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# TOWN OF STAR VALLEY, ARIZONA

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## **FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year Ended June 30, 2020

**TOWN OF STAR VALLEY, ARIZONA**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2020**

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**FINANCIAL SECTION**

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Governmental-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds - Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	17
Statement of Cash flows - Proprietary Funds	18
Notes to the Basic Financial Statements	19

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the Town's Proportionate Share of Net Pension Liability and Contributions	32
Budget to Actual - General Fund	33
Budget to Actual - Highway User Revenue Fund	34
Budget to Actual - Gila RDX Tax Extension Fund	35
Notes to Required Supplementary Information	36

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of 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, 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

**Other Matters**

*Required Supplementary Information*

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.

*CWDL, Certified Public Accountants*

Scottsdale, Arizona  
April 25, 2022

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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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, 2020.

**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 \$10,883,612 (net position). The Town's total net position increased by \$1,211,411.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,333,099, an increase of \$1,149,030 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5,286,892, or 580% of total General Fund expenditures.
- General Fund revenues were greater than budgeted revenues by \$108,052 for the current fiscal year. Additionally, expenditures were only 11% (\$4,067,228 in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$462,033, a positive variance of \$4,175,280 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 on pages 10 – 11.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**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 six 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, Gila RDX Tax Extension Fund, and Grants Fund all of which are considered to be major funds. Data from the other two 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 through the use of 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 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  
MANGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**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 19 – 31 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 33 – 36. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on page 32.

**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 \$10,883,612 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		
	2020	2019	Net Change	2020	2019	Net Change
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Current and other assets	\$ 7,438,636	\$ 6,344,669	\$ 1,093,967	\$ (383,800)	\$ (389,193)	\$ 5,393
Capital assets	2,208,231	2,084,715	123,516	2,165,913	2,227,108	(61,195)
Deferred outflows	38,963	68,875	(29,912)	5,715	14,388	(8,673)
<b>Total Assets and Deferred Outflows</b>	<b>9,685,830</b>	<b>8,498,259</b>	<b>1,187,571</b>	<b>1,787,828</b>	<b>1,852,303</b>	<b>(64,475)</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>						
Current liabilities	105,537	160,600	(55,063)	43,144	55,464	(12,320)
Long-term liabilities	321,094	345,141	(24,047)	64,002	71,154	(7,152)
Deferred inflows	45,085	36,974	8,111	11,184	9,028	2,156
<b>Total Liabilities and Deferred Inflows</b>	<b>471,716</b>	<b>542,715</b>	<b>(70,999)</b>	<b>118,330</b>	<b>135,646</b>	<b>(17,316)</b>
<b>NET POSITION</b>						
Net investment in capital assets	2,208,231	2,084,715	123,516	2,165,913	2,227,108	(61,195)
Restricted	2,046,207	1,359,210	686,997	-	-	-
Unrestricted	4,959,676	4,511,619	448,057	(496,415)	(510,451)	14,036
<b>Total Net Position</b>	<b>\$ 9,214,114</b>	<b>\$ 7,955,544</b>	<b>\$ 1,258,570</b>	<b>\$ 1,669,498</b>	<b>\$ 1,716,657</b>	<b>\$ (47,159)</b>

By far the largest portion of the Town's net position reflects 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. 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 the unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

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, 2020**

Overall, net position increased \$1,258,570 or 16% for governmental activities and decreased \$38,027 or 2% for business-type activities. Key elements of these increases are indicated in the following table:

