

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2022**

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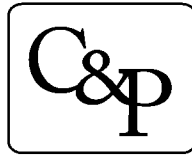
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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Springerville, Arizona

Report on the Financial Statements

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Springerville, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Springerville, Arizona's ability to continue as a going concern for a reasonable period of time.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Springerville, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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

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

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

December 27, 2022

FINANCIAL SECTION

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,556,287	\$ 1,719,507	\$ 9,275,794
Cash and cash equivalents-restricted	-	173,939	173,939
Accounts receivable - net	-	110,787	110,787
Leases receivable	568,430	-	568,430
Due from other governments	414,105	-	414,105
Other receivables	11,141	-	11,141
Inventory	89,232	-	89,232
Net other postemployment benefits asset	191,669	9,667	201,336
Capital assets, not being depreciated	3,536,622	175,777	3,712,399
Capital assets, being depreciated, net	11,362,769	3,179,505	14,542,274
Total assets	23,730,255	5,369,182	29,099,437
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	403,231	66,722	469,953
LIABILITIES			
Accounts payable	27,867	23,669	51,536
Accrued expenses	75,194	13,482	88,676
Deferred revenue	31,357	5,275	36,632
Refundable deposits	75	29,735	29,810
Compensated absences	113,499	22,139	135,638
Noncurrent liabilities			
Due within one year	44,124	93,450	137,574
Due in more than one year	2,457,194	1,335,307	3,792,501
Total liabilities	2,749,310	1,523,057	4,272,367
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	749,344	99,432	848,776
Deferred inflows of resources related to leases	529,997	-	529,997
	1,279,341	99,432	1,378,773
NET POSITION			
Net investment in capital assets	14,279,294	2,183,168	16,462,462
Restricted for:			
Debt service	-	92,872	92,872
Replacements	-	51,332	51,332
Public works and streets	1,186,425	-	1,186,425
Public safety	15,307	-	15,307
Tourism promotion	76,932	-	76,932
Senior welfare	229,387	-	229,387
Unrestricted (deficit)	4,317,490	1,486,043	5,803,533
Total net position	\$ 20,104,835	\$ 3,813,415	\$ 23,918,250

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 561,672	\$ 65,873	\$ 331,106	\$ -	\$ (164,693)	\$ -	\$ (164,693)
Public safety	1,203,168	64,295	19,793	56,051	(1,063,029)	-	(1,063,029)
Public works and streets	1,533,830	383,834	502,058	434,707	(213,231)	-	(213,231)
Culture and recreation	217,647	13,812	17,660	-	(186,175)	-	(186,175)
Community and economic development	110,892	-	-	-	(110,892)	-	(110,892)
Health and welfare	290,442	-	303,060	7,490	20,108	-	20,108
Interest	22,132	-	-	-	(22,132)	-	(22,132)
Total governmental activities	<u>3,939,783</u>	<u>527,814</u>	<u>1,173,677</u>	<u>498,248</u>	<u>(1,740,044)</u>	<u>-</u>	<u>(1,740,044)</u>
Business-type activities							
Water	544,313	538,793	-	115,200	-	109,680	109,680
Sewer	411,203	509,021	-	-	-	97,818	97,818
Total business-type activities	<u>955,516</u>	<u>1,047,814</u>	<u>-</u>	<u>115,200</u>	<u>-</u>	<u>207,498</u>	<u>207,498</u>
Total primary government	<u>\$ 4,895,299</u>	<u>\$ 1,575,628</u>	<u>\$ 1,173,677</u>	<u>\$ 613,448</u>	<u>(1,740,044)</u>	<u>207,498</u>	<u>(1,532,546)</u>
General revenues:							
Taxes:							
Local sales taxes					2,426,054	-	2,426,054
Share of state sales taxes					244,063	-	244,063
Share of state auto lieu taxes					162,660	-	162,660
State urban revenue sharing					231,717	-	231,717
Unrestricted investment earnings					32,711	-	32,711
Gain on disposal of capital assets					5,000	-	5,000
Miscellaneous					72,570	-	72,570
Transfers					(68,497)	68,497	-
Total general revenues and transfers					<u>3,106,278</u>	<u>68,497</u>	<u>3,174,775</u>
Change in net position					1,366,234	275,995	1,642,229
Net position, beginning of year, as restated					18,738,601	3,537,420	22,276,021
Net position, end of year					<u>\$ 20,104,835</u>	<u>\$ 3,813,415</u>	<u>\$ 23,918,250</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	HURF Fund	Airport Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,195,480	\$ 1,147,989	\$ 398,595	\$ 814,223	\$ 7,556,287
Leases receivable	475,075	-	93,355	-	568,430
Due from other governments	329,495	46,779	-	37,831	414,105
Other receivables	2,409	-	7,263	1,469	11,141
Inventory	-	-	89,232	-	89,232
Due from other funds	9,000	-	-	-	9,000
Total assets	<u>6,011,459</u>	<u>1,194,768</u>	<u>588,445</u>	<u>853,523</u>	<u>8,648,195</u>
LIABILITIES					
Accounts payable	20,300	4,192	1,295	2,080	27,867
Accrued expenses	63,410	4,151	2,001	5,632	75,194
Unearned revenue	-	-	-	31,357	31,357
Deposits held for others	75	-	-	-	75
Due to other funds	-	-	-	9,000	9,000
Total liabilities	<u>83,785</u>	<u>8,343</u>	<u>3,296</u>	<u>48,069</u>	<u>143,493</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to leases	434,804	-	95,193	-	529,997
FUND BALANCES					
Nonspendable	9,000	-	89,232	-	98,232
Restricted for:					
Public safety	-	-	-	23,137	23,137
Public works and streets	-	1,186,425	-	-	1,186,425
Tourism promotion	-	-	-	76,932	76,932
Senior welfare	-	-	-	195,486	195,486
Assigned	-	-	400,724	509,899	910,623
Unassigned	5,483,870	-	-	-	5,483,870
Total fund balances	<u>5,492,870</u>	<u>1,186,425</u>	<u>489,956</u>	<u>805,454</u>	<u>7,974,705</u>
Total liabilities and fund balances	<u>\$ 6,011,459</u>	<u>\$ 1,194,768</u>	<u>\$ 588,445</u>	<u>\$ 853,523</u>	<u>\$ 8,648,195</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, 2022

