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TOWN OF STAR VALLEY, ARIZONA

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended June 30, 2023

TOWN OF STAR VALLEY, ARIZONA
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YEAR ENDED JUNE 30, 2023

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council
Town of Star Valley, Arizona
Star Valley, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Star Valley, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Star Valley, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Star Valley, Arizona, as of June 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 Star Valley, 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.

Responsibilities of Management for the Financial Statements

The Town of Star Valley, Arizona's 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 Star Valley, 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 GAAS 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 GAAS 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 Star Valley, 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 Star Valley, 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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the Town's proportionate share of the net pension liability and contributions to its cost-sharing pension plan, and the budgetary comparison schedule, as listed within 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 October 16, 2023, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town’s internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

Scottsdale, Arizona
October 16, 2023

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of the Town of Star Valley (Town), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,425,141 (net position). The Town's total net position increased by \$1,545,361.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,831,792, an increase of \$1,463,644 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,800,679, or 750% of total General Fund expenditures.
- Budgeted expenditures were only 46% of the final budget in the General Fund, resulting in \$1,201,748 in savings, mainly due to a large contingency budget in the administration department.
- General Fund revenues exceeded expenditures by \$1,132,580, a positive variance of \$1,109,972 from the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business.

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Town that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, highways and streets, and culture and recreation.

The government-wide financial statements can be found immediately following this MD&A.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of the Town are divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Highway User Revenue Fund, and Gila RDX Tax Extension Fund, all of which are considered to be major funds. Data from the other 3 governmental funds are combined into a single aggregated presentation.

An operating budget for expenditures is prepared and adopted by the Town each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained using periodic reports that compare actual expenditures against budgeted amounts.

As demonstrated by the statements and schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary Funds - The Town of Star Valley, Arizona maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Star Valley, Arizona uses enterprise funds to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered a major fund.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report

**TOWN OF STAR VALLEY, ARIZONA
MANGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20 – 32 of this report.

Required Supplementary Information Other than MD&A

Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Town has chosen to present these budgetary schedules as required supplementary information other than MD&A and can be found on pages 34 – 37. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on page 33.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,425,141 at the close of the most recent fiscal year.

A summary of the Town's statement of net position is presented below:

	Governmental Activities			Business-type Activities		
	2023	2022	Net Change	2023	2022	Net Change
ASSETS						
Current and other assets	\$ 10,844,959	\$ 9,405,614	\$ 1,439,345	\$ (660,222)	\$ (408,988)	\$ (251,234)
Capital assets	2,217,116	2,100,671	116,445	2,422,475	2,196,600	225,875
Total assets	13,062,075	11,506,285	1,555,790	1,762,253	1,787,612	(25,359)
DEFERRED OUTFLOWS						
	75,681	64,876	10,805	16,900	10,899	6,001
Total Assets and Deferred Outflows	13,137,756	11,571,161	1,566,595	1,779,153	1,798,511	(19,358)
LIABILITIES						
Current liabilities	16,581	37,466	(20,885)	34,418	35,505	(1,087)
Long-term liabilities	360,293	263,387	96,906	72,833	49,719	23,114
Total liabilities	376,874	300,853	76,021	107,251	85,224	22,027
DEFERRED INFLOWS						
	8,463	83,597	(75,134)	2,594	20,218	(17,624)
Total Liabilities and Deferred Inflows	385,337	384,450	887	109,845	105,442	4,403
NET POSITION						
Investment in capital assets	2,217,116	2,100,671	116,445	2,422,475	2,196,600	225,875
Restricted	3,027,699	2,696,635	331,064	-	-	-
Unrestricted	7,511,018	6,389,405	1,121,613	(753,167)	(503,531)	(249,636)
Total Net Position	\$ 12,755,833	\$ 11,186,711	\$ 1,569,122	\$ 1,669,308	\$ 1,693,069	\$ (23,761)

By far the largest portion of the Town's net position reflects unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of its investment in capital assets (e.g., land, construction in progress, buildings and improvements, infrastructure, water systems, vehicles, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position.