	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>REVENUES</b>						
Program revenues						
Fees, fines, and charges for services	\$ 54,514	\$ 41,911	\$ 12,603	\$ 184,330	\$ 172,405	\$ 11,925
Operating grants and contributions	924,070	417,032	507,038	-	-	-
Capital grants and contributions	1,500	10,610	(9,110)	4,664	278,224	(273,560)
General revenues						
Sales taxes	378,562	325,528	53,034	-	-	-
Franchise taxes	67,310	67,921	(611)	-	-	-
State shared revenues	535,730	507,129	28,601	-	-	-
Auto lieu taxes	159,413	156,995	2,418	-	-	-
Investment earnings	150,786	138,259	12,527	-	-	-
Other	9,482	108,217	(98,735)	-	-	-
<b>Total Revenues</b>	<b>2,281,367</b>	<b>1,773,602</b>	<b>507,765</b>	<b>188,994</b>	<b>450,629</b>	<b>(261,635)</b>
<b>EXPENSES</b>						
General government	366,753	379,206	(12,453)	-	-	-
Public safety	445,177	426,792	18,385	-	-	-
Highways and streets	167,205	187,689	(20,484)	-	-	-
Culture and recreation	43,662	11,042	32,620	-	-	-
Water	-	-	-	227,021	259,635	(32,614)
<b>Total Expenses</b>	<b>1,022,797</b>	<b>1,004,729</b>	<b>18,068</b>	<b>227,021</b>	<b>259,635</b>	<b>(32,614)</b>
<b>Change in net position</b>	<b>1,258,570</b>	<b>768,873</b>	<b>489,697</b>	<b>(38,027)</b>	<b>190,994</b>	<b>(229,021)</b>
<b>Net Position - Beginning</b>	<b>7,955,544</b>	<b>7,186,671</b>	<b>768,873</b>	<b>1,716,657</b>	<b>1,525,663</b>	<b>190,994</b>
<b>Net Position - Ending</b>	<b>\$ 9,214,114</b>	<b>\$ 7,955,544</b>	<b>\$ 1,258,570</b>	<b>\$ 1,678,630</b>	<b>\$ 1,716,657</b>	<b>\$ (38,027)</b>

**Governmental Activities**

Program revenues increased by \$510,531 and general revenues decreased by \$2,766.

The Town reported an increase in operating grants and contributions (\$507,038 or 122%) mainly due to an increase in state shared revenues for highway and street purposes and CARES Act funding from the COVID-19 pandemic.

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

Sales tax revenues increased by \$53,034 or 16% due to an increase in sales tax distributions.

The change in franchise taxes, state shared revenues, and auto lieu taxes were not considered significant.

Changes in investment earnings increased by \$12,547 due to increased interest earned on investments held in marketable certificates of deposit.

Other revenues decreased by \$98,735 mainly due to a gain that was reported in the prior year from a change in an accounting estimate.

The Town incurred a 2% increase in expenses in the current year. The change was not considered significant for the current year.

**TOWN OF STAR VALLEY, ARIZONA  
MANGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**Business-Type Activities**

Program revenues decreased \$261,635 due to decreased capital grants for CDBG projects related to water infrastructure. Additionally, expenses decreased \$32,614 primarily due to decreased repair and maintenance costs as well as decreased water operations consulting 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, an 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 \$7,333,099, an increase of \$1,149,030 in comparison with the prior year. Approximately 72% of this total amount (\$5,286,892) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending.

**FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS (CONTINUED)**

Fund balances as of June 30, 2020, and the changes in fund balances from prior year are summarized as follows:

	<b>Balance</b>	<b>Increase (Decrease) From 2018-19</b>
<b>GOVERNMENTAL FUND</b>		
General Fund	\$ 5,286,892	\$ 462,033
Highway User Revenue Fund	795,722	253,874
Gila RDX Tax Extension Fund	802,509	167,996
Grants Fund	264,974	264,974
Nonmajor Governmental Funds	183,002	153

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 580% of total General Fund expenditures.

The increase in the General Fund was due to continued conservative spending practices and reduced expenditures from 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.

**TOWN OF STAR VALLEY, ARIZONA  
MANGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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The increase in the Grants Fund was due to Cares Act funding that was received from the COVID-19 pandemic.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town reported a positive expenditure budget variance of \$4,175,280. 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. The Town also had greater than expected revenues of \$108,052. Higher revenues were mainly due to higher interest earned than expected as well as an increase in taxes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$2,208,231 for governmental activities and \$2,165,913 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 1% combined for governmental and business-type activities.