Fund balances-total governmental funds	\$ 7,974,705
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,899,391
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	191,669
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.	(2,614,817)
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>(346,113)</u>
Net position of governmental activities	<u><u>\$ 20,104,835</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, 2022

	General Fund	HURF Fund	Airport Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,400,210	\$ -	\$ -	\$ 25,844	\$ 2,426,054
Intergovernmental	654,147	502,058	92,584	669,793	1,918,582
Charges for services	67,496	-	381,797	7,096	456,389
Other revenue	77,810	4,034	24,772	46,857	153,473
Licenses and permits	50,593	-	-	-	50,593
Investment income	31,484	-	1,227	-	32,711
Fines and forfeitures	19,624	-	-	333	19,957
Total revenues	3,301,364	506,092	500,380	749,923	5,057,759
Expenditures					
Current					
General government	516,788	-	-	-	516,788
Public safety	1,255,854	-	-	25,032	1,280,886
Public works and streets	85,960	330,762	503,909	-	920,631
Culture and recreation	177,906	-	-	-	177,906
Community and economic development	99,744	-	-	13,259	113,003
Health and welfare	-	-	-	284,223	284,223
Debt service					
Principal	26,721	-	-	19,954	46,675
Interest	2,677	-	-	19,455	22,132
Capital outlay	197,053	156,928	66,538	74,595	495,114
Total expenditures	2,362,703	487,690	570,447	436,518	3,857,358
Excess (deficiency) of revenue over expenditures	938,661	18,402	(70,067)	313,405	1,200,401
Other financing sources (uses)					
Sale of capital assets	5,000	-	-	-	5,000
Transfers	(85,749)	250	-	17,002	(68,497)
Total other financing sources (uses)	(80,749)	250	-	17,002	(63,497)
Net change in fund balances	857,912	18,652	(70,067)	330,407	1,136,904
Fund balances, beginning of year, as restated	4,634,958	1,167,773	560,023	475,047	6,837,801
Fund balances, end of year	\$ 5,492,870	\$ 1,186,425	\$ 489,956	\$ 805,454	\$ 7,974,705

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, 2022

Net change in fund balances-total governmental funds \$ 1,136,904

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	495,114	
Depreciation expense	<u>(879,554)</u>	(384,440)

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

Donated capital assets		319,390
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue		(7,635)
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Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

Town pension/OPEB contributions	365,042	
Pension/OPEB expense	<u>(86,471)</u>	278,571

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		46,675
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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.

Increase in compensated absences payable		<u>(23,231)</u>
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Change in net position of governmental activities \$ 1,366,234

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,425,328	\$ 294,179	\$ 1,719,507
Accounts receivable - net	60,533	50,254	110,787
Total current assets	1,485,861	344,433	1,830,294
Noncurrent assets			
Cash and cash equivalents, restricted	123,620	50,319	173,939
Net other postemployment benefits asset	5,430	4,237	9,667
Capital assets, not being depreciated	175,777	-	175,777
Capital assets, being depreciated, net	1,640,012	1,539,493	3,179,505
Total noncurrent assets	1,944,839	1,594,049	3,538,888
Total assets	3,430,700	1,938,482	5,369,182
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	37,480	29,242	66,722
LIABILITIES			
Current liabilities			
Accounts payable	19,306	4,363	23,669
Accrued expenses	9,703	3,779	13,482
Deferred revenue	5,275	-	5,275
Refundable deposits	18,640	11,095	29,735
Compensated absences	11,260	10,879	22,139
Notes payable, current portion	60,637	32,813	93,450
Total current liabilities	124,821	62,929	187,750
Noncurrent liabilities			
Notes payable, net of current portion	756,393	322,271	1,078,664
Net pension and other postemployment benefits liability	144,165	112,478	256,643
Total noncurrent liabilities	900,558	434,749	1,335,307
Total liabilities	1,025,379	497,678	1,523,057
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	55,854	43,578	99,432
NET POSITION			
Net investment in capital assets	998,759	1,184,409	2,183,168
Restricted for:			
Debt service	63,761	29,111	92,872
Replacements	41,219	10,113	51,332
Unrestricted (deficit)	1,283,208	202,835	1,486,043
Total net position	\$ 2,386,947	\$ 1,426,468	\$ 3,813,415