**TOWN OF STAR VALLEY, ARIZONA
MANGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Overall, net position increased \$1,569,122 or 14% for governmental activities and decreased \$23,761 or 6% for business-type activities. Key elements of these increases are indicated in the following table:

	Governmental Activities			Business-type Activites		
	2023	2022	Net Change	2023	2022	Net Change
REVENUES						
Program revenues						
Fees, fines, and charges for services	\$ 52,091	\$ 68,231	\$ (16,140)	\$ 210,034	\$ 230,646	\$ (20,612)
Operating grants and contributions	951,646	920,465	31,181	-	-	-
Capital grants and contributions	4,010	7,089	(3,079)	119,919	-	119,919
General revenues						
Sales taxes	604,041	570,945	33,096	-	-	-
Franchise taxes	73,071	68,629	4,442	-	-	-
State shared revenues	854,607	670,105	184,502	-	-	-
Auto lieu taxes	204,710	176,010	28,700	-	-	-
Investment earnings (loss)	(13,939)	(385,918)	371,979	-	-	-
Other	28,892	64,295	(35,403)	-	-	-
Total Revenues	2,759,129	2,159,851	599,278	329,953	230,646	99,307
EXPENSES						
General government	575,912	519,026	56,886	-	-	-
Public safety	367,017	362,073	4,944	-	-	-
Highways and streets	246,639	172,918	73,721	-	-	-
Culture and recreation	439	68,476	(68,037)	-	-	-
Water	-	-	-	353,714	332,406	21,308
Total Expenses	1,190,007	1,122,493	67,514	353,714	332,406	21,308
Change in net position	1,569,122	1,037,358	531,764	(23,761)	(101,760)	77,999
Net Position - Beginning	11,186,711	10,149,353	1,037,358	1,693,069	1,794,829	(101,760)
Net Position - Ending	\$ 12,755,833	\$ 11,186,711	\$ 1,569,122	\$ 1,669,308	\$ 1,693,069	\$ (23,761)

Governmental Activities

Program revenues increased by \$11,962 and general revenues decreased by \$587,316.

The Town reported an increase in operating grants and contributions (\$31,181) mainly due to one-time revenues that were received from the CARES Act.

The change in fees, fines, charges for services, and capital grants and contributions were not considered significant.

State shared revenues increased by \$184,502 or 28% due to increases in economic conditions and collections within Arizona.

The increase in franchise taxes, sales tax revenues, and auto lieu taxes were due to increases in economic conditions within the State of Arizona and increased collections.

Changes in investment earnings increased \$371,979 due to increases in the value of investments held in marketable certificates of deposit from interest rate changes. In addition, the Town established a sweep account to earn more interest held with financial institutions.

The Town incurred 6% increases in expenses in the current year. The increase was mainly due to increases in repair and maintenance activities, specifically relating to street projects.

**TOWN OF STAR VALLEY, ARIZONA
MANGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Business-Type Activities

Program revenues were \$329,953 in the current year due to a CDBG project being started in the current year. Additionally, expenses increased \$21,308 primarily due to increases in the salaries and related benefits allocation to the water department and increases in repairs and maintenance and water operator costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Town’s governmental funds is to provide information on near- term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$10,831,792, an increase of \$1,463,644 in comparison with the prior year. Of this total, \$7,800,679 constitutes unassigned fund balance, which is available for spending at the government’s discretion.

Fund balances as of June 30, 2023, and the changes in fund balances from prior year are summarized as follows:

	Balance	Increase (Decrease) From 2021-22
GOVERNMENTAL FUND		
General Fund	\$ 7,804,093	\$ 1,132,580
Highway User Revenue Fund	1,175,142	77,863
Gila RDX Tax Extension Fund	1,405,880	253,355
Nonmajor Governmental Funds	446,677	(154)
Total Fund Balance	\$ 10,831,792	\$ 1,463,644

The General Fund is the chief operating fund of the Town of Star Valley, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance of the General Fund represents 750% of total General Fund expenditures.

The increase in the General Fund was due to continued conservative spending practices and funding related to the COVID-19 pandemic.

The increase in the Highway User Revenue Fund was due to conservative spending and an increase in revenues over expenditures for highway and street related repairs and maintenance.

The increase in the Gila RDX Tax Extension Fund was due to continued conservative spending practices and minimal spending of the tax funding.

The decrease in the Nonmajor Governmental Funds was not considered significant.

**TOWN OF STAR VALLEY, ARIZONA
MANGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town reported a positive expenditure budget variance of \$1,201,748. The most significant factors for the positive budget variance were cost savings in administration from conservative spending as well as having a large contingency budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2023 amounts to \$2,217,116 for governmental activities and \$2,422,475 for business-type activities (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, water system, machinery, equipment, and vehicles. The net increase in the Town's investment in capital assets for the current fiscal year was 8% combined for governmental and business-type activities.

