

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2020**

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the Town of Springerville, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Springerville, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Springerville, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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

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

November 3, 2020



FINANCIAL SECTION

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,876,089	\$ 1,190,875	\$ 7,066,964
Cash and cash equivalents-restricted	-	138,494	138,494
Accounts receivable - net	-	109,537	109,537
Due from other governments	439,754	-	439,754
Other receivables	38,387	-	38,387
Inventory	23,526	-	23,526
Net other postemployment benefits asset	85,678	582	86,260
Capital assets, not being depreciated	3,396,464	103,563	3,500,027
Capital assets, being depreciated, net	11,522,915	3,335,173	14,858,088
Total assets	<u>21,382,813</u>	<u>4,878,224</u>	<u>26,261,037</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	447,407	34,224	481,631
LIABILITIES			
Accounts payable	36,890	2,888	39,778
Accrued expenses	51,423	9,012	60,435
Deferred revenue	22,500	5,541	28,041
Refundable deposits	500	20,660	21,160
Compensated absences	129,588	19,607	149,195
Noncurrent liabilities			
Due within one year	33,668	58,875	92,543
Due in more than one year	3,054,587	1,218,929	4,273,516
Total liabilities	<u>3,329,156</u>	<u>1,335,512</u>	<u>4,664,668</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	180,712	33,224	213,936
NET POSITION			
Net investment in capital assets	14,338,917	2,461,496	16,800,413
Restricted for:			
Debt service	-	84,167	84,167
Replacements	-	33,667	33,667
Public works and streets	1,132,813	-	1,132,813
Senior welfare	386,068	-	386,068
Tourism promotion	47,138	-	47,138
Unrestricted (deficit)	2,415,416	964,382	3,379,798
Total net position	<u>\$ 18,320,352</u>	<u>\$ 3,543,712</u>	<u>\$ 21,864,064</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2020

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		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 628,001	\$ 14,553	\$ 300	\$ -	\$ (613,148)	\$ -	\$ (613,148)
Public safety	1,314,427	82,686	24,392	85,740	(1,121,609)	-	(1,121,609)
Public works and streets	1,430,548	292,518	647,935	27,658	(462,437)	-	(462,437)
Culture and recreation	208,471	13,534	2,184	38,414	(154,339)	-	(154,339)
Community and economic development	127,002	-	51,700	-	(75,302)	-	(75,302)
Health and welfare	275,442	-	290,840	-	15,398	-	15,398
Interest	22,570	-	-	-	(22,570)	-	(22,570)
Total governmental activities	4,006,461	403,291	1,017,351	151,812	(2,434,007)	-	(2,434,007)
Business-type activities							
Water	525,461	399,908	-	187,510	-	61,957	61,957
Sewer	399,386	421,064	-	-	-	21,678	21,678
Total business-type activities	924,847	820,972	-	187,510	-	83,635	83,635
Total primary government	\$ 4,931,308	\$ 1,224,263	\$ 1,017,351	\$ 339,322	(2,434,007)	83,635	(2,350,372)
General revenues:							
Taxes:							
Local sales taxes					1,745,169	-	1,745,169
Share of state sales taxes					204,684	-	204,684
Share of state auto lieu taxes					145,250	-	145,250
State urban revenue sharing					256,309	-	256,309
Unrestricted investment earnings					48,208	-	48,208
Gain on disposal of capital assets					48,218	-	48,218
Miscellaneous					114,441	-	114,441
Total general revenues					<u>2,562,279</u>	<u>-</u>	<u>2,562,279</u>
Change in net position					128,272	83,635	211,907
Net position, beginning of year					<u>18,192,080</u>	<u>3,460,077</u>	<u>21,652,157</u>
Net position, end of year					<u>\$ 18,320,352</u>	<u>\$ 3,543,712</u>	<u>\$ 21,864,064</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	HURF Fund	Airport Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,657,126	\$ 1,101,176	\$ 699,463	\$ -	\$ 418,324	\$ 5,876,089
Due from other governments	296,006	36,097	-	68,256	39,395	439,754
Other receivables	22,055	-	16,332	-	-	38,387
Inventory	-	-	23,526	-	-	23,526
Due from other funds	22,080	-	-	-	-	22,080
Total assets	<u>3,997,267</u>	<u>1,137,273</u>	<u>739,321</u>	<u>68,256</u>	<u>457,719</u>	<u>6,399,836</u>
LIABILITIES						
Accounts payable	15,286	1,138	159	18,548	1,759	36,890
Accrued expenses	42,488	3,322	1,680	-	3,933	51,423
Unearned revenue	-	-	-	90,756	8,000	98,756
Deposits held for others	500	-	-	-	-	500
Due to other funds	-	-	-	22,080	-	22,080
Total liabilities	<u>58,274</u>	<u>4,460</u>	<u>1,839</u>	<u>131,384</u>	<u>13,692</u>	<u>209,649</u>
FUND BALANCES						
Nonspendable	22,080	-	23,526	-	-	45,606
Restricted for:						
Public works and streets	-	1,132,813	-	-	-	1,132,813
Tourism promotion	-	-	-	-	47,138	47,138
Senior welfare	-	-	-	-	386,068	386,068
Assigned	-	-	713,956	-	10,821	724,777
Unassigned	3,916,913	-	-	(63,128)	-	3,853,785
Total fund balances	<u>3,938,993</u>	<u>1,132,813</u>	<u>737,482</u>	<u>(63,128)</u>	<u>444,027</u>	<u>6,190,187</u>
Total liabilities and fund balances	<u>\$ 3,997,267</u>	<u>\$ 1,137,273</u>	<u>\$ 739,321</u>	<u>\$ 68,256</u>	<u>\$ 457,719</u>	<u>\$ 6,399,836</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2020

