

**TOWN OF STAR VALLEY, ARIZONA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

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TOWN OF STAR VALLEY, ARIZONA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET – GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	16
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION – PROPRIETARY FUNDS	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	18
NOTES TO BASIC FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND PENSION CONTRIBUTIONS	36
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	37
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – HIGHWAY USERS REVENUE FUND	38
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	39

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the Town Council  
Town of Star Valley, Arizona  
Star Valley, 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 Star Valley, Arizona (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

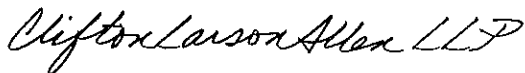
### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Star Valley, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the Town's proportionate share of the net pension liability and pension contributions, and the budgetary comparison schedules 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
June 12, 2019



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2018. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, and significant economic factors.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets and deferred outflows of resources of the Town of Star Valley, Arizona exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,712,334 (net position). Of this amount \$3,927,083 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Star Valley, Arizona's governmental funds reported combined ending fund balances of \$5,437,801, an increase of \$403,907 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,333,533 or 471% of total General Fund expenditures.
- ◆ General Fund revenues were more than budgeted revenues by \$44,748 for fiscal year ending June 30, 2018. Additionally, expenditures were only 19% (\$3,917,420 in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$244,602; a positive variance of \$3,962,168 from the final budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section consists of this discussion and analysis and the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the Town of Star Valley, Arizona'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 of Star Valley, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in 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).

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Both of the government-wide financial statements distinguish functions of the Town of Star Valley, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Star Valley, Arizona include general government, public safety, highways and streets, and culture and recreation. The business-type activities include the operations of the Town water system.

The government-wide financial statements can be found on pages 10 - 11 of this report.

**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 of Star Valley, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Star Valley, Arizona can be divided into two categories - governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported 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 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. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The Town maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Highway Users Revenue Fund which are considered major funds. Data from the other three governmental funds are combined into a single, aggregate presentation.

The basic governmental fund financial statements can be found on pages 12 - 15 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 16 - 18 of this report.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Notes to Basic Financial Statements**

The notes to the basic financial statements (pages 19 - 35) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the basic financial statements.

**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 37 - 38. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on page 36.

**Government-Wide Financial Analysis**

**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2018 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$8,712,334.

**Table A-1  
The Town's Net Position  
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current and Other Assets	\$ 5,646,457	\$ 5,288,051	\$ (95,701)	\$ (57,999)	\$ 5,550,756	\$ 5,230,052
Capital Assets						
Non-depreciable	268,257	304,788	3,458	36,512	271,715	341,300
Depreciable (Net)	1,792,966	1,663,579	1,716,302	1,454,403	3,509,268	3,117,982
Total Assets	7,707,680	7,256,418	1,624,059	1,432,916	9,331,739	8,689,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	73,044	60,041	16,934	18,677	89,978	78,718
<b>LIABILITIES</b>						
Current Liabilities	208,656	254,157	34,291	40,379	242,947	294,536
Non-Current Liabilities						
Due Within One Year	20,794	17,575	-	-	20,794	17,575
Due in More Than One Year	6,450	20,055	-	-	6,450	20,055
Net Pension Liability	337,916	277,105	76,460	100,595	414,376	377,700
Total Liabilities	573,816	568,892	110,751	140,974	684,567	709,866
<b>DEFERRED INFLOWS OF RESOURCES</b>	20,237	33,724	4,579	12,242	24,816	45,966
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,061,223	1,968,367	1,719,760	1,490,915	3,780,983	3,459,282
Restricted	1,004,268	844,963	-	-	1,004,268	844,963
Unrestricted	4,121,180	3,900,513	(194,097)	(192,538)	3,927,083	3,707,975
Total Net Position	<u>\$ 7,186,671</u>	<u>\$ 6,713,843</u>	<u>\$ 1,525,663</u>	<u>\$ 1,298,377</u>	<u>\$ 8,712,334</u>	<u>\$ 8,012,220</u>

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Net position consists of three components. The Town of Star Valley, Arizona's investment in capital assets (e.g., infrastructure, buildings and improvements, and vehicles, machinery and equipment), less any related debt used to acquire those assets that are still outstanding accounts for 43.4% of total net position. The Town of Star Valley, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town of Star Valley, Arizona's net position (11.5%) represents resources that are subject to external restrictions on how they may be used. Restricted net position increased over the prior fiscal year due to the accumulation of excise tax revenues. The remaining balance of unrestricted net position (\$3,927,083) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Star Valley, Arizona has been able to report positive balances in all three categories of net position.