Major capital asset events during the current fiscal year included the following projects:

- Playground and park equipment and improvements
- Water lines

Additional information on the Town's capital assets can be found in Note 6 of this report.

	Governmental Activities			Business-type Activites		
	2023	2022	Net Change	2023	2022	Net Change
CAPITAL ASSETS						
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ -	\$ -
Construction in progress	93,673	-	93,673	-	-	-
Infrastructure	1,538,846	1,552,131	(13,285)	-	-	-
Buildings and improvements	250,328	248,833	1,495	9,538	10,916	(1,378)
Water system	-	-	-	2,412,937	2,185,684	227,253
Machinery, equipment, and vehicles	66,012	31,450	34,562	-	-	-
Total Capital Assets	\$ 2,217,116	\$ 2,100,671	\$ 116,445	\$ 2,422,475	\$ 2,196,600	\$ 225,875

Long-Term Debt

At the end of the current fiscal year, the Town of Star Valley, Arizona, did not have any long-term bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Normal distributions from state shared revenues.
- Continued excise tax funding for highway and street projects.
- COVID-19 funding considerations.
- Continued water infrastructure improvements.

The above factors were considered in preparing the Town's budget for the 2023-24 fiscal year.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Star Valley, Arizona
Accounting Department
HC 5 Box 49-90
Star Valley, AZ 85541

(928) 472-7752

Or visit our website at: www.Starvalleyaz.com

BASIC FINANCIAL STATEMENTS

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,960,483	\$ -	\$ 9,960,483
Restricted assets	-	28,761	28,761
Prepays	3,414	-	3,414
Receivables, Net:			
Due from other governments	172,841	-	172,841
Accounts receivable	-	22,652	22,652
Internal balances	711,635	(711,635)	-
Capital assets:			
Non-depreciable assets	361,930	-	361,930
Depreciable assets, net of accumulated depreciation	1,855,186	2,422,475	4,277,661
Total Assets	13,065,489	1,762,253	14,827,742
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	75,681	16,900	92,581
LIABILITIES			
Accrued wages and benefits	16,581	1,760	18,341
Unearned revenue	-	3,897	3,897
Customer deposits payable	-	28,761	28,761
Long-term liabilities:			
Due within one year	7,976	-	7,976
Due in more than one year	23,623	-	23,623
Net pension liability	328,694	72,833	401,527
Total Liabilities	376,874	107,251	484,125
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	8,463	2,594	11,057
NET POSITION			
Investment in capital assets	2,217,116	2,422,475	4,639,591
Restricted:			
Local transportation assistance	20,120	-	20,120
Federal grants	264,974	-	264,974
Highways and streets	2,581,022	-	2,581,022
Judicial court enhancement	161,583	-	161,583
Unrestricted	7,511,018	(753,167)	6,757,851
Total Net Position	\$ 12,755,833	\$ 1,669,308	\$ 14,425,141

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, and Charge for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 575,912	\$ 28,384	385,413	\$ -	\$ (162,115)	\$ -	\$ (162,115)
Public safety	367,017	18,380	-	-	(348,637)	-	(348,637)
Highways and streets	246,639	5,327	566,233	-	324,921	-	324,921
Culture and recreation	439	-	-	4,010	3,571	-	3,571
Total governmental activities	1,190,007	52,091	951,646	4,010	(182,260)	-	(182,260)
Business-type Activities:							
Water	353,714	210,034	-	119,919	-	(23,761)	(23,761)
Total Primary Government	\$ 1,543,721	\$ 262,125	\$ 951,646	\$ 123,929	(182,260)	(23,761)	(206,021)

General revenues:

Taxes:

Sales taxes	604,041	-	604,041
Franchise taxes	73,071	-	73,071
State revenue sharing	480,324	-	480,324
State sales tax revenue sharing	374,283	-	374,283
Auto lieu tax revenue sharing	204,710	-	204,710
Investment earnings (loss)	(13,939)	-	(13,939)
Other	28,892	-	28,892
Total general revenues	1,751,382	-	1,751,382
Change in net position	1,569,122	(23,761)	1,545,361
Net position - beginning	11,186,711	1,693,069	12,879,780
Net position - ending	\$ 12,755,833	\$ 1,669,308	\$ 14,425,141