Fund balances-total governmental funds	\$ 6,190,187
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,919,379
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	76,256
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	85,678
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.	(3,217,843)
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>266,695</u>
Net position of governmental activities	<u><u>\$ 18,320,352</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	General Fund	HURF Fund	Airport Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 1,732,785	\$ -	\$ -	\$ -	\$ 12,384	\$ 1,745,169
Intergovernmental	629,187	647,935	27,658	113,515	220,297	1,638,592
Charges for services	59,313	-	282,496	-	-	341,809
Other revenue	98,916	23,695	1,522	-	54,542	178,675
Investment income	48,208	-	-	-	-	48,208
Fines and forfeitures	46,312	-	-	-	-	46,312
Licenses and permits	14,303	-	-	-	-	14,303
Total revenues	<u>2,629,024</u>	<u>671,630</u>	<u>311,676</u>	<u>113,515</u>	<u>287,223</u>	<u>4,013,068</u>
Expenditures						
Current						
General government	576,222	-	-	-	-	576,222
Public safety	1,129,633	-	-	4,025	-	1,133,658
Public works and streets	78,736	348,968	400,654	-	-	828,358
Culture and recreation	175,345	-	-	8,203	-	183,548
Community and economic development	61,833	-	-	54,450	12,461	128,744
Health and welfare	-	-	-	-	267,826	267,826
Debt service						
Principal	13,458	-	-	-	18,607	32,065
Interest	1,769	-	-	-	20,801	22,570
Capital outlay	68,937	-	44,248	116,722	15,509	245,416
Total expenditures	<u>2,105,933</u>	<u>348,968</u>	<u>444,902</u>	<u>183,400</u>	<u>335,204</u>	<u>3,418,407</u>
Excess (deficiency) of revenue over expenditures	<u>523,091</u>	<u>322,662</u>	<u>(133,226)</u>	<u>(69,885)</u>	<u>(47,981)</u>	<u>594,661</u>
Other financing sources (uses)						
Sale of capital assets	-	-	45,409	-	-	45,409
Transfers	(46,197)	-	-	2,849	43,348	-
Total other financing sources (uses)	<u>(46,197)</u>	<u>-</u>	<u>45,409</u>	<u>2,849</u>	<u>43,348</u>	<u>45,409</u>
Net change in fund balances	476,894	322,662	(87,817)	(67,036)	(4,633)	640,070
Fund balances, beginning of year	<u>3,462,099</u>	<u>810,151</u>	<u>825,299</u>	<u>3,908</u>	<u>448,660</u>	<u>5,550,117</u>
Fund balances, end of year	<u>\$ 3,938,993</u>	<u>\$ 1,132,813</u>	<u>\$ 737,482</u>	<u>\$ (63,128)</u>	<u>\$ 444,027</u>	<u>\$ 6,190,187</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2020

Net change in fund balances-total governmental funds \$ 640,070

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	245,416	
Depreciation expense	(789,844)	
	(544,428)	(544,428)

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	304,206	
Pension/OPEB expense	(310,220)	
	(6,014)	(6,014)

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.

Debt principal repayments	32,065	
	32,065	32,065

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		6,579
		6,579

Change in net position of governmental activities \$ 128,272

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,190,875	\$ -	\$ 1,190,875
Accounts receivable - net	60,192	49,345	109,537
Due from other funds	22,926	-	22,926
Total current assets	1,273,993	49,345	1,323,338
Noncurrent assets			
Cash and cash equivalents, restricted	94,804	43,690	138,494
Net other postemployment benefits asset	327	255	582
Capital assets, not being depreciated	103,563	-	103,563
Capital assets, being depreciated, net	1,705,265	1,629,908	3,335,173
Total noncurrent assets	1,903,959	1,673,853	3,577,812
Total assets	3,177,952	1,723,198	4,901,150
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	19,225	14,999	34,224
LIABILITIES			
Current liabilities			
Accounts payable	2,551	337	2,888
Accrued expenses	6,310	2,702	9,012
Deferred revenue	5,541	-	5,541
Due to other funds	-	22,926	22,926
Refundable deposits	12,365	8,295	20,660
Compensated absences	10,937	8,670	19,607
Notes payable, current portion	40,969	17,906	58,875
Total current liabilities	78,673	60,836	139,509
Noncurrent liabilities			
Notes payable, net of current portion	641,525	276,840	918,365
Net pension and other postemployment benefits liability	168,837	131,727	300,564
Total noncurrent liabilities	810,362	408,567	1,218,929
Total liabilities	889,035	469,403	1,358,438
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	18,663	14,561	33,224
NET POSITION			
Net investment in capital assets	1,126,334	1,335,162	2,461,496
Restricted for:			
Debt service	58,885	25,282	84,167
Replacements	23,554	10,113	33,667
Unrestricted (deficit)	1,080,706	(116,324)	964,382
Total net position	\$ 2,289,479	\$ 1,254,233	\$ 3,543,712