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, 2022

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues			
Charges for services	\$ 528,256	\$ 509,021	\$ 1,037,277
Operating expenses			
Salaries and wages	121,791	114,711	236,502
Employee benefits	58,286	49,348	107,634
Depreciation	156,643	131,417	288,060
Service supplies, and other	191,305	108,890	300,195
Total operating expenses	<u>528,025</u>	<u>404,366</u>	<u>932,391</u>
Operating income (loss)	<u>231</u>	<u>104,655</u>	<u>104,886</u>
Nonoperating revenues (expenses)			
Interest expense	(16,288)	(6,837)	(23,125)
Income (loss) before capital contributions and transfers	(16,057)	97,818	81,761
Capital grant contributions	115,200	-	115,200
Connection fees	10,537	-	10,537
Transfers	68,497	-	68,497
Increase (decrease) in net position	178,177	97,818	275,995
Total net position, beginning of year	<u>2,208,770</u>	<u>1,328,650</u>	<u>3,537,420</u>
Total net position, end of year	<u>\$ 2,386,947</u>	<u>\$ 1,426,468</u>	<u>\$ 3,813,415</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 518,299	\$ 507,929	\$ 1,026,228
Payments to suppliers and providers of goods and services	(192,021)	(114,292)	(306,313)
Payments to employees	(181,306)	(163,718)	(345,024)
Net cash provided (used) by operating activities	<u>144,972</u>	<u>229,919</u>	<u>374,891</u>
Cash flows from noncapital financing activities			
Interfund transfers	<u>68,497</u>	<u>-</u>	<u>68,497</u>
Cash flows from capital and related financing activities			
Capital grant contributions	115,200	-	115,200
Connection fees received	10,537	-	10,537
Interest paid	(16,288)	(6,837)	(23,125)
Principal paid on long-term debt	(59,230)	(32,136)	(91,366)
Issuance of long-term debt	124,660	62,863	187,523
Purchases of capital assets	(188,490)	(94,836)	(283,326)
Net cash provided (used) by capital and related financing activities	<u>(13,611)</u>	<u>(70,946)</u>	<u>(84,557)</u>
Net increase (decrease) in cash	199,858	158,973	358,831
Cash and cash equivalents, beginning of year	<u>1,349,090</u>	<u>185,525</u>	<u>1,534,615</u>
Cash and cash equivalents, end of year	<u>\$ 1,548,948</u>	<u>\$ 344,498</u>	<u>\$ 1,893,446</u>
Cash and cash equivalents	\$ 1,425,328	\$ 294,179	\$ 1,719,507
Cash and cash equivalents, restricted	<u>123,620</u>	<u>50,319</u>	<u>173,939</u>
Cash and cash equivalents, end of year	<u>\$ 1,548,948</u>	<u>\$ 344,498</u>	<u>\$ 1,893,446</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	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)	\$ 231	\$ 104,655	\$ 104,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	156,643	131,417	288,060
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(12,535)	(2,617)	(15,152)
Net other postemployment benefits asset	(4,630)	(3,613)	(8,243)
Deferred outflows of resources related to pensions and other postemployment benefits	580	453	1,033
Accounts payable	7,451	1,605	9,056
Accrued expenses	1,672	713	2,385
Deferred revenue	(747)	-	(747)
Refundable deposits	3,325	1,525	4,850
Compensated absences payable	(2,087)	(372)	(2,459)
Net pension and other postemployment benefits liability	(55,381)	(43,208)	(98,589)
Deferred inflows of resources related to pensions and other postemployment benefits	50,450	39,361	89,811
Net cash provided (used) by operating activities	\$ 144,972	\$ 229,919	\$ 374,891

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 26,594
Investments	54,305
Total assets	80,899
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 80,899

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended June 30, 2022

	Volunteer Firefighters' Relief and Pension <hr style="border: 0.5px solid black;"/>
Additions	
Contributions from participants	\$ 5,046 <hr style="border: 0.5px solid black;"/>
Deductions	
Other expenses	1,064
Investment loss	12,297
Total deductions	<hr style="border: 0.5px solid black;"/> 13,361 <hr style="border: 0.5px solid black;"/>
Change in net position	(8,315)
Net position, beginning of year	89,214 <hr style="border: 0.5px solid black;"/>
Net position, end of year	\$ 80,899 <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Springerville, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

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

A. 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

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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:

Fiduciary Custodial Funds - 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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2022 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Inventories

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

I. Compensated Absences

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

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

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

J. Deferred Outflows 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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Fund Balance Reporting

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

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

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

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

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

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

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

M. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$20,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period, and then decreased the based on full collateral.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As lessor, the Town recognizes lease receivables with an initial, individual value of \$20,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Foreign currency risk

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

Deposits – At June 30, 2022, the carrying amount of the Town’s total cash in bank was \$6,434,786, and the bank balance was \$6,635,718. Of the bank balance, \$309,081 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	\$ 18,640	\$ 11,095	\$ 29,735
Debt service reserves	63,761	29,111	92,872
Replacement reserves	41,219	10,113	51,332
	\$ 123,620	\$ 50,319	\$ 173,939

Investments – The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,039,984. 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	\$ 1,557	\$ -	\$ -	\$ 1,557
Amount of deposits	4,514,746	1,893,446	26,594	6,434,786
State Treasurers investment pool 5	3,039,984	-	-	3,039,984
Total	\$ 7,556,287	\$ 1,893,446	\$ 26,594	\$ 9,476,327

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2022 consisted of the following:

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Grants Fund (nonmajor)</u>	<u>Senior Center Fund (nonmajor)</u>
State of Arizona				
State and city sales tax revenues	\$ 323,705	\$ -	\$ -	\$ -
Auto lieu tax revenues	5,790	-	-	-
Highway user revenues	-	46,779	-	-
GOHS grant revenues	-	-	2,407	-
UofA	-	-	17,953	-
NACOG revenues	-	-	-	17,471
	<u>\$ 329,495</u>	<u>\$ 46,779</u>	<u>\$ 20,360</u>	<u>\$ 17,471</u>

NOTE 4 – LEASE RECEIVABLES

In the General Fund, the Town leases land to a third party under the provisions of a lease agreement. The lease agreement began in 2013 and was most recently amended in February 2018. Per the lease agreement, beginning December 1, 2018, the lessee will pay the Town \$1,171 per month with three percent annual increases until the lease ends in December 2068. During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$32,908 which includes \$9,368 of rental income and \$23,540 of interest income.