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

- Playground and park improvements
- Paving projects
- Skyline well and waterline
- Moonlight waterline

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

	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>						
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	7,000	(7,000)	-	-	-
Infrastructure	1,637,466	1,488,645	148,821	-	-	-
Buildings and improvements	250,593	257,674	(7,081)	13,672	15,050	(1,378)
Water system	-	-	-	2,152,241	2,212,058	(59,817)
Machinery, equipment, and vehicles	51,915	63,139	(11,224)	-	-	-
<b>Total Capital Assets</b>	<b>\$ 2,208,231</b>	<b>\$ 2,084,715</b>	<b>\$ 123,516</b>	<b>\$ 2,165,913</b>	<b>\$ 2,227,108</b>	<b>\$ (61,195)</b>

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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**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 considerations.
- Continued water infrastructure improvements.

The above factors were considered in preparing the Town's budget for the 2020-21 fiscal year.

**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.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, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,855,742	\$ -	\$ 6,855,742
Restricted assets	-	18,941	18,941
Receivables, Net:			
Due from other governments	148,923	4,664	153,587
Accounts receivable	-	26,566	26,566
Internal balances	433,971	(433,971)	-
Capital assets:			
Non-depreciable assets	268,257	-	268,257
Depreciable assets, net of accumulated depreciation	1,939,974	2,165,913	4,105,887
<b>Total Assets</b>	<b>9,646,867</b>	<b>1,782,113</b>	<b>11,428,980</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	38,963	5,715	44,678
<b>LIABILITIES</b>			
Accounts payable	27,952	14,594	42,546
Accrued wages and benefits	66,801	5,712	72,513
Unearned revenue	-	3,897	3,897
Intergovernmental payable	10,784	-	10,784
Customer deposits payable	-	18,941	18,941
Long-term liabilities:			
Due within one year	7,212	-	7,212
Due in more than one year	22,836	-	22,836
Net pension liability	291,046	64,002	355,048
<b>Total Liabilities</b>	<b>426,631</b>	<b>107,146</b>	<b>533,777</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	45,085	11,184	56,269
<b>NET POSITION</b>			
Investment in capital assets	2,208,231	2,165,913	4,374,144
Restricted:			
Local transportation assistance	19,927	-	19,927
Federal grants	264,974	-	264,974
Highways and streets	1,598,231	-	1,598,231
Judicial court enhancement	163,075	-	163,075
Unrestricted	4,959,676	(496,415)	4,463,261
<b>Total Net Position</b>	<b>\$ 9,214,114</b>	<b>\$ 1,669,498</b>	<b>\$ 10,883,612</b>

See accompanying Notes to the Basic Financial Statements

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

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	
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 366,753	\$ 20,933	290,949	\$ -	\$ (54,871)	\$ -	\$ (54,871)
Public safety	445,177	26,636	-	-	(418,541)	-	(418,541)
Highways and streets	167,205	6,945	633,121	-	472,861	-	472,861
Culture and recreation	43,662	-	-	-	(43,662)	-	(43,662)
Capital Outlay	-	-	-	1,500	1,500	-	1,500
Total governmental activities	1,022,797	54,514	924,070	1,500	(42,713)	-	(42,713)
Business-type Activities:							
Water	236,153	184,330	-	4,664	-	(47,159)	(47,159)
<b>Total Primary Government</b>	<b>\$ 1,258,950</b>	<b>\$ 238,844</b>	<b>\$ 924,070</b>	<b>\$ 6,164</b>	<b>(42,713)</b>	<b>(47,159)</b>	<b>(89,872)</b>

General revenues:

Taxes:

Sales taxes	378,562	-	378,562
Franchise taxes	67,310	-	67,310
State revenue sharing	297,811	-	297,811
State sales tax revenue sharing	237,919	-	237,919
Auto lieu tax revenue sharing	159,413	-	159,413
Investment earnings	150,786	-	150,786
Other	9,482	-	9,482
Total general revenues	1,301,283	-	1,301,283
Change in net position	1,258,570	(47,159)	1,211,411
Net position - beginning	7,955,544	1,716,657	9,672,201
Net position - ending	\$ 9,214,114	\$ 1,669,498	\$ 10,883,612