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues			
Charges for services	\$ 399,908	\$ 421,064	\$ 820,972
Operating expenses			
Service supplies, and other	174,697	105,556	280,253
Depreciation	145,949	127,934	273,883
Salaries and wages	124,744	107,232	231,976
Employee benefits	61,542	51,229	112,771
Total operating expenses	<u>506,932</u>	<u>391,951</u>	<u>898,883</u>
Operating income (loss)	<u>(107,024)</u>	<u>29,113</u>	<u>(77,911)</u>
Nonoperating revenues (expenses)			
Connection fees	2,510	-	2,510
Interest expense	(18,529)	(7,435)	(25,964)
Total nonoperating revenues (expenses)	<u>(16,019)</u>	<u>(7,435)</u>	<u>(23,454)</u>
Income (loss) before contributions	<u>(123,043)</u>	<u>21,678</u>	<u>(101,365)</u>
Capital contributions	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Increase (decrease) in net position	<u>61,957</u>	<u>21,678</u>	<u>83,635</u>
Total net position, beginning of year	<u>2,227,522</u>	<u>1,232,555</u>	<u>3,460,077</u>
Total net position, end of year	<u>\$ 2,289,479</u>	<u>\$ 1,254,233</u>	<u>\$ 3,543,712</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 375,804	\$ 410,095	\$ 785,899
Payments to suppliers and providers of goods and services	(241,728)	(159,278)	(401,006)
Payments to employees	(122,976)	(106,486)	(229,462)
Net cash provided (used) by operating activities	<u>11,100</u>	<u>144,331</u>	<u>155,431</u>
Cash flows from noncapital financing activities			
Interfund loans	<u>116,621</u>	<u>(116,621)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Cash contributions for capital purposes	185,000	-	185,000
Connection fees received	2,510	-	2,510
Interest paid	(18,529)	(7,435)	(25,964)
Principal paid on long-term debt	(45,061)	(17,478)	(62,539)
Purchases of capital assets	<u>(239,601)</u>	<u>-</u>	<u>(239,601)</u>
Net cash provided (used) by capital and related financing activities	<u>(115,681)</u>	<u>(24,913)</u>	<u>(140,594)</u>
Net increase (decrease) in cash	12,040	2,797	14,837
Cash and cash equivalents, beginning of year	<u>1,273,639</u>	<u>40,893</u>	<u>1,314,532</u>
Cash and cash equivalents, end of year	<u>\$ 1,285,679</u>	<u>\$ 43,690</u>	<u>\$ 1,329,369</u>
Cash and cash equivalents	\$ 1,190,875	\$ -	\$ 1,190,875
Cash and cash equivalents, restricted	<u>94,804</u>	<u>43,690</u>	<u>138,494</u>
Cash and cash equivalents, end of year	<u>\$ 1,285,679</u>	<u>\$ 43,690</u>	<u>\$ 1,329,369</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	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)	\$ (107,024)	\$ 29,113	\$ (77,911)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	145,949	127,934	273,883
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(22,187)	(8,709)	(30,896)
Net other postemployment benefits asset	120	94	214
Deferred outflows of resources related to pensions and other postemployment benefits	5,739	4,478	10,217
Accounts payable	(4,802)	(1,540)	(6,342)
Accrued expenses	3,862	2,702	6,564
Deferred revenue	1,103	-	1,103
Refundable deposits	(3,020)	(2,260)	(5,280)
Compensated absences payable	(1,558)	(1,956)	(3,514)
Net pension and other postemployment benefits liability	(1,701)	(1,327)	(3,028)
Deferred inflows of resources related to pensions and other postemployment benefits	(5,381)	(4,198)	(9,579)
Net cash provided (used) by operating activities	\$ 11,100	\$ 144,331	\$ 155,431

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 10,037
Investments	53,015
Total assets	63,052
 NET POSITION	
Held in trust for investment trust participants	\$ 63,052

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2020

	Volunteer Firefighters' Relief and Pension
Additions	
Contributions from participants	\$ 5,231
Investment income	2,547
Total additions	7,778
 Deductions	
Other expenses	756
Distributions to participants	9,510
Total deductions	10,266
Change in net position	(2,488)
Net position, beginning of year	65,540
Net position, end of year	\$ 63,052

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

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

The Town reports the following fund types:

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

C. Basis of Accounting

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

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020 in the Water and Sewer Funds, respectively, were \$18,000 and \$12,000.

