent to the measurement date	<u>1,635</u>	<u>-</u>		
Total	<u><u>\$ 2,932</u></u>	<u><u>\$ 588</u></u>		

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – 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, 2019. 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>
2020	\$ 2,787	\$ (1,458)	5
2021	(45,029)	(1,458)	6
2022	(51,994)	(1,457)	6
2023	(15,371)	143	145
2024	-	492	170
Thereafter	-	-	377

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

ASRS

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
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, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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. 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%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018 the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of .5 from the discount rate used as of June 30, 2017. 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 (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's Proportionate share of the			
Net pension liability	\$ 2,031,841	\$ 1,425,330	\$ 918,600
Net insurance premium benefit liability (asset)	13,295	(3,752)	(18,273)
Net long-term disability liability	6,069	5,356	4,663

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

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – 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.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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, 2019

NOTE 8 – 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, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	3	3
Inactive employees entitled to but not yet receiving benefits	3	2
Active employees	4	4
Total	10	9

Contributions and Annual OPEB Cost – 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, 2019, 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%	44.76%	0.00%

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2019, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 100,506	\$ -

During fiscal year 2019, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2019, the Town reported the following liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 1,259,687	\$ (55,742)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, 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 PSPRS plan investments was determined to be 7.4 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 SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – 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>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same discount rate used as of June 30, 2017. 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 SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 3,139,666	\$ 1,934,863	\$ 1,204,803
Changes for the year			
Service Cost	44,574	-	44,574
Interest on the total liability	230,173	-	230,173
Differences between expected and actual experience in the measurement of the liability	15,879	-	15,879
Contributions-employer	-	108,798	(108,798)
Contributions-employee	-	40,346	(40,346)
Net investment income	-	134,221	(134,221)
Benefit payments, including refunds of employee contributions	(103,023)	(103,023)	-
Hall/Parker Settlement	-	(44,903)	44,903
Administrative expense	-	(2,743)	2,743
Other changes	-	23	(23)
Net changes	187,603	132,719	54,884
Balances at June 30, 2019	\$ 3,327,269	\$ 2,067,582	\$ 1,259,687

	Health Insurance Premium Benefit		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2018	\$ 61,403	\$ 112,223	\$ (50,820)
Changes for the year			
Service Cost	1,145	-	1,145
Interest on the total liability	4,586	-	4,586
Differences between expected and actual experience in the measurement of the liability	(2,928)	-	(2,928)
Net investment income	-	7,844	(7,844)
Administrative expense	-	(119)	119
Net changes	2,803	7,725	(4,922)
Balances at June 30, 2019	\$ 64,206	\$ 119,948	\$ (55,742)

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Net Pension/OPEB 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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 1,644,219	\$ 1,259,687	\$ 3,009,630
Net OPEB (asset) liability	(47,866)	(55,742)	(62,329)

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, 2019, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 230,344	\$ (4,562)

Deferred Outflows/Inflows of Resources – At June 30, 2019, 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 Benefit</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	\$ 12,368	\$ 7,689	\$ -	\$ 2,350
Changes of assumptions or other inputs	125,256	-	-	2,026
Net difference between projected and actual earnings on pension plan investments	25,006	-	-	2,218
Town contributions subsequent to the measurement date	100,506	-	-	-
Total	<u>\$ 263,136</u>	<u>\$ 7,689</u>	<u>\$ -</u>	<u>\$ 6,594</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – 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, 2020. 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
2020	\$ 85,923	\$ (2,112)
2021	48,865	(2,112)
2022	15,074	(2,112)
2023	5,079	(258)
2024	-	-
Thereafter	-	-

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2019 consisted of \$139,547 owed by the Sewer Fund to the Water Fund. The interfund receivable and payable was necessary in order to fund the ongoing activities of the funds in current and prior periods.

Interfund transfers—Interfund transfers for the year ended June 30, 2019, consisted of \$68,337 transferred from the General Fund to the Senior Center Fund (\$42,400) and the MPC Fund (\$25,937). The transfers were made to fund ongoing operations, or to fund debt service.



REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 578,492	\$ 578,492	\$ 588,400	\$ 9,908
Taxes	1,520,000	1,520,000	1,526,291	6,291
Charges for services	89,145	89,145	42,634	(46,511)
Other revenue	1,559,090	1,559,090	51,974	(1,507,116)
Fines and forfeitures	50,000	50,000	42,801	(7,199)
Licenses and permits	11,390	11,390	6,403	(4,987)
Investment income	20,000	20,000	63,662	43,662
Total revenue	<u>3,828,117</u>	<u>3,828,117</u>	<u>2,322,165</u>	<u>(1,505,952)</u>
Expenditures				
Current				
General government	100,000	100,000	2,785	97,215
Mayor & Council	167,197	167,197	62,200	104,997
Legal	99,000	99,000	28,717	70,283
Magistrate	59,957	59,957	54,880	5,077
Administration	295,901	295,901	319,554	(23,653)
Finance	207,345	207,345	209,618	(2,273)
Community development	110,424	110,424	105,941	4,483
Police	921,706	921,706	797,850	123,856
Animal control	60,448	60,448	58,165	2,283
Fire	241,055	241,055	211,275	29,780
Building maintenance	65,584	65,584	51,198	14,386
Heritage/casa	133,889	133,889	119,671	14,218
Mechanic shop	27,837	27,837	23,529	4,308
Parks and cemetery	75,485	75,485	65,504	9,981
Total expenditures	<u>2,565,828</u>	<u>2,565,828</u>	<u>2,110,887</u>	<u>454,941</u>
Excess (deficiency) of revenue over (under) expenditures	1,262,289	1,262,289	211,278	(1,051,011)
Other financing sources (uses)				
Transfers	(92,400)	(92,400)	(68,337)	24,063
Capital lease agreement	-	-	41,789	41,789
Total other financing sources (uses)	<u>(92,400)</u>	<u>(92,400)</u>	<u>(26,548)</u>	<u>65,852</u>
Special item(s)				
Litigation settlement proceeds	-	-	1,000,000	1,000,000
Net change in fund balance	1,169,889	1,169,889	1,184,730	14,841
Fund balances, beginning of year	<u>2,277,369</u>	<u>2,277,369</u>	<u>2,277,369</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,447,258</u>	<u>\$ 3,447,258</u>	<u>\$ 3,462,099</u>	<u>\$ 14,841</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 415,595	\$ 415,595	\$ 446,214	\$ 30,619
Other revenue	-	-	49,865	49,865
Total revenue	<u>415,595</u>	<u>415,595</u>	<u>496,079</u>	<u>80,484</u>
Expenditures				
Current				
Public works and streets	533,528	533,528	343,263	190,265
Capital outlay	1,972	1,972	1,972	-
Total expenditures	<u>535,500</u>	<u>535,500</u>	<u>345,235</u>	<u>190,265</u>
Net change in fund balance	(119,905)	(119,905)	150,844	270,749
Fund balances, beginning of year	<u>659,307</u>	<u>659,307</u>	<u>659,307</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 539,402</u></u>	<u><u>\$ 539,402</u></u>	<u><u>\$ 810,151</u></u>	<u><u>\$ 270,749</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Airport Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 43,403	\$ 43,403
Charges for services	232,840	232,840	247,204	14,364
Other revenue	3,500	3,500	4,329	829
Total revenue	<u>236,340</u>	<u>236,340</u>	<u>294,936</u>	<u>58,596</u>
Expenditures				
Current				
Public works and streets	273,617	273,617	337,296	(63,679)
Capital outlay	88,117	88,117	88,117	-
Total expenditures	<u>361,734</u>	<u>361,734</u>	<u>425,413</u>	<u>(63,679)</u>
Other financing sources (uses)				
Transfers	7,400	7,400	-	(7,400)
Total other financing sources (uses)	<u>7,400</u>	<u>7,400</u>	<u>-</u>	<u>(7,400)</u>
Special item(s)				
Litigation settlement proceeds	-	-	401,317	401,317
Net change in fund balance	(117,994)	(117,994)	270,840	388,834
Fund balances, beginning of year	554,459	554,459	554,459	-
Fund balances, end of year	<u>\$ 436,465</u>	<u>\$ 436,465</u>	<u>\$ 825,299</u>	<u>\$ 388,834</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
MPC Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 58,150	\$ 58,150
Expenditures				
Current				
General government	-	-	6	(6)
Debt service				
Principal	-	-	15,495	(15,495)
Interest	-	-	11,705	(11,705)
Capital outlay	-	-	400,000	(400,000)
Total expenditures	-	-	427,206	(427,206)
Excess (deficiency) of revenue over (under) expenditures	-	-	(369,056)	(369,056)
Other financing sources (uses)				
Transfers	-	-	25,937	25,937
Installment purchase agreement	-	-	350,000	350,000
Total other financing sources (uses)	-	-	375,937	375,937
Net change in fund balance	-	-	6,881	6,881
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 6,881	\$ 6,881

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

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.

NOTE 3 – EXPENDITURES IN EXCESS OF APPORPRIATIONS

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Administration, Finance, MPC, and Airport departments.