In the Airport Fund, the Town leases hangers to third parties under the provisions of lease agreements. The leases are from 20 to 50 years with annual payments ranging from \$1,680-\$3,240. During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$5,365 which includes \$4,138 of rental income and \$1,227 of interest income.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,817,550	\$ 99,214	\$ -	\$ 1,916,764
Artwork	1,500,000	-	-	1,500,000
Construction in progress	323,901	74,604	278,647	119,858
Total capital assets not being depreciated	<u>3,641,451</u>	<u>173,818</u>	<u>278,647</u>	<u>3,536,622</u>
Capital assets being depreciated:				
Buildings and improvements	5,103,025	111,402	-	5,214,427
Vehicles and equipment	5,523,976	120,940	-	5,644,916
Infrastructure	15,189,057	686,991	-	15,876,048
Total	<u>25,816,058</u>	<u>919,333</u>	<u>-</u>	<u>26,735,391</u>
Less accumulated depreciation for:				
Buildings and improvements	2,435,761	167,234	-	2,602,995
Vehicles and equipment	4,008,985	197,789	-	4,206,774
Infrastructure	8,048,322	514,531	-	8,562,853
Total	<u>14,493,068</u>	<u>879,554</u>	<u>-</u>	<u>15,372,622</u>
Total capital assets being depreciated, net	<u>11,322,990</u>	<u>39,779</u>	<u>-</u>	<u>11,362,769</u>
Governmental activities capital assets, net	<u>\$ 14,964,441</u>	<u>\$ 213,597</u>	<u>\$ 278,647</u>	<u>\$ 14,899,391</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Construction in progress	151,640	68,497	147,923	72,214
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	<u>255,203</u>	<u>68,497</u>	<u>147,923</u>	<u>175,777</u>
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	906,076	22,100	-	928,176
Infrastructure	6,334,050	340,650	-	6,674,700
Total	<u>9,356,514</u>	<u>362,750</u>	<u>-</u>	<u>9,719,264</u>
Less accumulated depreciation for:				
Buildings and improvements	1,563,481	42,359	-	1,605,840
Vehicles and equipment	558,792	68,325	-	627,117
Infrastructure	4,129,426	177,376	-	4,306,802
Total	<u>6,251,699</u>	<u>288,060</u>	<u>-</u>	<u>6,539,759</u>
Total capital assets being depreciated, net	<u>3,104,815</u>	<u>74,690</u>	<u>-</u>	<u>3,179,505</u>
Business-type activities capital assets, net	<u>\$ 3,360,018</u>	<u>\$ 143,187</u>	<u>\$ 147,923</u>	<u>\$ 3,355,282</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 59,209
Public safety	142,875
Public works and streets	623,050
Culture and recreation	42,854
Health and welfare	11,566
Total governmental activities depreciation expense	\$ 879,554
Business-type activities:	
Water	\$ 58,286
Sewer	49,348
Total business-type activities depreciation expense	\$ 107,634

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Governmental activities:					
Notes payable from direct borrowings and direct placements	\$ 543,027	\$ -	\$ 19,954	\$ 523,073	\$ 20,647
Finance purchases	123,745	-	26,721	97,024	23,477
Net pension and other postemployment benefits liability	2,642,371	-	761,150	1,881,221	-
Compensated absences	90,268	23,231	-	113,499	113,499
	\$ 3,399,411	\$ 23,231	\$ 807,825	\$ 2,614,817	\$ 157,623
Business-type activities:					
Notes payable from direct borrowings and direct placements	\$ 1,075,957	\$ 187,522	\$ 91,365	\$ 1,172,114	\$ 93,450
Net pension and other postemployment benefits liability	355,232	-	98,589	256,643	-
Compensated absences	24,598	-	2,459	22,139	22,139
	\$ 1,455,787	\$ 187,522	\$ 192,413	\$ 1,450,896	\$ 115,589

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 6 – 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%	\$ 189,925
Note payable - USDA	350,000	2054	3.875%	333,148
Note payable - WIFA	907,218	2034	2.625%	599,480
Note payable - WIFA	396,000	2034	2.450%	258,496
Note payable - WIFA	110,075	2041	1.764%	217,550
Note payable - WIFA	47,517	2041	1.653%	96,588
Total notes payable	<u>\$ 2,060,810</u>			<u>\$ 1,695,187</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, 2022.

Year Ending June 30	Governmental Activities		Business-type Activities		Total	
	Note Payable		Note Payable			
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 20,647	\$ 18,761	\$ 93,450	\$ 26,141	\$ 114,097	\$ 44,902
2024	21,364	18,044	95,583	23,972	116,947	42,016
2025	22,106	17,302	97,766	21,752	119,872	39,054
2026	22,873	16,535	100,002	19,480	122,875	36,015
2027	23,668	15,740	102,289	17,154	125,957	32,894
2028-2032	131,262	65,778	493,198	50,014	624,460	115,792
2033-2037	57,672	47,915	189,826	3,324	247,498	51,239
2038-2042	53,159	38,401	-	-	53,159	38,401
2043-2047	64,504	27,056	-	-	64,504	27,056
2048-2052	78,269	13,291	-	-	78,269	13,291
2053-2056	27,549	879	-	-	27,549	879
Total	<u>\$ 523,073</u>	<u>\$ 279,702</u>	<u>\$1,172,114</u>	<u>\$ 161,837</u>	<u>\$1,695,187</u>	<u>\$ 441,539</u>

