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# TOWN OF STAR VALLEY, ARIZONA

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

Fiscal Year Ended June 30, 2021

**TOWN OF STAR VALLEY, ARIZONA**  
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**YEAR ENDED JUNE 30, 2021**

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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, 2021, 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, 2021, 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  
September 22, 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, 2021**

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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, 2021.

**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 \$11,944,182 (net position). The Town's total net position increased by \$1,060,570.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,342,998, an increase of \$1,009,899 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,993,278, or 750% of total General Fund expenditures.
- General Fund revenues were greater than budgeted revenues by \$116,505 for the current fiscal year. Additionally, expenditures were only 15% (\$4,798,993 in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$706,386, a positive variance of \$4,906,498 from the final budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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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 fiduciary funds.

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

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

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

An operating budget for expenditures is prepared and adopted by the Town each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained 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, 2021**

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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 \$11,944,182 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		
	2021	2020	Net Change	2021	2020	Net Change
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Current and other assets	\$ 8,421,769	\$ 7,438,636	\$ 983,133	\$ (358,044)	\$ (383,800)	\$ 25,756
Capital assets	2,134,522	2,208,231	(73,709)	2,266,005	2,165,913	100,092
Deferred outflows	57,079	38,963	18,116	9,973	5,715	4,258
<b>Total Assets and Deferred Outflows</b>	<b>10,613,370</b>	<b>9,685,830</b>	<b>927,540</b>	<b>1,917,934</b>	<b>1,787,828</b>	<b>130,106</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>						
Current liabilities	78,771	105,537	(26,766)	46,884	43,144	3,740
Long-term liabilities	348,502	321,094	27,408	66,993	64,002	2,991
Deferred inflows	36,744	45,085	(8,341)	9,228	11,184	(1,956)
<b>Total Liabilities and Deferred Inflows</b>	<b>464,017</b>	<b>471,716</b>	<b>(7,699)</b>	<b>123,105</b>	<b>118,330</b>	<b>4,775</b>
<b>NET POSITION</b>						
Net investment in capital assets	2,134,522	2,208,231	(73,709)	2,266,005	2,165,913	100,092
Restricted	2,349,720	2,046,207	303,513	-	-	-
Unrestricted	5,665,111	4,959,676	705,435	(471,176)	(496,415)	25,239
<b>Total Net Position</b>	<b>\$ 10,149,353</b>	<b>\$ 9,214,114</b>	<b>\$ 935,239</b>	<b>\$ 1,794,829</b>	<b>\$ 1,669,498</b>	<b>\$ 125,331</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 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Overall, net position increased \$935,239 or 10% for governmental activities and \$181,906 or 11% 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>2021</b>	<b>2020</b>	<b>Net Change</b>	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>REVENUES</b>						
Program revenues						
Fees, fines, and charges for services	\$ 74,017	\$ 54,514	\$ 19,503	\$ 230,747	\$ 184,330	\$ 46,417
Operating grants and contributions	498,065	924,070	(426,005)	-	-	-
Capital grants and contributions	-	1,500	(1,500)	178,180	4,664	173,516
General revenues						
Sales taxes	575,220	378,562	196,658	-	-	-
Franchise taxes	68,348	67,310	1,038	-	-	-
State shared revenues	596,045	535,730	60,315	-	-	-
Auto lieu taxes	191,457	159,413	32,044	-	-	-
Investment earnings (loss)	(123)	150,786	(150,909)	-	-	-
Other	5,016	9,482	(4,466)	-	-	-
<b>Total Revenues</b>	<b>2,008,045</b>	<b>2,281,367</b>	<b>(273,322)</b>	<b>408,927</b>	<b>188,994</b>	<b>219,933</b>
<b>EXPENSES</b>						
General government	435,961	366,753	69,208	-	-	-
Public safety	345,327	445,177	(99,850)	-	-	-
Highways and streets	229,483	167,205	62,278	-	-	-
Culture and recreation	62,035	43,662	18,373	-	-	-
Water	-	-	-	227,021	236,153	(9,132)
<b>Total Expenses</b>	<b>1,072,806</b>	<b>1,022,797</b>	<b>50,009</b>	<b>227,021</b>	<b>236,153</b>	<b>(9,132)</b>
<b>Change in net position</b>	<b>935,239</b>	<b>1,258,570</b>	<b>(323,331)</b>	<b>181,906</b>	<b>(47,159)</b>	<b>229,065</b>
<b>Net Position - Beginning</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>
<b>Net Position - Ending</b>	<b>\$ 10,149,353</b>	<b>\$ 9,214,114</b>	<b>\$ 935,239</b>	<b>\$ 1,851,404</b>	<b>\$ 1,669,498</b>	<b>\$ 181,906</b>

**Governmental Activities**

Program revenues decreased by \$408,002 and general revenues increased by \$134,680.

The Town reported a decrease in operating grants and contributions (\$426,005 or 46%) mainly due to one-time revenues that were received in the prior year for Cares Act funding and HURF revenue related to HB2748.

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

Sales tax revenues increased by \$196,658 or 52% due to a increases 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 \$137,570 due to increased interest earned on investments held in marketable certificates of deposit.

Investments earnings decreased by \$150,909 due to changes in the fair market value of securities held.