**Change in Net Position**

The following table compares the revenues and expenses for the current and previous fiscal year.

**Table A-2  
Change in Net Position  
June 30, 2018 and 2017**

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 42,757	\$ 437,067	\$ 176,686	\$ 168,367	\$ 219,443	\$ 605,434
Operating Grants and Contributions	398,065	397,199	-	-	398,065	397,199
Capital Grants and Contributions	10,000	10,000	232,262	35,312	242,262	45,312
General Revenues:						
Sales Taxes	350,607	311,123	-	-	350,607	311,123
Franchise Taxes	64,256	58,977	-	-	64,256	58,977
State Shared Revenues	502,950	487,065	-	-	502,950	487,065
Auto Lieu Taxes	153,737	143,506	-	-	153,737	143,506
Investment Income	689	7,802	-	-	689	7,802
Other	30,910	931	-	-	30,910	931
Total Revenues	1,553,971	1,853,670	408,948	203,679	1,962,919	2,057,349
<b>EXPENSES</b>						
General Government	412,958	463,234	-	-	412,958	463,234
Public Safety	456,563	566,512	-	-	456,563	566,512
Highways and Streets	190,448	205,302	-	-	190,448	205,302
Culture and Recreation	21,174	26,776	-	-	21,174	26,776
Water	-	-	181,662	207,798	181,662	207,798
Total Expenses	1,081,143	1,261,824	181,662	207,798	1,262,805	1,469,622
<b>CHANGE IN NET POSITION</b>	472,828	591,846	227,286	(4,119)	700,114	587,727
Net Position - Beginning of Year	6,713,843	6,121,997	1,298,377	1,302,496	8,012,220	7,424,493
<b>NET POSITION - END OF YEAR</b>	<u>\$ 7,186,671</u>	<u>\$ 6,713,843</u>	<u>\$ 1,525,663</u>	<u>\$ 1,298,377</u>	<u>\$ 8,712,334</u>	<u>\$ 8,012,220</u>

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Governmental Activities**

Program revenues decreased by \$393,444 and general revenues increased by \$93,745.

The decrease in program revenues was the result of a decrease in fees and fines related to a decrease in photo enforcement activity from the removal of the photo enforcement cameras. The change in operating grants and contributions and capital grants and contributions was not significant.

The increase in general revenues was primarily due to an increase in sales tax and state shared revenues. State shared revenue is collected and distributed by the State of Arizona based on sales tax collection at the State level.

Expenses decreased \$180,681, primarily due to photo enforcement fine processing fees decreasing as a result of the cameras being removed at the Town. This resulted in a decrease in funds available to expend and reduced expenditures owed through intergovernmental agreements for the collection of fines.

*Business-Type Activities* – Program revenues increase \$205,269 due to increased capital grants for CDBG projects related to water infrastructure. Additionally, expenses decreased \$26,136 primarily due to the Town being more efficient with water operations.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. 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. Types of Governmental funds reported by the Town include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$5,437,801, an increase of \$403,907 in comparison with the prior year. Approximately 80% of this total amount (\$4,333,533) constitutes General Fund fund balance, which is reported as unassigned fund balances. At fiscal year-end, fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) from 2016-17
General Fund	\$ 4,333,533	\$ 244,602
Highway Users Revenue Fund	434,007	12,152
Nonmajor Governmental Funds	670,261	147,153

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

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 both General Fund fund balance and total fund balance to total fund expenditures. General Fund fund balance represents 471% of total General Fund expenditures.