Finance Purchases—The Town has acquired firefighting equipment under a contract agreement at a total purchase price of \$120,000 in a prior fiscal period. The agreement calls for five annual payments of \$25,592 beginning February 2022. The following schedule details debt service requirements to maturity for the Town’s finance purchase at June 30, 2022:

Year Ending June 30	Governmental Activities	
	Finance Purchases	
	Principal	Interest
2023	\$ 23,477	\$ 2,115
2024	23,989	1,603
2025	24,512	1,080
2026	25,046	546
Total	<u>\$ 97,024</u>	<u>\$ 5,344</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 7 – RISK MANAGEMENT, SETTLEMENTS, AND PENDING LITIGATION

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

Pending Litigation

The Town is subject to a number of lawsuits, investigations, and other claims. The Town records liabilities for lawsuits, investigations, and other claims where the possibility of an unfavorable outcome is probable and whereas the amount of loss is reasonably estimable. As of June 30, 2022, the Town has not recorded a liability for pending litigation.

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

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, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net OPEB assets	\$ 191,669	\$ 9,667	\$ 201,336
Net pension and OPEB liabilities	1,881,221	256,643	2,137,864
Deferred outflows of resources related to pension and OPEB	403,231	66,722	469,953
Deferred inflows of resources related to pension and OPEB	749,344	99,432	848,776
Pension and OPEB expense	86,471	11,794	98,265

The Town reported \$365,042 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, 2022

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	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	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, 2022

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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 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, 2022, were \$130,993, \$2,290, and \$2,072, respectively.

During fiscal year 2022, 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, 2022, 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	\$ 1,207,525
Health insurance premium benefit	(45,554)
Long-term disability	1,914

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

The 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, 2021. The Town’s proportions were measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.00919%	-0.00043%
Health insurance premium benefit	0.00935%	-0.00013%
Long-term disability	0.00927%	-0.00026%

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	59,463
Health insurance premium benefit	(5,237)
Long-term disability	1,355

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension		Health Insurance Premium		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,408	\$ -	\$ -	\$ 15,798	\$ 553	\$ 156
Changes of assumptions or other inputs	157,169	-	2,258	1,842	612	2,411
Net difference between projected and actual earnings on pension plan investments	-	382,586	-	16,898	-	1,325
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	47,157	73	3	-	401
Town contributions subsequent to the measurement date	130,993	-	2,290	-	2,072	-
Total	\$ 306,570	\$ 429,743	\$ 4,621	\$ 34,541	\$ 3,237	\$ 4,293

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ (21,579)	\$ (7,551)	(439)
2024	(16,404)	(7,236)	(416)
2025	(84,341)	(7,935)	(464)
2026	(131,842)	(8,778)	(664)
2027	-	(710)	(285)
Thereafter	-	-	(860)

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	<u>100%</u>	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's Proportionate share of the			
Net pension liability	\$ 1,899,336	\$ 1,207,525	\$ 630,746
Net insurance premium benefit liability (asset)	(30,161)	(45,554)	(58,643)
Net long-term disability liability	2,492	1,914	1,354

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

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, 2022

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, 2022

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, 2022, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	3	3
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, 2022, 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%	41.58%	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%	42.90%	0.00%

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2022, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 117,258	\$ -

During fiscal year 2022, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2022, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 928,425	\$ (155,782)

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

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

PSPRS

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

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

Discount Rate – At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which there was no change from the discount rate used as of June 30, 2020. 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, 2022

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, 2021	\$ 3,198,413	\$ 1,874,851	\$ 1,323,562
Changes for the year			
Service Cost	40,160	-	40,160
Interest on the total liability	222,575	-	222,575
Differences between expected and actual experience in the measurement of the liability	12,034	-	12,034
Contributions-employer	-	144,650	(144,650)
Contributions-employee	-	21,518	(21,518)
Net investment income	-	506,143	(506,143)
Benefit payments, including refunds of employee contributions	(379,213)	(379,213)	-
Administrative expense	-	(2,405)	2,405
Net changes	(104,444)	290,693	(395,137)
Balances at June 30, 2022	\$ 3,093,969	\$ 2,165,544	\$ 928,425

	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, 2021	\$ 35,815	\$ 127,819	\$ (92,004)
Changes for the year			
Service Cost	1,380	-	1,380
Interest on the total liability	2,715	-	2,715
Differences between expected and actual experience in the measurement of the liability	(32,578)	-	(32,578)
Net investment income	-	35,441	(35,441)
Administrative expense	-	(146)	146
Net changes	(28,483)	35,295	(63,778)
Balances at June 30, 2022	\$ 7,332	\$ 163,114	\$ (155,782)

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

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	\$ 1,282,556	\$	928,425	\$	632,632
Net OPEB (asset) liability	(154,529)		(155,782)		(156,812)

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

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

	<u>Pension Expense</u>		<u>OPEB Expense</u>
PSPRS Police	\$ 70,483	\$	(27,799)

Deferred Outflows/Inflows of Resources – At June 30, 2022, 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	\$ 10,498	\$ 109,453	\$ -	\$ 38,827
Changes of assumptions or other inputs	27,650	-	119	76
Net difference between projected and actual earnings on pension plan investments	-	216,555	-	15,288
Town contributions subsequent to the measurement date	117,258	-	-	-
Total	<u>\$ 155,406</u>	<u>\$ 326,008</u>	<u>\$ 119</u>	<u>\$ 54,191</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2023	\$ (54,134)	\$ (20,862)
2024	(75,346)	(13,757)
2025	(82,951)	(14,230)
2026	(75,429)	(5,223)
2027	-	-
Thereafter	-	-