See accompanying Notes to the Basic Financial Statements

TOWN OF STAR VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Highway User Revenue Fund	Gila RDX Tax Extension Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,985,775	\$ 1,142,784	\$ 1,385,247	\$ 446,677	\$ 9,960,483
Receivables					
Intergovernmental	119,850	32,358	20,633	-	172,841
Due from other funds	711,635	-	-	-	711,635
Prepays	3,414	-	-	-	3,414
Total Assets	\$ 7,820,674	\$ 1,175,142	\$ 1,405,880	\$ 446,677	\$ 10,848,373
LIABILITIES					
Accrued wages and benefits	\$ 16,581	\$ -	\$ -	\$ -	\$ 16,581
FUND BALANCES					
Nonspendable	3,414	-	-	-	3,414
Restricted	-	1,175,142	1,405,880	446,677	3,027,699
Unassigned	7,800,679	-	-	-	7,800,679
Total Fund Balances	7,804,093	1,175,142	1,405,880	446,677	10,831,792
Total Liabilities and Fund Balances	\$ 7,820,674	\$ 1,175,142	\$ 1,405,880	\$ 446,677	\$ 10,848,373

TOWN OF STAR VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds \$ 10,831,792

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 3,050,465	
Accumulated depreciation	<u>(833,349)</u>	2,217,116

Long-term liabilities:

In governmental funds, only current liabilities are reported in the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	\$ (328,694)	
Compensated absences	<u>(31,599)</u>	(360,293)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions:	\$ 75,681	
Deferred inflows of resources relating to pensions:	<u>(8,463)</u>	67,218

Total Net Position - Governmental Activities \$ 12,755,833

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Highway User Revenue Fund	Gila RDX Tax Extension Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 677,112	\$ -	\$ -	\$ -	\$ 677,112
Intergovernmental	1,444,730	325,863	240,370	-	2,010,963
Licenses and permits	42,942	-	-	-	42,942
Fines and forfeitures	9,149	-	-	-	9,149
Investment earnings (loss)	(33,867)	5,029	13,209	1,690	(13,939)
Other revenues	28,648	-	-	244	28,892
Total Revenues	2,172,724	330,892	253,579	1,934	2,759,129
EXPENDITURES					
Current:					
General government	566,761	-	-	2,085	568,846
Public Safety	367,017	-	-	-	367,017
Community development	106,366	-	-	-	106,366
Public works/utilities	-	253,029	224	3	253,256
Total Expenditures	1,040,144	253,029	224	2,088	1,295,485
Excess (Deficiency) of Revenues Over Expenditures	1,132,580	77,863	253,355	(154)	1,463,644
Fund Balance - Beginning	6,671,513	1,097,279	1,152,525	446,831	9,368,148
Fund Balance - Ending	\$ 7,804,093	\$ 1,175,142	\$ 1,405,880	\$ 446,677	\$ 10,831,792

TOWN OF STAR VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Governmental Funds \$ 1,463,644

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.

	Expenditures for capital outlay: \$	191,954	
	Depreciation expense:	<u>(75,509)</u>	116,445

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions.

	Pension contributions	26,333
	Pension expense	(38,934)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

	Net decrease in compensated absences	<u>1,634</u>
--	--------------------------------------	--------------

Change in Net Position of Governmental Activities \$ 1,569,122

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-type Activities
	Enterprise Funds
	Water
ASSETS	
Current assets:	
Restricted cash and cash equivalents	\$ 28,761
Accounts receivable, net	22,652
Total current assets	<u>51,413</u>
Noncurrent assets:	
Depreciation capital assets, net	2,422,475
Total Assets	<u><u>2,473,888</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>16,900</u>
LIABILITIES	
Current liabilities	
Accrued wages and benefits	1,760
Due to other funds	711,635
Customer deposits payable	28,761
Unearned revenue	3,897
Total current liabilities	<u>746,053</u>
Non-current liabilities	
Net pension liability	72,833
Total Liabilities	<u><u>818,886</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>2,594</u>
NET POSITION	
Investment in capital assets	2,422,475
Unrestricted	(753,167)
Total Net Position	<u><u>\$ 1,669,308</u></u>