F. Capital Assets

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

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

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

G. Investment Earnings

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

H. Inventories

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

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Compensated Absences

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

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

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

J. Deferred Outflows and Inflows of Resources

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

K. Postemployment Benefits

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

L. Fund Balance Reporting

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

Foreign currency risk

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

Deposits – At June 30, 2020, the carrying amount of the Town’s total cash in bank was \$4,185,646, and the bank balance was \$4,257,948. Of the bank balance, \$272,996 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

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

	Water Fund	Sewer Fund	Total
Refundable customer deposits	\$ 12,365	\$ 8,295	\$ 20,660
Debt service reserves	58,885	25,282	84,167
Replacement reserves	23,554	10,113	33,667
	\$ 94,804	\$ 43,690	\$ 138,494

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

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

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

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

	Governmental activities	Business-type activities	Fiduciary-type fund	Total
Cash and cash equivalents:				
Cash on hand	\$ 1,357	\$ -	\$ -	\$ 1,357
Amount of deposits	2,846,240	1,329,369	10,037	4,185,646
State Treasurers investment pool 5	3,028,492	-	-	3,028,492
Total	<u>\$ 5,876,089</u>	<u>\$ 1,329,369</u>	<u>\$ 10,037</u>	<u>\$ 7,215,495</u>

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2020 consisted of the following:

	General Fund	HURF Fund	Grants Fund	Non-Major Governmental Funds
State of Arizona				
State and city sales tax revenues	\$ 288,185	\$ -	\$ -	\$ -
Auto lieu tax revenues	7,821	-	-	-
Highway user revenues	-	36,097	-	-
CDBG grant revenues	-	-	19,306	-
Arizona Commerce Authority	-	-	48,950	-
NACOG revenues	-	-	-	39,395
	<u>\$ 296,006</u>	<u>\$ 36,097</u>	<u>\$ 68,256</u>	<u>\$ 39,395</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,830,650	\$ -	\$ -	\$ 1,830,650
Artwork	1,500,000	-	-	1,500,000
Construction in progress	-	65,814	-	65,814
Total capital assets not being depreciated	<u>3,330,650</u>	<u>65,814</u>	<u>-</u>	<u>3,396,464</u>
Capital assets being depreciated:				
Buildings and improvements	5,067,555	15,509	-	5,083,064
Vehicles and equipment	5,126,159	164,093	44,130	5,246,122
Infrastructure	14,947,252	-	-	14,947,252
Total	<u>25,140,966</u>	<u>179,602</u>	<u>44,130</u>	<u>25,276,438</u>
Less accumulated depreciation for:				
Buildings and improvements	2,199,204	152,839	-	2,352,043
Vehicles and equipment	3,646,531	194,382	44,130	3,796,783
Infrastructure	7,162,074	442,623	-	7,604,697
Total	<u>13,007,809</u>	<u>789,844</u>	<u>44,130</u>	<u>13,753,523</u>
Total capital assets being depreciated, net	<u>12,133,157</u>	<u>(610,242)</u>	<u>-</u>	<u>11,522,915</u>
Governmental activities capital assets, net	<u>\$ 15,463,807</u>	<u>\$ (544,428)</u>	<u>\$ -</u>	<u>\$ 14,919,379</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	<u>103,563</u>	<u>-</u>	<u>-</u>	<u>103,563</u>
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	816,742	46,753	-	863,495
Infrastructure	6,141,202	192,848	-	6,334,050
Total	<u>9,074,332</u>	<u>239,601</u>	<u>-</u>	<u>9,313,933</u>
Less accumulated depreciation for:				
Buildings and improvements	1,478,764	42,358	-	1,521,122
Vehicles and equipment	420,799	69,799	-	490,598
Infrastructure	3,805,314	161,726	-	3,967,040
Total	<u>5,704,877</u>	<u>273,883</u>	<u>-</u>	<u>5,978,760</u>
Total capital assets being depreciated, net	<u>3,369,455</u>	<u>(34,282)</u>	<u>-</u>	<u>3,335,173</u>
Business-type activities capital assets, net	<u>\$ 3,473,018</u>	<u>\$ (34,282)</u>	<u>\$ -</u>	<u>\$ 3,438,736</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 4 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 55,703
Public safety	92,084
Public works and streets	605,710
Culture and recreation	26,585
Health and welfare	9,762
Total governmental activities depreciation expense	\$ 789,844
Business-type activities:	
Water	\$ 145,949
Sewer	127,934
Total business-type activities depreciation expense	\$ 273,883

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2020.