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2022 consisted of \$9,000 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, 2022, consisted of \$85,499 transferred from the General Fund to the Senior Center Fund \$(42,150) and MPC Fund (\$43,349). Additionally, the Grants Fund transferred \$68,497 to the Water Fund. The transfers from the General Fund were made to fund ongoing operations and debt service. The transfer from the Grants fund to the Water Fund was to reimburse the Water Fund for expenditures paid directly by that fund for grant expenditures.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

Due to the implementation of GASB 87, *Accounting for Leases*, the Town restated net position of the Governmental Activities and the fund balances of the General Fund and Airport Fund. For the Governmental Activities, the Town increased net position by \$22,798 to \$18,738,601, lease receivables by \$491,700 and deferred inflows of resources by \$468,902. For the General Fund, the Town increased beginning fund balance by \$22,981 to \$4,634,958, lease receivables by \$467,152 and deferred inflows of resources by \$444,171. For the Airport Fund, the Town decreased beginning fund balance by \$183 to \$560,023, and increased lease receivables by \$24,548 and deferred inflows of resources by \$24,731.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 11 – GOVERNMENTAL FUND BALANCE/NET POSITION COMPONENTS

The Town’s components of governmental fund balances and restricted net position are as follows:

	Governmental Funds				
	General Fund	HURF Fund	Airport Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Amounts due from other funds	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000
Inventory	-	-	89,232	-	89,232
Total nonspendable	<u>9,000</u>	<u>-</u>	<u>89,232</u>	<u>-</u>	<u>98,232</u>
Restricted for:					
Public works and streets	-	1,186,425	-	-	1,186,425
Public safety	-	-	-	23,137	23,137
Tourism promotion	-	-	-	76,932	76,932
Senior welfare	-	-	-	229,387	229,387
Total restricted	<u>-</u>	<u>1,186,425</u>	<u>-</u>	<u>329,456</u>	<u>1,515,881</u>
Assigned for:					
Airport improvements	-	-	400,724	-	400,724
Senior welfare	-	-	-	195,486	195,486
Capital projects - ARPA	-	-	-	261,810	261,810
Debt service - MPC	-	-	-	18,702	18,702
Total assigned	<u>-</u>	<u>-</u>	<u>400,724</u>	<u>475,998</u>	<u>876,722</u>
Unassigned:	<u>5,483,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,483,870</u>
Ending Fund balances, June 30, 2022	<u>\$ 5,492,870</u>	<u>\$ 1,186,425</u>	<u>\$ 489,956</u>	<u>\$ 805,454</u>	<u>\$ 7,974,705</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Restricted Net Position			
Debt service	\$ -	\$ 92,872	\$ 92,872
Replacements- capital	-	51,332	51,332
Public works and streets	1,186,425	-	1,186,425
Public Safety	15,307	-	15,307
Tourism promotion	76,932	-	76,932
Senior welfare	229,387	-	229,387
Total Restricted Net Position	<u>1,508,051</u>	<u>144,204</u>	<u>1,652,255</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,725,000	\$ 1,725,000	\$ 2,400,210	\$ 675,210
Intergovernmental	624,463	624,463	654,147	29,684
Charges for services	64,300	64,300	67,496	3,196
Other revenue	2,095,510	2,095,510	77,810	(2,017,700)
Licenses and permits	15,800	15,800	50,593	34,793
Investment income	3,500	3,500	31,484	27,984
Fines and forfeitures	35,000	35,000	19,624	(15,376)
Total revenues	<u>4,563,573</u>	<u>4,563,573</u>	<u>3,301,364</u>	<u>(1,262,209)</u>
Expenditures				
Current				
General government	467,400	467,400	-	467,400
Mayor & Council	65,984	65,984	163,422	(97,438)
Legal	2,118,000	2,118,000	35,758	2,082,242
Magistrate	57,570	57,570	54,956	2,614
Administration	491,958	491,958	246,225	245,733
Finance	206,888	206,888	183,806	23,082
Community development	131,864	131,864	99,744	32,120
Police	1,042,380	1,042,380	835,243	207,137
Animal control	70,968	70,968	61,558	9,410
Fire	420,213	420,213	381,908	38,305
Building maintenance	132,949	132,949	92,816	40,133
Heritage/casa	125,773	125,773	115,108	10,665
Mechanic shop	28,498	28,498	29,361	(863)
Parks and cemetery	95,044	95,044	62,798	32,246
Total expenditures	<u>5,455,489</u>	<u>5,455,489</u>	<u>2,362,703</u>	<u>3,092,786</u>
Excess (deficiency) of revenue over (under) expenditures	(891,916)	(891,916)	938,661	1,830,577
Other financing sources (uses)				
Sale of capital assets	300,000	300,000	5,000	(295,000)
Transfers	(85,750)	(85,750)	(85,749)	1
Total other financing sources (uses)	<u>214,250</u>	<u>214,250</u>	<u>(80,749)</u>	<u>(294,999)</u>
Net change in fund balance	(677,666)	(677,666)	857,912	1,535,578
Fund balances, beginning of year, as restated	<u>4,634,958</u>	<u>4,634,958</u>	<u>4,634,958</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 3,957,292</u></u>	<u><u>\$ 3,957,292</u></u>	<u><u>\$ 5,492,870</u></u>	<u><u>\$ 1,535,578</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 456,683	\$ 456,683	\$ 502,058	\$ 45,375
Other revenue	2,000	2,000	4,034	2,034
Total revenues	<u>458,683</u>	<u>458,683</u>	<u>506,092</u>	<u>47,409</u>
Expenditures				
Public works and streets	606,076	606,076	487,690	118,386
Excess (deficiency) of revenue over (under) expenditures	<u>(147,393)</u>	<u>(147,393)</u>	<u>18,402</u>	<u>165,795</u>
Other financing sources (uses)				
Transfers	-	-	250	250
Net change in fund balance	(147,393)	(147,393)	18,652	166,045
Fund balances, beginning of year	<u>1,167,773</u>	<u>1,167,773</u>	<u>1,167,773</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,020,380</u></u>	<u><u>\$ 1,020,380</u></u>	<u><u>\$ 1,186,425</u></u>	<u><u>\$ 166,045</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Airport Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 92,584	\$ 92,584
Charges for services	220,400	220,400	381,797	161,397
Other revenue	-	-	24,772	24,772
Investment income	-	-	1,227	1,227
Total revenues	<u>220,400</u>	<u>220,400</u>	<u>500,380</u>	<u>279,980</u>
Expenditures				
Public works and streets	403,421	403,421	570,447	(167,026)
Net change in fund balance	(183,021)	(183,021)	(70,067)	112,954
Fund balances, beginning of year, as restated	<u>560,023</u>	<u>560,023</u>	<u>560,023</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 377,002</u></u>	<u><u>\$ 377,002</u></u>	<u><u>\$ 489,956</u></u>	<u><u>\$ 112,954</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Mayor & Council, Mechanic shop, and Airport departments.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)								2014 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.009190%	0.009620%	0.010220%	0.010220%	0.010390%	0.010450%	0.010100%	0.010188%	Information
Town's proportionate share of the net pension liability	\$ 1,207,525	\$ 1,666,811	\$ 1,410,008	\$ 1,425,330	\$ 1,618,559	\$ 1,686,735	\$ 1,172,965	\$ 1,000,283	not available
Town's covered payroll	\$ 1,032,884	\$ 1,014,410	\$ 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	116.91%	164.31%	137.99%	140.30%	159.69%	172.38%	126.04%	108.92%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.009350%	0.009480%	0.009930%	0.010420%	0.010540%	Information
Town's proportionate share of the net OPEB (asset)	\$ (45,554)	\$ (6,712)	\$ (2,744)	\$ (3,752)	\$ (5,738)	not available
Town's covered payroll	\$ 1,032,884	\$ 1,014,410	\$ 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	-4.41%	-0.66%	-0.27%	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.009270%	0.009530%	0.009840%	0.010250%	0.010430%	Information
Town's proportionate share of the net OPEB (asset)	\$ 1,914	\$ 7,230	\$ 6,410	\$ 5,356	\$ 3,781	not available
Town's covered payroll	\$ 1,032,884	\$ 1,014,410	\$ 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	0.19%	0.71%	0.63%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