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-type Activities
	Enterprise Funds
	Water
OPERATING REVENUE	
Charges for services	\$ 210,034
OPERATING EXPENSE	
Cost of sales and service	268,409
Depreciation	85,305
Total operating expenses	<u>353,714</u>
OPERATING LOSS	<u>(143,680)</u>
NON-OPERATING REVENUES	
Capital contributions	119,919
CHANGE IN NET POSITION	(23,761)
Net Position - Beginning	<u>1,693,069</u>
Net Position - Ending	<u>\$ 1,669,308</u>

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Business-type Activities
	Enterprise Funds
	Water
Cash flows from operating activities	
Receipts from customers	\$ 210,955
Payments to suppliers	(159,867)
Payments to employees	(116,080)
Customer deposits	5,939
Net cash provided/(used) by operating activities	(59,053)
Cash flows from non-capital financing activities	
Interfund borrowing	256,253
Cash flows from capital and related financing	
Acquisition of capital assets	(311,180)
Capital contributions	119,919
Net cash provided/(used) in operating activities	(191,261)
Net increase in cash	5,939
Cash	
Beginning of year	22,822
End of year	\$ 28,761
Reconciliation of operating loss to cash used in operating activities	
Operating loss	\$ (143,680)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	85,305
Pension expense (Income)	23,113
Change in assets/liabilities	
Receivables, net	921
Deferred outflows of resources	(6,001)
Accounts payable	(5,855)
Customer deposits payable	5,939
Accrued wages	(1,171)
Deferred inflows of resources	(17,624)
Net cash used by operating activities	\$ (59,053)

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Star Valley conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the Town's financial statements present only the funds of those entities for which its elected governing board is financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 Town, except those required to be accounted for in another fund.

The *Highway Users Revenue Special Revenue Fund (HURF)* accounts for the operations of the street maintenance department. Financing is provided by the Town's share of motor fuel tax.

The *Gila RDX Tax Extension Fund* accounts for the operations of street improvements provided by the Gila RDX tax.

The Town reports the following major proprietary funds:

The *Water Fund* accounts for the activities necessary to provide water services to the citizens of the Town.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three years or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

Restricted Assets

The Town reports restricted assets for water deposits collected and held by the Town for customers it serves. The deposits will be returned to customers upon termination of services.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Receivables

All trade receivables are shown net of an allowance for uncollectible. The Town reported \$-0- for an allowance based on prior experience and the nature of the receivables. The intergovernmental receivables represent sales tax and state shared revenues.

Interfund Receivables and Payables

The Town records due to or due from other funds for short-term borrowings within the Town's pooled cash to cover deficit cash balances in individual funds.

Capital Assets

Capital assets, which include land, infrastructure, buildings and improvements, and vehicles, machinery, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed or donated assets are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

General infrastructure assets acquired prior to July 1, 2002 are not reported in the basic financial statements.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Infrastructure	10-45 years
Water system	45 years
Buildings and improvements	45 years
Machinery, equipment, and vehicles	5 years

Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

Intergovernmental Payable

The liability for intergovernmental payable represents court surcharges due to the State of Arizona.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. 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.

Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Net investment in capital assets is separately reported because the Town reports all Town assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The classifications on the following page describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Fund Balance (Continued)

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in non-spendable form or are legally or contractually required to be maintained intact. The Town did not report any nonspendable fund balances.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by a Town Council ordinance or resolution to formally commit part of the Town's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal Town Councils' action utilizing the same type of action that was originally used. The Town did not report any committed fund balances during the current year. The Town did not report any committed fund balances.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes but are neither restricted nor committed. The Town did not report any assigned fund balances during the current year.

Unassigned Fund Balance - Amounts that are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

The Town reported fund balances as noted below:

	General Fund	Highway User Revenue Fund	Gila RDX Tax Extension Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Prepays	\$ 3,414	\$ -	\$ -	\$ -	\$ 3,414
Restricted					
Highways and streets	-	1,175,142	1,405,880	-	2,581,022
Federal grants	-	-	-	264,974	264,974
Local transportation assistance	-	-	-	20,120	20,120
Judicial court enhancement	-	-	-	161,583	161,583
Total restricted	-	1,175,142	1,405,880	446,677	3,027,699
Unassigned	7,800,679	-	-	-	7,800,679
Total	\$ 7,804,093	\$ 1,175,142	\$ 1,405,880	\$ 446,677	\$ 10,831,792

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

The following Town funds exceeded the respective budgeted amounts in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Culture and recreation	\$ 47,700	\$ 106,366	\$ 58,666

Cash was available to meet all the over-expenditures, and there was budget capacity available in other departments to offset the over-expenditures.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2023 are reported as follows:

Deposits:	
Cash in bank	\$ 5,244,962
Investments:	
Marketable certificates of deposit	<u>4,744,282</u>
Total deposits and investments	<u>9,989,244</u>
Less: restricted assets	<u>(28,761)</u>
Total cash and cash equivalents	<u>\$ 9,960,483</u>

Deposits - The Town's deposits had a carrying value of \$5,244,962 and a bank balance of \$5,260,400 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$5,010,400 was collateralized by pledged securities through the state pooled collateral program.