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Governmental activities:					
Notes payable from direct borrowings and direct placements	\$ 580,948	\$ -	\$ 18,607	\$ 562,341	\$ 19,292
Capital leases payable	31,579	-	13,458	18,121	14,376
Net pension and other postemployment benefits liability	2,386,781	121,012	-	2,507,793	-
Compensated absences	136,167	-	6,579	129,588	129,588
	\$ 3,135,475	\$ 121,012	\$ 38,644	\$ 3,217,843	\$ 163,256
Business-type activities:					
Notes payable from direct borrowings and direct placements	\$ 1,034,640	\$ -	\$ 57,400	\$ 977,240	\$ 58,875
Capital leases payable	5,139	-	5,139	-	-
Net pension and other postemployment benefits liability	303,592	-	3,028	300,564	-
Compensated absences	23,121	-	3,514	19,607	19,607
	\$ 1,366,492	\$ -	\$ 69,081	\$ 1,297,411	\$ 78,482

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 5 – LONG-TERM LIABILITIES – Continued

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

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Note payable - USDA	\$ 250,000	2034	3.250%	\$ 218,794
Note payable - USDA	350,000	2054	3.875%	343,547
Note payable - WIFA	907,218	2034	2.625%	682,494
Note payable - WIFA	396,000	2034	2.450%	294,746
Total notes payable	<u>\$ 1,903,218</u>			<u>\$ 1,539,581</u>

The following schedule details debt service requirements to maturity for the Town’s notes payable from direct borrowings and direct placements at June 30, 2020.

Year Ending June 30	Governmental Activities		Business-type Activities		Total	
	Note Payable		Note Payable			
	Principal	Interest	Principal	Interest	Principal	Interest
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	22,113	17,295	65,169	17,407	87,282	34,702
2026-2030	122,636	74,404	351,871	60,438	474,507	134,842
2031-2035	94,056	53,423	315,457	13,588	409,513	67,011
2036-2040	49,202	42,358	-	-	49,202	42,358
2041-2045	59,702	31,867	-	-	59,702	31,867
2046-2050	72,444	19,116	-	-	72,444	19,116
2051-2055	60,907	4,598	-	-	60,907	4,598
Total	<u>\$ 562,341</u>	<u>\$ 319,412</u>	<u>\$ 977,240</u>	<u>\$ 177,354</u>	<u>\$ 1,539,581</u>	<u>\$ 496,766</u>

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles and equipment	\$ 41,789
Less: accumulated depreciation	(13,930)
Carrying value	<u>\$ 27,859</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020:

Year Ending June 30	Governmental Activities
2021	\$ 15,227
2022	3,807
Total minimum lease payments	19,034
Less amount representing interest	(913)
Present value of net minimum lease payments	\$ 18,121

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 carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 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 SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net OPEB assets	\$ 85,678	\$ 582	\$ 86,260
Net pension and OPEB liabilities	2,507,793	300,564	2,808,357
Deferred outflows of resources related to pension and OPEB	447,407	34,224	481,631
Deferred inflows of resources related to pension and OPEB	180,712	33,224	213,936
Pension and OPEB expense	310,220	23,916	334,136

The Town reported \$304,206 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits.

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020, were \$89,490, \$3,830, and \$1,329, respectively.

During fiscal year 2020, the Town paid for ASRS pension and OPEB contributions as follows: 78.78 percent from the General Fund, 11.92 percent from the Water Fund, and 9.30 percent from the Sewer Fund.

Liability - At June 30, 2020, 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	\$ 1,410,008
Health insurance premium benefit	(2,744)
Long-term disability	6,410

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The Town's proportions were measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	<u>Proportion June 30, 2019</u>	<u>Increase (decrease) from June 30, 2018</u>
Pension	0.00969%	-0.00053%
Health insurance premium benefit	0.00993%	-0.00049%
Long-term disability	0.00984%	-0.00041%

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	107,229
Health insurance premium benefit	3,435
Long-term disability	2,040

Deferred Outflows/Inflows of Resources—At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium</u>		<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,472	\$ 265	\$ -	\$ 3,280	\$ 757	\$ -
Changes of assumptions or other inputs	5,960	56,149	5,397	-	959	-
Net difference between projected and actual earnings on pension plan investments	-	31,692	-	3,569	-	137
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	61,244	-	14	-	221
Town contributions subsequent to the measurement date	116,150	-	4,891	-	1,697	-
Total	<u>\$ 147,582</u>	<u>\$ 149,350</u>	<u>\$ 10,288</u>	<u>\$ 6,863</u>	<u>\$ 3,413</u>	<u>\$ 358</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2021. 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>
2021	\$ (58,287)	\$ (1,193)	123
2022	(62,033)	(1,192)	122
2023	(6,086)	332	256
2024	8,488	665	280
2025	-	(78)	229
Thereafter	-	-	348

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

ASRS

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
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, 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 ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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 Rate of Return</u>
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's Proportionate share of the			
Net pension liability	\$ 2,006,768	\$ 1,410,008	\$ 911,270
Net insurance premium benefit liability (asset)	13,901	(2,744)	(16,926)
Net long-term disability liability	7,094	6,410	5,747

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2020, the following employees were covered by the agent plans’ benefit terms:

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

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2020, 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%	53.15%	0.00%

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

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	9.94%	50.68%	0.00%

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2020, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 138,277	\$ -

During fiscal year 2020, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2020, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 1,391,939	\$ (83,516)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed Income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