PSPRS	Reporting Fiscal Year (Measurement Date)								2014 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability									Information not available
Service cost	\$ 40,160	\$ 39,939	\$ 37,570	\$ 44,574	\$ 59,053	\$ 51,746	\$ 57,729	\$ 51,036	
Interest on the total pension liability	222,575	237,172	236,583	230,173	212,620	197,119	185,622	153,315	
Changes of benefit terms	-	-	-	-	29,829	68,337	-	48,631	
Differences between expected and actual experience in the measurement of the pension liability	12,034	(166,273)	(37,671)	15,879	(11,965)	(847)	331	(172)	
Changes of assumptions or other inputs	-	-	102,203	-	93,009	99,265	-	248,915	
Benefit payments, including refunds of employee contributions	(379,213)	(242,838)	(335,541)	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Net change in total pension liability	(104,444)	(132,000)	3,144	187,603	285,966	321,388	149,450	408,912	
Total pension liability - beginning	3,198,413	3,330,413	3,327,269	3,139,666	2,853,700	2,532,312	2,382,862	1,973,950	
Total pension liability - ending (a)	<u>\$ 3,093,969</u>	<u>\$ 3,198,413</u>	<u>\$ 3,330,413</u>	<u>\$ 3,327,269</u>	<u>\$ 3,139,666</u>	<u>\$ 2,853,700</u>	<u>\$ 2,532,312</u>	<u>\$ 2,382,862</u>	
Plan fiduciary net position									
Contributions - employer	\$ 144,650	\$ 134,903	\$ 93,313	\$ 108,798	\$ 71,123	\$ 93,363	\$ 59,564	\$ 64,094	
Contributions - employee	21,518	21,659	9,703	40,346	43,257	46,406	42,555	35,700	
Net investment income	506,143	138,286	106,265	134,221	203,406	9,786	58,728	192,437	
Difference between projected and actual earnings on Pension plan investments	-	(113,621)	-	-	-	-	-	-	
Benefit payments, including refunds of employee contributions	(379,213)	(242,838)	(335,541)	(103,023)	(96,580)	(94,232)	(94,232)	(92,813)	
Hall/Parker Settlement	-	-	-	(44,903)	-	-	-	-	
Administrative expense	(2,405)	(2,012)	(2,848)	(2,743)	(2,200)	(1,808)	(1,811)	-	
Other changes	-	-	-	23	24	10	(1,382)	(76,069)	
Net change in plan fiduciary net position	290,693	(63,623)	(129,108)	132,719	219,030	53,525	63,422	123,349	
Plan fiduciary net position - beginning	1,874,851	1,938,474	2,067,582	1,934,863	1,715,833	1,662,308	1,598,886	1,475,537	
Plan fiduciary net position - ending (b)	<u>\$ 2,165,544</u>	<u>\$ 1,874,851</u>	<u>\$ 1,938,474</u>	<u>\$ 2,067,582</u>	<u>\$ 1,934,863</u>	<u>\$ 1,715,833</u>	<u>\$ 1,662,308</u>	<u>\$ 1,598,886</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 928,425</u>	<u>\$ 1,323,562</u>	<u>\$ 1,391,939</u>	<u>\$ 1,259,687</u>	<u>\$ 1,204,803</u>	<u>\$ 1,137,867</u>	<u>\$ 870,004</u>	<u>\$ 783,976</u>	
Plan fiduciary net position as a percentage of the total pension liability	69.99%	58.62%	58.21%	62.14%	61.63%	60.13%	65.64%	67.10%	
Covered payroll	\$ 181,805	\$ 237,039	\$ 224,545	\$ 224,556	\$ 263,277	\$ 269,513	\$ 325,488	\$ 309,043	
Town's net pension (asset) liability as a percentage of covered payroll	510.67%	558.37%	619.89%	560.97%	457.62%	422.19%	267.29%	253.68%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2022