Investments - The Town's investments are limited to marketable certificates of deposits.

Interest Rate Risk- Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Town's investment policy, the Town manages its exposure to declines in fair values by limiting its investments to certificates of deposit and money market funds. The following table summarizes the Town's interest rate risk, based on maturity dates of various instruments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-2	2-3	3+
Marketable certificates of deposit	<u>\$ 4,744,282</u>	<u>\$ 479,586</u>	<u>\$ 1,737,238</u>	<u>\$ 1,003,295</u>	<u>\$ 1,524,163</u>

Custodial Credit Risk - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy requires the Town to invest in obligations secured by the federal government; and therefore is not subject to custodial credit risk.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - The Town does not have a formal policy related to credit risk; however, the Town's deposits and investments consist of insured or collateralized deposits and investments.

Concentration of Credit Risk - The Town's investment policy does not address concentration of credit risk. However, the Town only invests in funds authorized by Arizona State law and only has investments in Marketable Certificates of Deposit at June 30, 2023.

Fair Value Measurements - The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

Investment by fair value level	June 30, 2023	Investment Maturities (In Years)		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other inputs (Level 3)
Marketable certificates of deposit	\$ 4,744,282	\$ -	\$ 4,744,282	\$ -

NOTE 4 – RESTRICTED ASSETS

At June 30, 2023, the Town reported \$28,761 of cash and investments reported as restricted assets for customer water deposits held by the Town.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2023, the Town reported the following interfund receivables and payables:

Due to	Due from Water Fund
General Fund	\$ 711,635

The interfund receivables and payables were recorded to eliminate deficit cash at year-end within the Water Fund.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance			Balance		
	July 01, 2022	Additions	Deductions	July 01, 2022	Additions	Deductions
Governmental Activities						
Capital assets not being depreciated						
Land	\$ 268,257	\$ -	\$ -	\$ 268,257		
Construction in progress	-	93,673	-	-	93,673	
Total Capital Assets not Being Depreciated	<u>268,257</u>	<u>93,673</u>	<u>-</u>	<u>268,257</u>	<u>93,673</u>	<u>-</u>
Capital assets being depreciated						
Infrastructure	2,017,125	44,961	-	2,062,086		
Buildings and improvements	331,388	9,920	-	341,308		
Machinery, equipment, and vehicles	241,741	43,400	-	285,141		
Total Capital Assets Being Depreciated	<u>2,590,254</u>	<u>98,281</u>	<u>-</u>	<u>2,688,535</u>		
Less Accumulated Depreciation						
Infrastructure	(464,994)	(58,246)	-	(523,240)		
Buildings and improvements	(82,555)	(8,425)	-	(90,980)		
Machinery, equipment, and vehicles	(210,291)	(8,838)	-	(219,129)		
Total Accumulated Depreciation	<u>(757,840)</u>	<u>(75,509)</u>	<u>-</u>	<u>(833,349)</u>		
Total Capital assets, being depreciated, net	<u>1,832,414</u>	<u>22,772</u>	<u>-</u>	<u>1,855,186</u>		
Governmental Activities Capital Assets, Net	<u>\$ 2,100,671</u>	<u>\$ 116,445</u>	<u>\$ -</u>	<u>\$ 2,217,116</u>		
Business-Type Activities						
Capital assets being depreciated						
Building improvements	\$ 24,807	\$ -	\$ -	\$ 24,807		
Water system	2,760,749	311,180	-	3,071,929		
Machinery, equipment, and vehicles	32,812	-	-	32,812		
Total Capital Assets Being Depreciated	<u>2,818,368</u>	<u>311,180</u>	<u>-</u>	<u>3,129,548</u>		
Less Accumulated Depreciation						
Building improvements	(13,891)	(1,378)	-	(15,269)		
Water system	(575,065)	(83,927)	-	(658,992)		
Machinery, equipment, and vehicles	(32,812)	-	-	(32,812)		
Total Accumulated Depreciation	<u>(621,768)</u>	<u>(85,305)</u>	<u>-</u>	<u>(707,073)</u>		
Business-type Activities Capital Assets, Net	<u>\$ 2,196,600</u>	<u>\$ 225,875</u>	<u>\$ -</u>	<u>\$ 2,422,475</u>		