Discount Rate – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 3,327,269	\$ 2,067,582	\$ 1,259,687
Changes for the year			
Service Cost	37,570	-	37,570
Interest on the total liability	236,583	-	236,583
Differences between expected and actual experience in the measurement of the liability	(37,671)	-	(37,671)
Changes of assumptions or other inputs	102,203	-	102,203
Contributions-employer	-	93,313	(93,313)
Contributions-employee	-	9,703	(9,703)
Net investment income	-	106,265	(106,265)
Benefit payments, including refunds of employee contributions	(335,541)	(335,541)	-
Administrative expense	-	(2,848)	2,848
Net changes	3,144	(129,108)	132,252
Balances at June 30, 2020	\$ 3,330,413	\$ 1,938,474	\$ 1,391,939

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2019	\$ 64,206	\$ 119,948	\$ (55,742)
Changes for the year			
Service Cost	1,168	-	1,168
Interest on the total liability	4,838	-	4,838
Differences between expected and actual experience in the measurement of the liability	(27,862)	-	(27,862)
Changes of assumptions or other inputs	477	-	477
Net investment income	-	6,507	(6,507)
Administrative expense	-	(112)	112
Net changes	(21,379)	6,395	(27,774)
Balances at June 30, 2020	\$ 42,827	\$ 126,343	\$ (83,516)

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 1,799,928	\$ 1,391,939	\$ 1,054,498
Net OPEB (asset) liability	(78,082)	(83,516)	(88,071)

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, 2020, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 232,669	\$ (11,237)

Deferred Outflows/Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,706	\$ 33,433	\$ -	\$ 22,556
Changes of assumptions or other inputs	141,969	-	357	1,376
Net difference between projected and actual earnings on pension plan investments	30,595	-	444	-
Town contributions subsequent to the measurement date	138,277	-	-	-
Total	<u>\$ 319,547</u>	<u>\$ 33,433</u>	<u>\$ 801</u>	<u>\$ 23,932</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2020

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, 2021. 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
2021	\$ 72,603	\$ (8,486)
2022	38,812	(8,486)
2023	28,817	(6,632)
2024	7,605	473
2025	-	-
Thereafter	-	-

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2020 consisted of \$22,926 owed by the Sewer Fund to the Water Fund and \$22,080 owed by the grants fund to the General Fund. These interfund receivables and payables were necessary in order to fund the ongoing activities of the respective funds in current and prior periods.

Interfund transfers—Interfund transfers for the year ended June 30, 2020, consisted of \$46,197 transferred from the General Fund to the MPC Fund (\$43,348) and the Grants Fund (\$2,849). The transfers were made to fund ongoing operations, or to fund debt service.



REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,732,785	\$ 147,785
Intergovernmental	615,000	615,000	629,187	14,187
Other revenue	86,300	86,300	98,916	12,616
Charges for services	69,317	69,317	59,313	(10,004)
Investment income	62,000	62,000	48,208	(13,792)
Fines and forfeitures	49,650	49,650	46,312	(3,338)
Licenses and permits	9,930	9,930	14,303	4,373
Total revenues	<u>2,477,197</u>	<u>2,477,197</u>	<u>2,629,024</u>	<u>151,827</u>
Expenditures				
Current				
General government	268,500	268,500	6,405	262,095
Mayor & Council	197,357	197,357	101,621	95,736
Legal	60,500	60,500	45,224	15,276
Magistrate	59,957	59,957	57,953	2,004
Administration	310,860	310,860	275,514	35,346
Finance	207,160	207,160	194,132	13,028
Community development	111,402	111,402	61,833	49,569
Police	963,961	963,961	848,121	115,840
Animal control	68,492	68,492	65,565	2,927
Fire	274,883	274,883	189,261	85,622
Building maintenance	64,855	64,855	52,664	12,191
Heritage/casa	123,546	123,546	116,511	7,035
Mechanic shop	26,506	26,506	26,072	434
Parks and cemetery	83,019	83,019	65,057	17,962
Total expenditures	<u>2,820,998</u>	<u>2,820,998</u>	<u>2,105,933</u>	<u>715,065</u>
Excess (deficiency) of revenue over (under) expenditures	(343,801)	(343,801)	523,091	866,892
Other financing sources (uses)				
Transfers	(43,500)	(43,500)	(46,197)	(2,697)
Net change in fund balance	(387,301)	(387,301)	476,894	864,195
Fund balances, beginning of year	<u>3,462,099</u>	<u>3,462,099</u>	<u>3,462,099</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,074,798</u>	<u>\$ 3,074,798</u>	<u>\$ 3,938,993</u>	<u>\$ 864,195</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 428,184	\$ 428,184	\$ 647,935	\$ 219,751
Other revenue	2,000	2,000	23,695	21,695
Total revenues	<u>430,184</u>	<u>430,184</u>	<u>671,630</u>	<u>241,446</u>
Expenditures				
Current				
Public works and streets	454,181	454,181	348,968	105,213
Net change in fund balance	(23,997)	(23,997)	322,662	346,659
Fund balances, beginning of year	810,151	810,151	810,151	-
Fund balances, end of year	<u>\$ 786,154</u>	<u>\$ 786,154</u>	<u>\$ 1,132,813</u>	<u>\$ 346,659</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Airport Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 279,268	\$ 279,268	\$ 282,496	\$ 3,228
Intergovernmental	-	-	27,658	27,658
Other revenue	1,500	1,500	1,522	22
Total revenues	<u>280,768</u>	<u>280,768</u>	<u>311,676</u>	<u>30,908</u>
Expenditures				
Current				
Public works and streets	441,483	441,483	400,654	40,829
Capital outlay	50,000	50,000	44,248	5,752
Total expenditures	<u>491,483</u>	<u>491,483</u>	<u>444,902</u>	<u>46,581</u>
Other financing sources (uses)				
Sale of capital assets	-	-	45,409	45,409
Net change in fund balance	(210,715)	(210,715)	(87,817)	122,898
Fund balances, beginning of year	<u>825,299</u>	<u>825,299</u>	<u>825,299</u>	<u>-</u>
Fund balances, end of year	<u>\$ 614,584</u>	<u>\$ 614,584</u>	<u>\$ 737,482</u>	<u>\$ 122,898</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,889,254	\$ 1,889,254	\$ 113,515	\$ (1,775,739)
Expenditures				
Current				
General government	733,024	733,024	-	733,024
Public safety	450,230	450,230	89,863	360,367
Public works and streets	150,000	150,000	-	150,000
Culture and recreation	285,000	285,000	39,087	245,913
Community and economic dev	271,000	271,000	54,450	216,550
Total expenditures	<u>1,889,254</u>	<u>1,889,254</u>	<u>183,400</u>	<u>1,705,854</u>
Other financing sources (uses)				
Transfers	-	-	2,849	2,849
Net change in fund balance	-	-	(67,036)	(67,036)
Fund balances, beginning of year	<u>3,908</u>	<u>3,908</u>	<u>3,908</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,908</u>	<u>\$ 3,908</u>	<u>\$ (63,128)</u>	<u>\$ (67,036)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2020