The fund balance of the General Fund increased by \$244,602 during the current fiscal year. This increase was largely attributed to the continued increase in revenues over expenditures within the General Fund. In the current year, the Town saw a decrease in both revenues and expenses for a similar amount due to the removal of the photo enforcement camera program. Additionally, local sales tax and state shared revenues exceeded amounts collected in prior year.

The fund balance of the Highway Users Revenue Fund increased \$12,152 due to the continued surplus of state shared revenues over streets spending.

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. The fund balance of the nonmajor governmental funds increased during the current fiscal year by \$147,153. The increase was attributed to the Town collecting excise taxes for transportation projects with no current year spending.

#### **BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 37 and 38 in the required supplementary information other than MD&A. These schedules compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend its budget during the fiscal year.

General Fund revenues of \$1,163,725 were greater than budgeted revenues of \$1,118,977 by \$44,748 while expenditures of \$919,123 were 19% of budgeted expenditures (savings of \$3,917,420). Revenues were greater than the budget primarily due to the Town budgeting conservatively for sales tax revenues, intergovernmental revenues, and other income.

Expenditures fell below budget largely due to unspent contingency and administration capacity during the fiscal year. Additionally, contracted law enforcement and town council also exceeded budget, however, cash was available for these over expenditures.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$3,780,983 (net of accumulated depreciation), an increase of 9%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3 in the Notes to the Basic Financial Statements for further information regarding capital assets.



**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

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

- ◆ Well rehab and improvement project
- ◆ Road overlay project
- ◆ Construction of a community garden and pickleball court
- ◆ Park fitness equipment and sprinkler system

The following table provides a breakdown of the capital assets of the Town at June 30, 2018 and 2017.

**Table A-4  
Capital Assets (Net)  
June 30, 2018 and 2017**

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ 268,257	\$ 268,257
Construction in Progress	-	36,531	3,458	36,512	3,458	73,043
Infrastructure	1,501,476	1,390,858	-	-	1,501,476	1,390,858
Buildings and Improvements	264,755	271,835	16,428	17,807	281,183	289,642
Water System	-	-	1,698,738	1,431,242	1,698,738	1,431,242
Vehicle, Machinery and Equipment	26,735	886	1,136	5,354	27,871	6,240
<b>Total Capital Assets</b>	<b>\$ 2,061,223</b>	<b>\$ 1,968,367</b>	<b>\$ 1,719,760</b>	<b>\$ 1,490,915</b>	<b>\$ 3,780,983</b>	<b>\$ 3,459,282</b>

**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
- ◆ Continued emphasis on conservative spending
- ◆ Continued water infrastructure improvements

**REQUESTS 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.ci.star-valley.az.us](http://www.ci.star-valley.az.us)

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 5,399,462	\$ -	\$ 5,399,462
Restricted Assets	-	16,076	16,076
Receivables, Net:			
Accounts Receivable	-	19,401	19,401
Intergovernmental Receivables	113,078	2,739	115,817
Internal Balances	133,917	(133,917)	-
Capital Assets:			
Non-Depreciable	268,257	3,458	271,715
Depreciable, Net	1,792,966	1,716,302	3,509,268
Total Assets	7,707,680	1,624,059	9,331,739
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 73,044	 16,934	 89,978
<b>LIABILITIES</b>			
Accounts Payable	140,094	4,775	144,869
Accrued Wages and Benefits	66,476	9,543	76,019
Intergovernmental Payable	2,086	-	2,086
Customer Deposits Payable	-	16,076	16,076
Unearned Revenue	-	3,897	3,897
Noncurrent Liabilities:			
Due Within One Year	20,794	-	20,794
Due in More Than One Year	6,450	-	6,450
Net Pension Liability	337,916	76,460	414,376
Total Liabilities	573,816	110,751	684,567
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 20,237	 4,579	 24,816
<b>NET POSITION</b>			
Investment in Capital Assets	2,061,223	1,719,760	3,780,983
Restricted for:			
Local Transportation Assistance	19,927	-	19,927
Highways and Streets	825,857	-	825,857
Judicial Court Enhancement	158,484	-	158,484
Unrestricted	4,121,180	(194,097)	3,927,083
Total Net Position	\$ 7,186,671	\$ 1,525,663	\$ 8,712,334