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 8,772
Highways and streets	35,592
Culture and recreation	31,145
Total governmental depreciation expense	<u>\$ 75,509</u>
Business-type Activities:	
Water	<u>\$ 85,305</u>

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2023 is as follows:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Compensated absences	\$ 33,233	\$ 20,161	\$ (21,795)	\$ 31,599	\$ 7,976

Compensated absences will be paid in future years from future resources primarily from the General Fund.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Cost Sharing Pension Plan

At June 30, 2023, the Town reported the following related to pensions to which it contributes:

	Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Pension plan	\$ 401,527	\$ 92,581	\$ 11,057	\$ 48,166

Arizona State Retirement System

Plan Description

Town employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); 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 Web site at www.azasrs.gov.

The Town's financial statements present an OPEB asset and liability as it relates to the Town's health insurance premium benefit plan and long-term disability plan. These balances are not significant to the Town's financial statements and are therefore omitted in this note.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Benefits Provided

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

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

**With actuarially reduced benefits*

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the 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.

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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members’ annual covered payroll. The related health insurance premium benefit and long-term disability OPEB items were omitted as they were not significant to the Town.

The Town’s contributions to the pension plan for the year ended June 30, 2023, were \$35,976.

During the fiscal year ended June 30, 2023, the Town paid for ASRS pension as follows: 80% from the General Fund and 20% from the Water Fund.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Pension Liability

On June 30, 2023, the Town reported a liability of \$401,527 for its proportionate share of the ASRS' net pension liability. The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

The Town's proportion of the net pension 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, 2022, and the change from its proportions measured as of June 30, 2021. The Town's proportion measured as of June 30, 2022, was 0.0025%, which was an increase of 0.0004% from the prior year.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023 the Town recognized pension expense for ASRS of \$48,166.

On June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,421	\$ -
Changes of assumptions or other inputs	19,929	-
Net difference between projected and actual earnings on pension plan investments	-	10,577
Changes in proportion and differences between contributions and proportionate share of contributions	33,255	480
Contributions subsequent to the measurement date	35,976	-
Total	\$ 92,581	\$ 11,057

The amounts reported as deferred outflows of resources related to ASRS pension resulting from District 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in expenses as noted on the following page.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2024	\$ 36,043
2025	10,940
20226	(18,363)
2027	16,928
2028	-
Thereafter	-
Total	<u>\$ 45,548</u>

Actuarial Assumptions

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

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

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2021.

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20%)
Real Estate	20%	6.00%
Total	<u>100%</u>	

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Discount Rate

On June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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 liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 592,441	\$ 401,527	\$ 242,334

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Contributions payable

The Town’s accrued payroll and employee benefits included \$1,976 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MD&A**

TOWN OF STAR VALLEY, ARIZONA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2023

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Proportion of the net pension liability	0.0025%	0.0021%	0.0021%	0.0024%	0.2790%	0.2660%	0.2340%	0.2300%	0.2260%	0.2250%
Proportionate share of the net pension liability	\$ 401,527	\$ 279,873	\$ 370,788	\$ 355,048	\$ 389,107	\$ 414,376	\$ 377,700	\$ 357,812	\$ 333,850	\$ 2,975,253
Covered payroll	\$ 312,685	\$ 239,021	\$ 235,539	\$ 257,075	\$ 269,025	\$ 252,169	\$ 250,564	\$ 216,097	\$ 262,194	N/A
Proportionate share of the net pension liability as a percentage of its covered payroll	128.41%	117.09%	157.42%	138.11%	144.64%	164.32%	150.74%	165.58%	127.33%	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	57.28%