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.

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, 2020

ASRS-Pension	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.009690%	0.010220%	0.010390%	0.010450%	0.010100%	0.010188%	Information not available
Town's proportionate share of the net pension liability	\$ 1,410,008	\$ 1,425,330	\$ 1,618,559	\$ 1,686,735	\$ 1,172,965	\$ 1,000,283	
Town's covered payroll	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	\$ 978,479	\$ 930,634	\$ 918,383	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	137.99%	140.30%	159.69%	172.38%	126.04%	108.92%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	
ASRS-Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011			
Town's proportion of the net OPEB (asset)	0.009930%	0.010420%	0.010540%	Information not available			
Town's proportionate share of the net OPEB (asset)	\$ (2,744)	\$ (3,752)	\$ (5,738)				
Town's covered payroll	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553				
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.27%	-0.37%	-0.57%				
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%				
ASRS-Long-Term Disability	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011			
Town's proportion of the net OPEB (asset)	0.009840%	0.010250%	0.010430%	Information not available			
Town's proportionate share of the net OPEB (asset)	\$ 6,410	\$ 5,356	\$ 3,781				
Town's covered payroll	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553				
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.63%	0.53%	0.37%				
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%				

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2020

PSPRS	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							Information not available
Service cost	\$ 37,570	\$ 44,574	\$ 59,053	\$ 51,746	\$ 57,729	\$ 51,036	
Interest on the total pension liability	236,583	230,173	212,620	197,119	185,622	153,315	
Changes of benefit terms	-	-	29,829	68,337	-	48,631	
Differences between expected and actual experience in the measurement of the pension liability	(37,671)	15,879	(11,965)	(847)	331	(172)	
Changes of assumptions or other inputs	102,203	-	93,009	99,265	-	248,915	
Benefit payments, including refunds of employee contributions	<u>(335,541)</u>	<u>(103,023)</u>	<u>(96,580)</u>	<u>(94,232)</u>	<u>(94,232)</u>	<u>(92,813)</u>	
Net change in total pension liability	3,144	187,603	285,966	321,388	149,450	408,912	
Total pension liability - beginning	<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>	<u>1,973,950</u>	
Total pension liability - ending (a)	<u>\$ 3,330,413</u>	<u>\$ 3,327,269</u>	<u>\$ 3,139,666</u>	<u>\$ 2,853,700</u>	<u>\$ 2,532,312</u>	<u>\$ 2,382,862</u>	
Plan fiduciary net position							
Contributions - employer	\$ 93,313	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	
Contributions - employee	9,703	40,346	43,257	46,406	42,555	35,700	
Net investment income	106,265	134,221	203,406	9,786	58,728	192,437	
Benefit payments, including refunds of employee contributions	<u>(335,541)</u>	<u>(103,023)</u>	<u>(96,580)</u>	<u>(94,232)</u>	<u>(94,232)</u>	<u>(92,813)</u>	
Hall/Parker Settlement	-	(44,903)	-	-	-	-	
Administrative expense	(2,848)	(2,743)	(2,200)	(1,808)	(1,811)	-	
Other changes	<u>-</u>	<u>23</u>	<u>24</u>	<u>10</u>	<u>(1,382)</u>	<u>(76,069)</u>	
Net change in plan fiduciary net position	(129,108)	132,719	219,030	53,525	63,422	123,349	
Plan fiduciary net position - beginning	<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>	<u>1,475,537</u>	
Plan fiduciary net position - ending (b)	<u>\$ 1,938,474</u>	<u>\$ 2,067,582</u>	<u>\$ 1,934,863</u>	<u>\$ 1,715,833</u>	<u>\$ 1,662,308</u>	<u>\$ 1,598,886</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,391,939</u>	<u>\$ 1,259,687</u>	<u>\$ 1,204,803</u>	<u>\$ 1,137,867</u>	<u>\$ 870,004</u>	<u>\$ 783,976</u>	
Plan fiduciary net position as a percentage of the total pension liability	58.21%	62.14%	61.63%	60.13%	65.64%	67.10%	
Covered payroll	\$ 224,545	\$ 224,556	\$ 263,277	\$ 269,513	\$ 325,488	\$ 309,043	
Town's net pension (asset) liability as a percentage of covered payroll	619.89%	560.97%	457.62%	422.19%	267.29%	253.68%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2020