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Change in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 412,958	\$ 29,065	\$ 12,322	\$ -	\$ (371,571)	\$ -	\$ (371,571)
Public Safety	456,563	13,692	-	-	(442,871)	-	(442,871)
Highways and Streets	190,448	-	385,743	-	195,295	-	195,295
Culture and Recreation	21,174	-	-	10,000	(11,174)	-	(11,174)
Total Governmental Activities	1,081,143	42,757	398,065	10,000	(630,321)	-	(630,321)
Business-Type Activities:							
Water	181,662	176,686	-	232,262	-	227,286	227,286
Total Primary Government	\$ 1,262,805	\$ 219,443	\$ 398,065	\$ 242,262	(630,321)	227,286	(403,035)

**General Revenues:**

Taxes		
Sales Taxes	350,607	-
Franchise Taxes	64,256	-
State Revenue Sharing	283,267	-
State Sales Tax Revenue Sharing	219,683	-
Auto Lieu Tax Revenue Sharing	153,737	-
Investment Income	689	-
Other	30,910	-
Total General Revenues	1,103,149	-
Change in Net Position	472,828	227,286
Net Position - Beginning	6,713,843	1,298,377
Net Position - Ending	\$ 7,186,671	\$ 1,525,663
		\$ 8,712,334

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 4,328,671	\$ 412,352	\$ 658,439	\$ 5,399,462
Receivables:				
Intergovernmental Receivables	78,397	22,859	11,822	113,078
Due from Other Funds	133,917	-	-	133,917
Total Assets	<u>\$ 4,540,985</u>	<u>\$ 435,211</u>	<u>\$ 670,261</u>	<u>\$ 5,646,457</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 138,890	\$ 1,204	\$ -	\$ 140,094
Accrued Wages and Benefits	66,476	-	-	66,476
Intergovernmental Payable	2,086	-	-	2,086
Total Liabilities	<u>207,452</u>	<u>1,204</u>	<u>-</u>	<u>208,656</u>
Fund Balances:				
Restricted	-	334,007	670,261	1,004,268
Committed	-	100,000	-	100,000
Unassigned	4,333,533	-	-	4,333,533
Total Fund Balances	<u>4,333,533</u>	<u>434,007</u>	<u>670,261</u>	<u>5,437,801</u>
Total Liabilities and Fund Balances	<u>\$ 4,540,985</u>	<u>\$ 435,211</u>	<u>\$ 670,261</u>	<u>\$ 5,646,457</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total Fund Balances for Governmental Funds \$ 5,437,801

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Governmental Capital Assets	\$ 2,547,252	
Less: Accumulated Depreciation	<u>(486,029)</u>	2,061,223

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions		73,044
Deferred inflow of resources related to pensions		<u>(20,237)</u>

Long-term liabilities that pertain to governmental funds, including capital leases, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Pension Liability	(337,916)	
Compensated Absences Payable	<u>(27,244)</u>	(365,160)

Total Net Position of Governmental Activities		<u>\$ 7,186,671</u>
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**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 350,607	\$ -	\$ -	\$ 350,607
Franchise Taxes	64,256	-	-	64,256
Intergovernmental	679,009	243,004	142,739	1,064,752
Fines and Forfeitures	13,692	-	4,414	18,106
Licenses and Permits	24,651	-	-	24,651
Investment Income	600	89	-	689
Other	30,910	-	-	30,910
Total Revenues	<u>1,163,725</u>	<u>243,093</u>	<u>147,153</u>	<u>1,553,971</u>
<b>EXPENDITURES</b>				
Current:				
General Government	383,504	-	-	383,504
Public Safety	454,569	-	-	454,569
Highways and Streets	-	230,941	-	230,941
Culture and Recreation	81,050	-	-	81,050
Total Expenditures	<u>919,123</u>	<u>230,941</u>	<u>-</u>	<u>1,150,064</u>
<b>NET CHANGE IN FUND BALANCES</b>	244,602	12,152	147,153	403,907
<b>FUND BALANCES</b>				
Beginning of Year	<u>4,088,931</u>	<u>421,855</u>	<u>523,108</u>	<u>5,033,894</u>
End of Year	<u>\$ 4,333,533</u>	<u>\$ 434,007</u>	<u>\$ 670,261</u>	<u>\$ 5,437,801</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 403,907