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
PSPRS						
Total OPEB liability						
Service cost	\$ 1,380	\$ 1,621	\$ 1,168	\$ 1,145	\$ 1,369	Information not available
Interest on the total OPEB liability	2,715	3,289	4,838	4,586	4,442	
Changes of benefit terms	-	-	-	-	519	
Differences between expected and actual experience in the measurement of the OPEB liability	(32,578)	(11,922)	(27,862)	(2,928)	(142)	
Changes of assumptions or other inputs	-	-	477	-	(3,326)	
Net change in total OPEB liability	(28,483)	(7,012)	(21,379)	2,803	2,862	
Total OPEB liability - beginning	35,815	42,827	64,206	61,403	58,541	
Total OPEB liability - ending (a)	<u>\$ 7,332</u>	<u>\$ 35,815</u>	<u>\$ 42,827</u>	<u>\$ 64,206</u>	<u>\$ 61,403</u>	
Plan fiduciary net position						
Net investment income	\$ 35,441	\$ 1,607	\$ 6,507	\$ 7,844	\$ 11,838	
Administrative expense	(146)	(131)	(112)	(119)	(105)	
Net change in plan fiduciary net position	35,295	1,476	6,395	7,725	11,733	
Plan fiduciary net position - beginning	127,819	126,343	119,948	112,223	100,490	
Plan fiduciary net position - ending (b)	<u>\$ 163,114</u>	<u>\$ 127,819</u>	<u>\$ 126,343</u>	<u>\$ 119,948</u>	<u>\$ 112,223</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (155,782)</u>	<u>\$ (92,004)</u>	<u>\$ (83,516)</u>	<u>\$ (55,742)</u>	<u>\$ (50,820)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	2224.69%	356.89%	295.01%	186.82%	182.76%	
Covered payroll	\$ 181,805	\$ 237,039	\$ 224,545	\$ 224,556	\$ 263,277	
Town's net OPEB (asset) liability as a percentage of covered payroll	-85.69%	-38.81%	-37.19%	-24.82%	-19.30%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 130,993	\$ 120,331	\$ 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>(130,993)</u>	<u>(120,331)</u>	<u>(116,150)</u>	<u>(114,240)</u>	<u>(110,736)</u>	<u>(109,261)</u>	<u>(106,165)</u>	<u>(101,346)</u>	<u>(98,267)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,090,701	\$ 1,032,884	\$ 1,014,410	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	\$ 978,479	\$ 930,634	\$ 918,383	
Town's contributions as a percentage of covered payroll	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,290	\$ 3,997	\$ 4,891	\$ 4,699	\$ 4,470	\$ 5,676	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,290)</u>	<u>(3,997)</u>	<u>(4,891)</u>	<u>(4,699)</u>	<u>(4,470)</u>	<u>(5,676)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,090,701	\$ 1,032,884	\$ 1,014,410	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	
Town's contributions as a percentage of covered payroll	0.21%	0.40%	0.49%	0.46%	0.44%	0.56%	

ASRS-Long-Term Disability

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,072	\$ 1,852	\$ 1,697	\$ 1,635	\$ 1,626	\$ 1,419	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,072)</u>	<u>(1,852)</u>	<u>(1,697)</u>	<u>(1,635)</u>	<u>(1,626)</u>	<u>(1,419)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,090,701	\$ 1,032,884	\$ 1,014,410	\$ 1,021,825	\$ 1,015,927	\$ 1,013,553	
Town's contributions as a percentage of covered payroll	0.19%	0.18%	0.17%	0.16%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

PSPRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 117,258	\$ 144,650	\$ 134,903	\$ 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	(117,258)	(144,650)	(134,903)	(93,313)	(108,798)	(71,123)	(93,363)	(59,564)	(64,094)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 277,829</u>	<u>\$ 181,805</u>	<u>\$ 237,039</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	42.21%	79.56%	56.91%	41.56%	48.45%	27.01%	34.64%	18.30%	20.74%	

PSPRS-OPEB

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 277,829</u>	<u>\$ 278,266</u>	<u>\$ 261,741</u>	<u>\$ 224,545</u>	<u>\$ 224,556</u>	<u>\$ 263,277</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	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, 2022

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	Layerd amortization approach for Tier 1 & 2. Level percent-of-pay, closed
Remaining amortization period as of the 2020 actuarial valuation	18 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from, 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and

NOTE 2 – FACTORS THAT AFFECT TRENDS

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

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2022

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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

REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



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

To the Town Council
Town of Springerville, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Springerville, Arizona's, basic financial statements, and have issued our report thereon dated December 27, 2022.

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.



December 27, 2022