See accompanying Notes to the Basic Financial Statements



**TOWN OF STAR VALLEY, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Gila RDX Tax Extension Fund</b>	<b>Grants Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and investments	\$ 4,850,879	\$ 771,974	\$ 784,913	\$ 264,974	\$ 183,002	\$ 6,855,742
Receivables						
Intergovernmental	107,197	24,130	17,596	-	-	148,923
Due from other funds	433,971	-	-	-	-	433,971
<b>Total Assets</b>	<b>\$ 5,392,047</b>	<b>\$ 796,104</b>	<b>\$ 802,509</b>	<b>\$ 264,974</b>	<b>\$ 183,002</b>	<b>\$ 7,438,636</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 27,570	\$ 382	\$ -	\$ -	\$ -	\$ 27,952
Accrued wages and benefits	77,585	-	-	-	-	77,585
<b>Total Liabilities</b>	<b>105,155</b>	<b>382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,537</b>
<b>FUND BALANCES</b>						
Restricted	-	795,722	802,509	264,974	183,002	2,046,207
Unassigned	5,286,892	-	-	-	-	5,286,892
<b>Total Fund Balances</b>	<b>5,286,892</b>	<b>795,722</b>	<b>802,509</b>	<b>264,974</b>	<b>183,002</b>	<b>7,333,099</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,392,047</b>	<b>\$ 796,104</b>	<b>\$ 802,509</b>	<b>\$ 264,974</b>	<b>\$ 183,002</b>	<b>\$ 7,438,636</b>

**TOWN OF STAR VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

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**Total Fund Balance - Governmental Funds** \$ 7,333,099

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	\$ 2,817,853	
Accumulated depreciation	<u>(609,622)</u>	2,208,231

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	\$ (291,046)	
Compensated absences	<u>(30,048)</u>	(321,094)

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:	\$ 38,963	
Deferred inflows of resources relating to pensions:	<u>(45,085)</u>	(6,122)

**Total Net Position - Governmental Activities** \$ 9,214,114

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Gila RDX Tax Extension Fund</b>	<b>Grants Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Property taxes	\$ 445,872	\$ -	\$ -	\$ -	\$ -	\$ 445,872
Intergovernmental	721,118	459,835	173,286	264,974	-	1,619,213
Licenses and permits	34,458	-	-	-	-	34,458
Fines and forfeitures	20,056	-	-	-	-	20,056
Contributions and donations	1,500	-	-	-	-	1,500
Interest earnings	140,835	9,951	-	-	-	150,786
Other revenues	9,329	-	-	-	153	9,482
<b>Total Revenues</b>	<b>1,373,168</b>	<b>469,786</b>	<b>173,286</b>	<b>264,974</b>	<b>153</b>	<b>2,281,367</b>
<b>EXPENDITURES</b>						
Current:						
General government	349,869	-	-	-	-	349,869
Public Safety	445,177	-	-	-	-	445,177
Community development	116,089	-	-	-	-	116,089
Public works/utilities	-	215,912	5,290	-	-	221,202
<b>Total Expenditures</b>	<b>911,135</b>	<b>215,912</b>	<b>5,290</b>	<b>-</b>	<b>-</b>	<b>1,132,337</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>462,033</b>	<b>253,874</b>	<b>167,996</b>	<b>264,974</b>	<b>153</b>	<b>1,149,030</b>
<b>Fund Balance - Beginning</b>	<b>4,824,859</b>	<b>541,848</b>	<b>634,513</b>	<b>-</b>	<b>182,849</b>	<b>6,184,069</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,286,892</b>	<b>\$ 795,722</b>	<b>\$ 802,509</b>	<b>\$ 264,974</b>	<b>\$ 183,002</b>	<b>\$ 7,333,099</b>

**TOWN OF STAR VALLEY, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALNCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

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**Net Change in Fund Balances - Governmental Funds** \$ 1,149,030

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: \$	186,708	
	Depreciation expense: <u>          </u>	<u>(63,192)</u>	123,516

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	21,687	
	Pension expense	(32,803)	

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 increase in compensated absences	<u>(2,860)</u>	
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		<u>\$ 1,258,570</u>	
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**Change in Net Position of Governmental Activities**