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, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	\$ 143,458	
Depreciation Expense	<u>(50,602)</u>	92,856

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 or resources related to pensions, and the investment experience.

Pension Contributions	24,290	
Pension Expense	<u>(58,611)</u>	(34,321)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

10,386

Change in Net Position of Governmental Activities \$ 472,828

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	Enterprise Funds
	Water
<b>ASSETS</b>	
Current Assets	
Restricted Cash and Cash Equivalents	\$ 16,076
Receivables, Net	
Accounts Receivable, Net	19,401
Intergovernmental Receivable	2,739
Total Current Assets	38,216
Noncurrent Assets	
Nondepreciable Capital Assets	3,458
Depreciable Capital Assets, Net	1,716,302
Total Noncurrent Assets	1,719,760
Total Assets	1,757,976
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	16,934
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	4,775
Accrued Wages and Benefits	9,543
Due to Other Funds	133,917
Customer Deposits Payable	16,076
Unearned Revenue	3,897
Total Current Liabilities	168,208
Noncurrent Liabilities	
Net Pension Liability	76,460
Total Liabilities	244,668
<b>DEFERRED INFLOWS OF RESOURCES</b>	4,579
<b>NET POSITION</b>	
Investment in Capital Assets	1,719,760
Unrestricted	(194,097)
Total Net Position	\$ 1,525,663

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	Enterprise Funds
	Water
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 176,686
<b>OPERATING EXPENSES</b>	
Cost of Sales and Services	119,693
Depreciation	61,969
Total Operating Expenses	181,662
Operating Loss	(4,976)
Capital Contributions	232,262
Change in Net Position	227,286
Total Net Position, Beginning of Year	1,298,377
Total Net Position, End of Year	\$ 1,525,663

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	Enterprise Funds
	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 175,460
Payments to Suppliers	(61,645)
Payments to Employees	(96,977)
Customer Deposits	1,007
Net Cash Provided by Operating Activities	17,845
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Borrowing	29,730
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Capital Contributions	244,246
Purchases of Capital Assets	(290,814)
Net Cash Provided by Capital and Related Financing Activities	(46,568)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,007
Cash and Cash Equivalents, Beginning of Year	15,069
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 16,076
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
<b>OPERATING LOSS</b>	\$ (4,976)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	61,969
Pension Expense	(24,135)
Change in Assets/Liabilities:	
Receivables, Net	(3,005)
Deferred Outflows of Resources	1,743
Accounts Payable	(8,874)
Customer Deposits Payable	1,007
Unearned Revenue	1,779
Deferred Inflows of Resources	(7,663)
Net Cash Provided by Operating Activities	\$ 17,845

See accompanying Notes to Basic Financial Statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. 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.

**B. 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.

TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. 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.

The Town reports the following major governmental funds:

*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 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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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

**1. 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.

**2. 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.

**3. 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.

**4. 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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. 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
Vehicles, Machinery and Equipment	5 Years

**6. 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.

**7. Intergovernmental Payable**

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

**8. 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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. 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.

**10. 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.

**11. 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.

**12. Fund Balances**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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, committed, assigned and unassigned fund balances.

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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**12. Fund Balances (Continued)**

Restricted fund balances are those that have externally imposed restrictions on the usage by creditors, grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Town Council, 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. The Town Council must commit fund balances before the end of the fiscal year through formal council action. Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has not formally authorized an individual or a group of individuals to make assignments of resources for specific purposes.