PSPRS	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability				
Service cost	\$ 1,168	\$ 1,145	\$ 1,369	Information not available
Interest on the total OPEB liability	4,838	4,586	4,442	
Changes of benefit terms	-	-	519	
Differences between expected and actual experience in the measurement of the OPEB liability	(27,862)	(2,928)	(142)	
Changes of assumptions or other inputs	477	-	(3,326)	
Net change in total OPEB liability	(21,379)	2,803	2,862	
Total OPEB liability - beginning	64,206	61,403	58,541	
Total OPEB liability - ending (a)	\$ 42,827	\$ 64,206	\$ 61,403	
Plan fiduciary net position				
Net investment income	\$ 6,507	\$ 7,844	\$ 11,838	
Administrative expense	(112)	(119)	(105)	
Net change in plan fiduciary net position	6,395	7,725	11,733	
Plan fiduciary net position - beginning	119,948	112,223	100,490	
Plan fiduciary net position - ending (b)	\$ 126,343	\$ 119,948	\$ 112,223	
Town's net OPEB (asset) liability - ending (a) - (b)	\$ (83,516)	\$ (55,742)	\$ (50,820)	
Plan fiduciary net position as a percentage of the total OPEB liability	295.01%	186.82%	182.76%	
Covered payroll	\$ 224,545	\$ 224,556	\$ 263,277	
Town's net OPEB (asset) liability as a percentage of covered payroll	-37.19%	-24.82%	-19.30%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

ASRS-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 116,150	\$ 114,240	\$ 110,736	\$ 109,261	\$ 106,165	\$ 101,346	\$ 98,267	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(116,150)</u>	<u>(114,240)</u>	<u>(110,736)</u>	<u>(109,261)</u>	<u>(106,165)</u>	<u>(101,346)</u>	<u>(98,267)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	<u>\$ 978,479</u>	<u>\$ 930,634</u>	<u>\$ 918,383</u>	
Town's contributions as a percentage of covered payroll	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 4,891	\$ 4,699	\$ 4,470	\$ 5,676	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(4,891)</u>	<u>(4,699)</u>	<u>(4,470)</u>	<u>(5,676)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.49%	0.46%	0.44%	0.56%	

ASRS-Long-Term Disability

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,697	\$ 1,635	\$ 1,626	\$ 1,419	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(1,697)</u>	<u>(1,635)</u>	<u>(1,626)</u>	<u>(1,419)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,014,410</u>	<u>\$ 1,021,825</u>	<u>\$ 1,015,927</u>	<u>\$ 1,013,553</u>	
Town's contributions as a percentage of covered payroll	0.17%	0.16%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

PSPRS-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 138,277	\$ 93,313	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(138,277)</u>	<u>(93,313)</u>	<u>(108,798)</u>	<u>(71,123)</u>	<u>(93,363)</u>	<u>(59,564)</u>	<u>(64,094)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 261,741</u>	<u>\$ 224,545</u>	<u>\$ 224,556</u>	<u>\$ 263,277</u>	<u>\$ 269,513</u>	<u>\$ 325,488</u>	<u>\$ 309,043</u>	
Town's contributions as a percentage of covered payroll	52.83%	41.56%	48.45%	27.01%	34.64%	18.30%	20.74%	

PSPRS-OPEB

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 261,741</u>	<u>\$ 224,545</u>	<u>\$ 224,556</u>	<u>\$ 263,277</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2020

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

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s 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.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2020

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

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, 2020, 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 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Springerville, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Springerville, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Springerville, Arizona's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

November 3, 2020