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>ASSETS</b>	
Current assets	
Restricted cash and cash equivalents	\$ 18,941
Accounts receivable, net	26,566
Intergovernmental receivable	4,664
Total current assets	50,171
Noncurrent assets	
Depreciation capital assets, net	2,165,913
<b>Total Assets</b>	<b>2,216,084</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	5,715
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	14,594
Accrued wages and benefits	5,712
Due to other funds	433,971
Customer deposits payable	18,941
Unearned revenue	3,897
Total current liabilities	477,115
Non-current liabilities	
Net pension liability	64,002
<b>Total Liabilities</b>	<b>477,115</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	11,184
<b>NET POSITION</b>	
Investment in capital assets	2,165,913
Unrestricted	(496,415)
<b>Total Net Position</b>	<b>\$ 1,669,498</b>

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

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	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 184,330
<b>OPERATING EXPENSE</b>	
Cost of sales and service	159,926
Depreciation	76,227
Total operating expenses	<u>236,153</u>
<b>OPERATING LOSS</b>	<u>(51,823)</u>
<b>NON-OPERATING REVENUES</b>	
Capital contributions	4,664
<b>CHANGE IN NET POSITION</b>	(47,159)
<b>Net Position - Beginning</b>	<u>1,716,657</u>
<b>Net Position - Ending</b>	<u>\$ 1,669,498</u>

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 180,540
Payments to suppliers	(83,911)
Payments to employees	(65,799)
Customer deposits	1,897
Net cash provided/(used) by operating activities	<u>32,727</u>
<b>Cash flows from non-capital financing activities</b>	
Interfund borrowing	(20,462)
<b>Cash flows from capital and related financing</b>	
Acquisition of capital assets	(15,032)
Capital contributions	4,664
Net cash provided/(used) in operating activities	<u>(10,368)</u>
<b>Net increase in cash</b>	1,897
<b>Cash</b>	
Beginning of year	17,044
End of year	<u>\$ 18,941</u>
<b>Reconciliation of operating loss to cash used in operating activities</b>	
Operating loss	\$ (51,823)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	76,227
Pension expense	(7,152)
Change in assets/liabilities	
Receivables, net	16,966
Deferred outflows of resources	8,673
Accounts payable	(10,386)
Customer deposits payable	1,897
Deferred inflows of resources	2,156
<b>Net cash used by operating activities</b>	<u>\$ 32,727</u>

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**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, 2020**

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**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 *Grants Fund* accounts for the revenues and expenditures related to state and federal grants received.

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, 2020**

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**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, 2020**

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**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, 2020**

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**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:

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Gila RDX Tax Extension Fund</b>	<b>Grants Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>						
Highways and streets	\$ -	\$ 795,722	\$ 802,509	\$ -	\$ -	\$ 1,598,231
Federal grants	-	-	-	264,974	-	264,974
Local transportation assistance	-	-	-	-	19,927	19,927
Judicial court enhancement	-	-	-	-	163,075	163,075
Total restricted	-	795,722	802,509	264,974	183,002	2,046,207
<b>Unassigned</b>	5,286,892	-	-	-	-	5,286,892
<b>Total</b>	\$ 5,286,892	\$ 795,722	\$ 802,509	\$ 264,974	\$ 183,002	\$ 7,333,099

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET**

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

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Building and Planning	\$ 27,250	\$ 31,219	\$ 3,969
Court	43,798	44,622	824
Community Garden	8,742	9,363	621
Parks	12,792	106,726	93,934

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2020 are reported as follows:

Deposits:	
Cash in bank	\$ 2,497,854
Investments:	
Marketable certificates of deposit	<u>4,376,829</u>
Total deposits and investments	<u>6,874,683</u>
Less: restricted assets	<u>(18,941)</u>
Total cash and cash equivalents	<u>\$ 6,855,742</u>

*Deposits* - The Town's deposits had a carrying value of \$2,497,854 and a bank balance of \$2,660,820 at June 30, 2020. Of the bank balance, \$320,264 was covered by federal depository insurance and the remaining \$2,340,556 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>2-3</u>	<u>3+</u>
Marketable certificates of deposit	<u>\$ 4,376,829</u>	<u>\$ 1,958,541</u>	<u>\$ 593,857</u>	<u>\$ 376,156</u>	<u>\$ 1,448,275</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, 2020**

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**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, 2020.