SCHEDULE OF CONTRIBUTIONS

	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 35,976	\$ 35,081	\$ 27,935	\$ 26,730	\$ 28,741	\$ 30,192	\$ 27,968	\$ 38,719	\$ 40,633	\$ 36,520
Contributions in relation to the actuarially determined contribution	35,976	35,081	27,935	26,730	28,741	30,192	27,968	23,797	23,008	21,762
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,922	\$ 17,625	\$ 14,758
Town's covered payroll	\$ 312,685	\$ 312,685	\$ 239,021	\$ 235,539	\$ 257,075	\$ 269,025	\$ 252,169	\$ 250,564	\$ 216,097	\$ 262,194
Contributions as a percentage of covered payroll	11.51%	11.69%	11.35%	11.18%	11.18%	11.22%	11.09%	9.50%	10.65%	8.30%

See accompanying Notes to Required Supplementary Information

TOWN OF STAR VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Taxes	\$ 580,000	\$ 677,112	\$ 97,112
Licenses and permits	104,600	42,942	(61,658)
Fines and forfeitures	12,000	9,149	(2,851)
Intergovernmental	1,055,400	1,444,730	389,330
Investment earnings (loss)	50,000	(33,867)	(83,867)
Other	462,500	28,648	(433,852)
Total Revenues	2,264,500	2,172,724	(91,776)
EXPENDITURES			
Current:			
General government:			
Administration	1,700,700	453,736	1,246,964
Town council	50,800	57,438	(6,638)
Elections	3,500	2,873	627
Building and planning	32,000	34,582	(2,582)
Court	25,300	18,132	7,168
Total general government	1,812,300	566,761	1,245,539
Public Safety			
Contracted law enforcement	404,500	367,017	37,483
Culture and recreation			
Community garden	1,200	1,480	(280)
Parks	46,500	104,886	(58,386)
Total culture and recreation	47,700	106,366	(58,666)
Total Expenditures	2,264,500	1,040,144	1,201,748
Excess (Deficiency) of Revenues			
Over Expenditures	-	1,132,580	1,109,972
Fund Balance - Beginning	6,671,513	6,671,513	-
Fund Balance - Ending	\$ 6,671,513	\$ 7,804,093	\$ 1,132,580

TOWN OF STAR VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – HIGHWAY USERS REVENUE FUND
YEAR ENDED JUNE 30, 2023

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Intergovernmental	\$ 352,200	\$ 325,863	\$ (26,337)
Investment earnings (loss)	-	5,029	5,029
Total Revenues	<u>352,200</u>	<u>330,892</u>	<u>(21,308)</u>
EXPENDITURES			
Current:			
Highways and streets	752,200	253,029	499,171
Total Expenditures	<u>752,200</u>	<u>253,029</u>	<u>499,171</u>
Excess (Deficiency) of Revenues			
Over Expenditures	(400,000)	77,863	477,863
Fund Balance - Beginning	<u>1,097,279</u>	<u>1,097,279</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 697,279</u>	<u>\$ 1,175,142</u>	<u>\$ 477,863</u>

TOWN OF STAR VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GILA RDX TAX EXTENSION FUND
YEAR ENDED JUNE 30, 2023

	Adopted and Final Budget	Actual	Variances - Final to Actual
REVENUES			
Intergovernmental	\$ 200,000	\$ 240,370	\$ 40,370
Investment earnings (loss)	-	13,209	13,209
Total Revenues	200,000	253,579	53,579
EXPENDITURES			
Current:			
Highways and streets	1,149,100	224	1,148,876
Excess (Deficiency) of Revenues			
Over Expenditures	(949,100)	253,355	1,202,455
Fund Balance - Beginning	1,152,525	1,152,525	-
Fund Balance - Ending	\$ 203,425	\$ 1,405,880	\$ 1,202,455

TOWN OF STAR VALLEY, ARIZONA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2023

NOTE 1: BUDGETARY INFORMATION

The Town adopts a budget on the modified accrual basis of accounting; however, due to budget amendments and/or future projections, the budget may not be presented as a balanced budget.

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1, to the Town Council. The operating budget includes proposed expenditures and the means of financing them.
2. The Town operates under the voter approved alternative expenditure limitation. The electorate authorized the Town, in accordance with Arizona Revised Statutes, to establish a local annual expenditure limitation each fiscal year. The Town sets the annual expenditure limitation for all fund types as a whole with the adoption of the annual budget.
3. Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local taxpayers.
4. To ensure compliance with the State imposed expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. Section 41-1279.07).
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole per State law. For management purposes, the Town adopts a budget by department for each individual fund and establishes the legal level of local budgetary control at this level. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures for financial reporting purposes.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.