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, committed, assigned or unassigned fund balances, the Town uses restricted fund balance first, then committed, assigned and unassigned amounts.

The Town reports the following fund balance classifications:

	General Fund	HURF	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted:</b>				
Highway and Street Projects	\$ -	\$ 334,007	\$ 491,850	\$ 825,857
Local Transportation Assistance	-	-	19,927	19,927
Judicial Court Enhancement	-	-	158,484	158,484
Total Restricted	-	334,007	670,261	1,004,268
<b>Committed</b>				
Highway and Street Projects	-	100,000	-	100,000
<b>Unassigned</b>	4,333,533	-	-	4,333,533
Total Fund Balance	<u>\$ 4,333,533</u>	<u>\$ 434,007</u>	<u>\$ 670,261</u>	<u>\$ 5,437,801</u>

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess Expenditures over Appropriations**

For the year ended June 30, 2018, the Town reported an over-expenditure in the following categories:

<b>General Fund</b>	<u>Overexpenditure</u>
Contract Law Enforcement	2,236
Town Council	805

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2018 consist of the following:

Deposits:	
Cash in Bank	\$ 1,810,021
Investments:	
Marketable Certificates of Deposit	<u>3,605,517</u>
Total Deposits and Investments	5,415,538
Less: Restricted Assets	<u>(16,076)</u>
Total Cash and Investments	<u>\$ 5,399,462</u>

**Deposits** – The Town’s deposits had a carrying value of \$1,810,021 and a bank balance of \$1,992,411 at June 30, 2018. Of the bank balance, \$308,738 was covered by federal depository insurance and the remaining \$1,683,673 was collateralized by pledged securities through the state pooled collateral program.

**Investments** – The Town’s investments are limited to marketable certificates of deposits.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

*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	Investment Maturities (in Years)				
	Fair Value	Less than			
		1	1-2	2-3	3+
Marketable Certificates of Deposits	\$ 3,605,517	\$ 1,303,847	\$ 685,090	\$ 905,169	\$ 711,411

*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.

*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, 2018.

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



**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

At year-end, the Town's investments were measured as follows:

Investments by Fair Value Level	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Inputs (Level III)
Marketable Certificates of Deposits	\$ 3,605,517	\$ -	\$ 3,605,517	\$ -

**2. Restricted Assets**

At June 30, 2018, the Town reported \$16,076 of cash and investments reported as restricted assets for customer water deposits held by the Town.

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 268,257	\$ -	\$ -	\$ 268,257
Construction in Progress	36,531	4,113	(40,644)	-
Total Capital Assets, Not Being Depreciated	304,788	4,113	(40,644)	268,257
Capital Assets, Being Depreciated:				
Infrastructure	1,621,061	147,682	-	1,768,743
Buildings and Improvements	318,637	-	-	318,637
Vehicles, Machinery and Equipment	159,308	32,307	-	191,615
Total Capital Assets, Being Depreciated	2,099,006	179,989	-	2,278,995
Accumulated Depreciation for:				
Infrastructure	(230,203)	(37,064)	-	(267,267)
Buildings and Improvements	(46,802)	(7,080)	-	(53,882)
Machinery and Equipment	(158,422)	(6,458)	-	(164,880)
Total Accumulated Depreciation	(435,427)	(50,602)	-	(486,029)
Total Capital Assets, Being Depreciated, Net	1,663,579	129,387	-	1,792,966
Governmental Activities Capital Assets, Net	\$ 1,968,367	\$ 133,500	\$ (40,644)	\$ 2,061,223