*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, 2020	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	\$ 4,376,829	\$ -	\$ 4,376,829	\$ -

**NOTE 4 – RESTRICTED ASSETS**

At June 30, 2020, the Town reported \$18,941 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, 2020, the Town reported the following interfund receivables and payables:

Due to	Due from Water Fund
General Fund	\$ 433,971

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, 2020**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 268,257	\$ -	\$ -	\$ 268,257
Construction in progress	7,000	-	(7,000)	-
Total Capital Assets not Being Depreciated	<u>275,257</u>	<u>-</u>	<u>(7,000)</u>	<u>268,257</u>
Capital assets being depreciated				
Infrastructure	1,798,008	193,708	-	1,991,716
Buildings and improvements	318,637	-	-	318,637
Machinery, equipment, and vehicles	239,243	-	-	239,243
Total Capital Assets Being Depreciated	<u>2,355,888</u>	<u>193,708</u>	<u>-</u>	<u>2,549,596</u>
Less Accumulated Depreciation				
Infrastructure	(309,363)	(44,887)	-	(354,250)
Buildings and improvements	(60,963)	(7,081)	-	(68,044)
Machinery, equipment, and vehicles	(176,104)	(11,224)	-	(187,328)
Total Accumulated Depreciation	<u>(546,430)</u>	<u>(63,192)</u>	<u>-</u>	<u>(609,622)</u>
Total Capital assets, being depreciated, net	<u>1,809,458</u>	<u>130,516</u>	<u>-</u>	<u>1,939,974</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,084,715</u>	<u>\$ 130,516</u>	<u>\$ (7,000)</u>	<u>\$ 2,208,231</u>
	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Building improvements	\$ 24,807	\$ -	\$ -	\$ 24,807
Water system	2,558,022	15,032	-	2,573,054
Machinery, equipment, and vehicles	32,812	-	-	32,812
Total Capital Assets Being Depreciated	<u>2,615,641</u>	<u>15,032</u>	<u>-</u>	<u>2,630,673</u>
Less Accumulated Depreciation				
Building improvements	(9,757)	(1,378)	-	(11,135)
Water system	(345,964)	(74,849)	-	(420,813)
Machinery, equipment, and vehicles	(32,812)	-	-	(32,812)
Total Accumulated Depreciation	<u>(388,533)</u>	<u>(76,227)</u>	<u>-</u>	<u>(464,760)</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,227,108</u>	<u>\$ (61,195)</u>	<u>\$ -</u>	<u>\$ 2,165,913</u>

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

Governmental Activities:	
General government	\$ 7,081
Highways and streets	34,843
Culture and recreation	21,268
Total depreciation expense	<u>\$ 63,192</u>
Business-type Activities:	
Water	<u>\$ 76,227</u>



**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 7 – LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2020 is as follows:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 27,188	\$ 11,669	\$ (8,809)	\$ 30,048	\$ 7,212

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, 2020, the Town reported the following related to pensions and OPEB to which it contributes:

	Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Pension plan	\$ 355,048	\$ 44,678	\$ 56,269	\$ 39,955

**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](http://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, 2020**

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**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%
<i>*With actuarially reduced benefits</i>		

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, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.94% of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.45% of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.29% 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, 2020, were \$26,730.

During the fiscal year ended June 30, 2020, the Town paid for ASRS pension as follows: 51% from the General Fund, 30% from the HURF Fund, and 19% from the Water Fund.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Pension Liability**

At June 30, 2020, the Town reported a liability of \$355,048 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019 and the change from its proportions measured as of June 30, 2018. The Town's proportion measured as of June 30, 2019, was 0.0024%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2018.

**Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2020 the Town recognized pension expense for ASRS of \$39,955.

At June 30, 2020, 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	\$ 6,414	\$ 67
Changes of assumptions or other inputs	1,501	14,139
Net difference between projected and actual earnings on pension plan investments	-	7,980
Changes in proportion and differences between contributions and proportionate share of contributions	10,033	34,083
Contributions subsequent to the measurement date	26,730	-
Total	\$ 44,678	\$ 56,269

The \$26,730 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as described on the following page.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2021	\$ (13,323)
2022	(25,602)
2023	(1,533)
2024	2,137
2025	-
Thereafter	-
Total	<u>\$ (38,321)</u>

**Actuarial Assumptions**

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation rate	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real Estate	20%	5.85%
Total	<u>100%</u>	

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 8 – EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Discount Rate**

At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5%, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona 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.