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, 2019

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Town's proportion of the net pension liability	0.010220%	0.010390%	0.010450%	0.010100%	0.010188%	Information not available
Town's proportionate share of the net pension liability	\$ 1,425,330	\$ 1,618,559	\$ 1,686,735	\$ 1,172,965	\$ 1,000,283	
Town's covered payroll	\$ 1,019,937	\$ 1,013,553	\$ 978,479	\$ 930,634	\$ 918,383	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.75%	159.69%	172.38%	126.04%	108.92%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.010420%	0.010540%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (3,752)	\$ (5,738)	
Town's covered payroll	\$ 1,019,937	\$ 1,013,553	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.010250%	0.010430%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 5,356	\$ 3,781	Information not available
Town's covered payroll	\$ 1,019,937	\$ 1,013,553	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	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 Pension Plans
June 30, 2019

PSPRS

	Reporting Fiscal Year (Measurement Date)					2014 - 2010
	2019 (2018)	2018(2017)	2017'(2016)	2016'(2015)	2015'(2014)	
Total pension liability						Information not available
Service cost	\$ 44,574	\$ 59,053	\$ 51,746	\$ 57,729	\$ 51,036	
Interest on the total pension liability	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	15,879	(11,965)	(847)	331	(172)	
Changes of assumptions or other inputs	-	93,009	99,265	-	248,915	
Benefit payments, including refunds of employee contributions	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Net change in total pension liability	187,603	285,966	321,388	149,450	408,912	
Total pension liability - beginning	3,139,666	2,853,700	2,532,312	2,382,862	1,973,950	
Total pension liability - ending (a)	<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	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	
Contributions - employee	40,346	43,257	46,406	42,555	35,700	
Net investment income	134,221	203,406	9,786	58,728	192,437	
Benefit payments, including refunds of employee contributions	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Hall/Parker Settlement	(44,903)	-	-	-	-	
Administrative expense	(2,743)	(2,200)	(1,808)	(1,811)	-	
Other changes	23	24	10	(1,382)	(76,069)	
Net change in plan fiduciary net position	132,719	219,030	53,525	63,422	123,349	
Plan fiduciary net position - beginning	1,934,863	1,715,833	1,662,308	1,598,886	1,475,537	
Plan fiduciary net position - ending (b)	<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>\$ 1,259,687</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	62.14%	61.63%	60.13%	65.64%	67.10%	
Covered payroll	\$ 284,472	\$ 263,277	\$ 269,513	\$ 325,488	\$ 309,043	
Town's net pension (asset) liability as a percentage of covered payroll	442.82%	457.62%	422.19%	267.29%	253.68%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Pension Plans
June 30, 2019

PSPRS	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 1,145	\$ 1,369	Information not available
Interest on the total OPEB liability	4,586	4,442	
Changes of benefit terms	-	519	
Differences between expected and actual experience in the measurement of the OPEB liability	(2,928)	(142)	
Changes of assumptions or other inputs	-	(3,326)	
Net change in total OPEB liability	2,803	2,862	
Total OPEB liability - beginning	61,403	58,541	
Total OPEB liability - ending (a)	\$ 64,206	\$ 61,403	
 Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	
Net investment income	7,844	11,838	
Administrative expense	(119)	(105)	
Net change in plan fiduciary net position	7,725	11,733	
Plan fiduciary net position - beginning	112,223	100,490	
Plan fiduciary net position - ending (b)	\$ 119,948	\$ 112,223	
 Town's net OPEB (asset) liability - ending (a) - (b)	\$ (55,742)	\$ (50,820)	
 Plan fiduciary net position as a percentage of the total OPEB liability	186.82%	182.76%	
 Covered payroll	\$ 284,472	\$ 263,277	
 Town's net OPEB (asset) liability as a percentage of covered payroll	-19.59%	-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, 2019

ASRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 114,029	\$ 110,798	\$ 109,261	\$ 106,165	\$ 101,346	\$ 98,267	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(114,029)</u>	<u>(110,798)</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>	
Town's covered payroll	<u>\$ 1,019,937</u>	<u>\$ 1,016,495</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	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 4,691	\$ 4,691	\$ 5,676	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(4,691)</u>	<u>(4,691)</u>	<u>(5,676)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,019,937</u>	<u>\$ 1,016,495</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.46%	0.46%	0.56%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year			
	2019	2018	2017	2016 through 2010
Statutorily required contribution	\$ 1,635	\$ 1,626	\$ 1,419	Information not available
Town's contributions in relation to the statutorily required contribution	(1,635)	(1,626)	(1,419)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,019,937</u>	<u>\$ 1,016,495</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.16%	0.14%	

PSPRS

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 100,506	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	Information not available
Town's contributions in relation to the actuarially determined contribution	(100,506)	(108,798)	(71,123)	(93,363)	(59,564)	(64,094)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 310,092</u>	<u>\$ 284,472</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	32.41%	38.25%	27.01%	34.64%	18.30%	20.74%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2019

PSPRS

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 310,092	\$ 284,472	\$ 263,277	
Town's contributions as a percentage of covered payroll	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, 2019

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In 2017 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth decreased from 5.0% to 4.5%.
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 2019 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes 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



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**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, 2019, 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 November 20, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Colby J. Powell

November 20, 2019