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 36,512	\$ 283,214	\$ (316,268)	\$ 3,458
Capital Assets, Being Depreciated:				
Buildings and Improvements	24,807	-	-	24,807
Water System	1,658,771	323,868	-	1,982,639
Machinery, Equipment, and Vehicles	32,812	-	-	32,812
Total Capital Assets, Being Depreciated	<u>1,716,390</u>	<u>323,868</u>	<u>-</u>	<u>2,040,258</u>
Accumulated Depreciation for:				
Buildings and Improvements	(7,000)	(1,379)	-	(8,379)
Water System	(227,529)	(56,372)	-	(283,901)
Machinery, Equipment, and Vehicles	(27,458)	(4,218)	-	(31,676)
Total Accumulated Depreciation	<u>(261,987)</u>	<u>(61,969)</u>	<u>-</u>	<u>(323,956)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,454,403</u>	<u>261,899</u>	<u>-</u>	<u>1,716,302</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,490,915</u>	<u>\$ 545,113</u>	<u>\$ (316,268)</u>	<u>\$ 1,719,760</u>

Depreciation expense was charged to governmental functions as follows at June 30, 2018:

<b>Governmental Activities:</b>	
General Government	\$ 7,967
Culture and Recreation	9,710
Highways and Streets	32,925
Total Depreciation Expense, Governmental Activities	<u>\$ 50,602</u>

Depreciation expense was charged to business-type functions/programs as follows at June 30, 2018:

<b>Business-Type Activities:</b>	
Water	<u>\$ 61,969</u>

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables, and Transfers**

At June 30, 2018, the Town reported the following interfund receivables and payables:

Due To	Due From Water Fund
General Fund	\$ 133,917

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

**C. Long-Term Obligations**

Changes in long-term debt for the year ended June 30, 2018 are as follows:

	July 1, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 37,630	\$ 19,319	\$ (29,705)	\$ 27,244	\$ 6,450

The liability for compensated absences is paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The Town of Star Valley, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans**

**Arizona State Retirement System**

The Town contributes to the Arizona State Retirement System (ASRS), a cost-sharing multiple-employer defined benefit pension plan. The plan is a component unit of the State of Arizona. At June 30, 2018, the Town reported the following amounts related to its proportionate share of the ASRS pension plan:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liability	\$ 337,916	\$ 76,460	\$ 414,376
Deferred Outflows of Resources	73,044	16,934	89,978
Deferred Inflows of Resources	20,237	4,579	24,816
Pension Expense	58,611	(24,152)	34,459

The Town's accrued payroll and employee benefits included \$608 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2018.

**Plan Descriptions** – All full-time and qualifying part-time Town employees are required to participate in 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](http://www.azasrs.gov).

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. 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 year 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 Percentage 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 survivor benefit is determined by the retirement benefit option chosen. 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, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.34% of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 10.90% of the active members' annual covered payroll.

TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

**Arizona State Retirement System (Continued)**

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.26% of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2018 were \$30,192.

During the fiscal year ended June 30, 2018, the Town paid for ASRS pension and contributions as follows: 54% from the General Fund, 26% from the HURF Fund and 20% from the Water Fund.

**Pension Liability** – At June 30, 2018, the Town reported a liability of \$414,376 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumptions for a decrease in loads for future potential permanent benefit increases.

The Town's reported liability at June 30, 2018 increased by \$36,676 from the Town's prior year liability of \$377,700 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The Town's proportion of the net pension liability was based on the Town's FY 2017 contributions. The Town's proportion measured as of June 30, 2017 was 0.00266%, which was an increase of 0.00032% from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liability as a result of these changes is unknown.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2018, the Town recognized pension expense for ASRS of \$34,459. At June 30, 2018, 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	\$ -	\$ 12,425
Changes of assumptions or other inputs	17,997	12,391
Net difference between projected and actual earnings on pension plan investments	2,975 -	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	38,814	-
Contributions subsequent to the measurement date	30,192	-
Total	<u>\$ 89,978</u>	<u>\$ 24,816</u>

The \$30,192 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 2,248
2020	33,929
2021	8,326
2022	(9,533)

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

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58 %	6.73 %	3.87 %
Fixed Income	25	3.70	0.91
Real Estate	10	4.25	0.42
Commodities	2	3.84	0.08
Multi-Asset Class	5	3.41	0.17
Total	<u>100%</u>		<u>5.45 %</u>
Inflation			<u>3.25</u>
Expected Arithmetic Nominal Return			<u>8.70 %</u>

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.70%. 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 statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