**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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 505,316	\$ 355,048	\$ 229,463

**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 \$3,173 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2020.

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

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**TOWN OF STAR VALLEY, ARIZONA**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY AND CONTRIBUTIONS**  
**JUNE 30, 2020**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Proportion of the net pension liability	0.00244%	0.0028%	0.0027%	0.0023%	0.0023%	0.0023%	0.0023%
Proportionate share of the net pension liability	\$ 355,048	\$ 389,107	\$ 414,376	\$ 377,700	\$ 357,812	\$ 333,850	\$ 2,975,253
Covered payroll	\$ 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	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	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	57.28%

**SCHEDULE OF CONTRIBUTIONS**

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 26,730	\$ 28,741	\$ 30,192	\$ 27,968	\$ 38,719	\$ 40,633	\$ 36,520
Contributions in relation to the actuarially determined contribution	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	\$ 235,539	\$ 257,075	\$ 269,025	\$ 252,169	\$ 250,564	\$ 216,097	\$ 262,194
Contributions as a percentage of covered payroll	11.35%	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, 2020**

	Adopted and Final		Variances -	
	Budget	Actual	Final to Actual	
<b>REVENUES</b>				
Taxes	\$ 377,100	\$ 445,872	\$ 68,772	
Licenses and permits	25,890	34,458	8,568	
Fines and forfeitures	18,760	20,056	1,296	
Contributions and donations	1,400	1,500	100	
Intergovernmental	715,506	721,118	5,612	
Interest earnings	110,000	140,835	30,835	
Other	16,460	9,329	(7,131)	
<b>Total Revenues</b>	<b>1,265,116</b>	<b>1,373,168</b>	<b>108,052</b>	
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	4,479,184	223,302	4,255,882	
Town council	54,297	50,726	3,571	
Building and planning	27,250	31,219	(3,969)	
Court	43,798	44,622	(824)	
Total general government	4,604,529	349,869	4,254,660	
Public Safety				
Contracted law enforcement	446,627	445,177	1,450	
Culture and recreation				
Community garden	8,742	9,363	(621)	
Parks	12,792	106,726	(93,934)	
Total culture and recreation	21,534	116,089	(94,555)	
<b>Total Expenditures</b>	<b>5,072,690</b>	<b>911,135</b>	<b>4,067,228</b>	
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(3,807,574)</b>	<b>462,033</b>	<b>4,175,280</b>	
<b>Fund Balance - Beginning</b>	<b>4,824,859</b>	<b>4,824,859</b>	<b>-</b>	
<b>Fund Balance - Ending</b>	<b>\$ 1,017,285</b>	<b>\$ 5,286,892</b>	<b>\$ 4,269,607</b>	



**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, 2020**

	<b>Adopted and Final</b>		<b>Variances -</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Final to Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 268,248	\$ 459,835	\$	191,587
Interest earnings	-	9,951		9,951
<b>Total Revenues</b>	<b>268,248</b>	<b>469,786</b>		<b>201,538</b>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	654,558	215,912		438,646
<b>Total Expenditures</b>	<b>654,558</b>	<b>215,912</b>		<b>438,646</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(386,310)	253,874		640,184
<b>Fund Balance - Beginning</b>	<b>541,848</b>	<b>541,848</b>		<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 155,538</b>	<b>\$ 795,722</b>	<b>\$</b>	<b>640,184</b>

**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, 2020**

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	<b>Adopted and Final</b>		<b>Variances -</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Final to Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 147,900	\$ 173,286	\$	25,386
<b>EXPENDITURES</b>				
Current:				
Highways and streets	780,585	5,290		775,295
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(632,685)	167,996		800,681
<b>Fund Balance - Beginning</b>	634,513	634,513		-
<b>Fund Balance - Ending</b>	\$ 1,828	\$ 802,509	\$	800,681

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2020**

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**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.

The Town did not prepare a budget for the Grants Fund.