TOWN OF STAR VALLEY, ARIZONA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

**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 8%, 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 (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 531,859	\$ 414,376	\$ 316,209

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

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

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**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
PENSION CONTRIBUTIONS  
COST SHARING PENSION PLANS  
YEAR ENDED JUNE 30, 2018**

	Reporting Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
<b>Schedule of the Town's Proportionate Share of the Net Pension Liability</b>					
Town's proportion of the net pension liability	0.00266%	0.00234%	0.00230%	0.00226%	0.00225%
Town's proportionate share of the net pension liability	\$ 414,376	\$ 377,700	\$ 357,812	\$ 333,850	\$ 373,722
Town's covered payroll	\$ 252,169	\$ 250,564	\$ 216,097	\$ 262,194	N/A
Town's proportionate share of the net pension liability as a percentage of its covered payroll	164.32%	150.74%	165.58%	127.33%	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	57.28%
<b>Schedule of the Town's Contributions</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 30,192	\$ 27,968	\$ 38,718	\$ 40,633	\$ 36,520
Contributions in relation to the contractually required contribution	30,192	27,968	23,797	23,008	21,762
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,921</u>	<u>\$ 17,625</u>	<u>\$ 14,758</u>
Town's covered payroll	\$ 269,025	\$ 252,169	\$ 250,564	\$ 216,097	\$ 262,194
Contributions as a percentage of covered payroll	11.22%	11.09%	9.50%	10.65%	8.30%

**TOWN OF STAR VALLEY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2018**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 376,780	\$ 414,863	\$ 38,083
Intergovernmental	656,762	669,009	12,247
Fines and Forfeitures	10,000	13,692	3,692
Licenses and Permits	32,685	24,651	(8,034)
Contributions and Donations	250	10,000	9,750
Investment Income	42,500	600	(41,900)
Other	-	30,910	30,910
Total Revenues	<u>1,118,977</u>	<u>1,163,725</u>	<u>44,748</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Administration	1,005,335	299,081	706,254
Building Inspection	46,412	33,689	12,723
Town Council	49,929	50,734	(805)
Planning and Zoning	10,000	-	10,000
Contingency	3,024,259	-	3,024,259
Total General Government	<u>4,135,935</u>	<u>383,504</u>	<u>3,752,431</u>
Public Safety:			
Photo Enforcement	47,401	46,976	425
Contracted Law Enforcement	405,357	407,593	(2,236)
Total Public Safety	<u>452,758</u>	<u>454,569</u>	<u>(1,811)</u>
Culture and Recreation			
Parks	247,850	81,050	166,800
Total Expenditures	<u>4,836,543</u>	<u>919,123</u>	<u>3,917,420</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(3,717,566)	244,602	3,962,168
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(27,000)	-	27,000
<b>NET CHANGE IN FUND BALANCE</b>	(3,744,566)	244,602	3,989,168
<b>FUND BALANCE</b>			
Beginning of Year	-	4,088,931	4,088,931
End of Year	<u>\$ (3,744,566)</u>	<u>\$ 4,333,533</u>	<u>\$ 8,078,099</u>

See accompanying Notes to Required Supplementary Information Other Than MD&A.

**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – HIGHWAY USERS REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 256,541	\$ 243,004	\$ (13,537)
Investment Earnings	-	89	89
Total Revenues	<u>256,541</u>	<u>243,093</u>	<u>(13,448)</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	<u>551,424</u>	<u>230,941</u>	<u>320,483</u>
<b>NET CHANGE IN FUND BALANCES</b>	(294,883)	12,152	307,035
<b>FUND BALANCE</b>			
Beginning of Year	-	421,855	421,855
End of Year	<u>\$ (294,883)</u>	<u>\$ 434,007</u>	<u>\$ 728,890</u>

See accompanying Notes to Required Supplementary Information Other Than MD&A.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2018**

**NOTE 1 INFORMATION PRIOR TO MEASUREMENT DATE**

Information prior to the measurement date (June 30, 2013) was not available.

**NOTE 2 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.