The Town incurred 5% increases in expenses in the current year. The increase was mainly due to repairs and maintenance on Town assets.

**TOWN OF STAR VALLEY, ARIZONA  
MANGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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**Business-Type Activities**

Program revenues increased \$219,933 due to increased capital grants for CDBG projects related to water infrastructure. Additionally, expenses decreased \$9,132 primarily due to a reduction in operating costs.

**FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

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

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

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$8,342,998, an increase of \$1,009,899 in comparison with the prior year. Approximately 72% of this total amount (\$5,993,278) 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, 2021, and the changes in fund balances from prior year are summarized as follows:

<b>GOVERNMENTAL FUND</b>	<b>Increase (Decrease)</b>	
	<b>Balance</b>	<b>From 2019-20</b>
General Fund	\$ 5,993,278	\$ 706,386
Highway User Revenue Fund	952,375	156,653
Gila RDX Tax Extension Fund	949,165	146,656
Nonmajor Governmental Funds	448,180	204

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 750% 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.

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

**TOWN OF STAR VALLEY, ARIZONA  
MANGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town reported a positive expenditure budget variance of \$4,789,993. 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 \$116,505. Larger revenues were mainly due to increases in building permit activity and increased sales tax distributions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$2,134,522 for governmental activities and \$2,266,005 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:

- Waterline additions

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

	Governmental Activities			Business-type Activites		
	2021	2020	Net Change	2021	2020	Net Change
<b>CAPITAL ASSETS</b>						
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ -	\$ -
Infrastructure	1,579,912	1,637,466	(57,554)	-	-	-
Buildings and improvements	243,512	250,593	(7,081)	12,294	13,672	(1,378)
Water system	-	-	-	2,253,711	2,152,241	101,470
Machinery, equipment, and vehicles	42,841	51,915	(9,074)	-	-	-
<b>Total Capital Assets</b>	<b>\$ 2,134,522</b>	<b>\$ 2,208,231</b>	<b>\$ (73,709)</b>	<b>\$ 2,266,005</b>	<b>\$ 2,165,913</b>	<b>\$ 100,092</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.
- COVID-19 considerations.
- Continued water infrastructure improvements.

The above factors were considered in preparing the Town's budget for the 2021-22 fiscal year.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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**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, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,846,981	\$ 4,561	\$ 7,851,542
Restricted assets	-	18,941	18,941
Receivables, Net:			
Due from other governments	170,061	-	170,061
Accounts receivable	-	23,181	23,181
Internal balances	404,727	(404,727)	-
Capital assets:			
Non-depreciable assets	268,257	-	268,257
Depreciable assets, net of accumulated depreciation	1,866,265	2,266,005	4,132,270
<b>Total Assets</b>	<b>10,556,291</b>	<b>1,907,961</b>	<b>12,464,252</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	57,079	9,973	67,052
<b>LIABILITIES</b>			
Accounts payable	1,736	12,969	14,705
Accrued wages and benefits	66,801	6,516	73,317
Unearned revenue	-	3,897	3,897
Intergovernmental payable	10,234	-	10,234
Customer deposits payable	-	23,502	23,502
Long-term liabilities:			
Due within one year	10,730	-	10,730
Due in more than one year	33,977	-	33,977
Net pension liability	303,795	66,993	370,788
<b>Total Liabilities</b>	<b>427,273</b>	<b>113,877</b>	<b>541,150</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	36,744	9,228	45,972
<b>NET POSITION</b>			
Investment in capital assets	2,134,522	2,266,005	4,400,527
Restricted:			
Local transportation assistance	19,927	-	19,927
Federal grants	264,974	-	264,974
Highways and streets	1,901,540	-	1,901,540
Judicial court enhancement	163,279	-	163,279
Unrestricted	5,665,111	(471,176)	5,193,935
<b>Total Net Position</b>	<b>\$ 10,149,353</b>	<b>\$ 1,794,829</b>	<b>\$ 11,944,182</b>

See accompanying Notes to the Basic Financial Statements

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

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	\$ 435,961	\$ 39,139	\$ -	\$ -	\$ (396,822)	\$ -	\$ (396,822)
Public safety	345,327	31,971	-	-	(313,356)	-	(313,356)
Highways and streets	229,483	2,907	498,065	-	271,489	-	271,489
Culture and recreation	62,035	-	-	-	(62,035)	-	(62,035)
Total governmental activities	1,072,806	74,017	498,065	-	(500,724)	-	(500,724)
Business-type Activities:							
Water	283,596	230,747	-	178,180	-	125,331	125,331
<b>Total Primary Government</b>	<b>\$ 1,356,402</b>	<b>\$ 304,764</b>	<b>\$ 498,065</b>	<b>\$ 178,180</b>	<b>(500,724)</b>	<b>125,331</b>	<b>(375,393)</b>

General revenues:

Taxes:

Sales taxes	575,220	-	575,220
Franchise taxes	68,348	-	68,348
State revenue sharing	329,845	-	329,845
State sales tax revenue sharing	266,200	-	266,200
Auto lieu tax revenue sharing	191,457	-	191,457
Investment earnings (loss)	(123)	-	(123)
Other	5,016	-	5,016
Total general revenues	1,435,963	-	1,435,963
Change in net position	935,239	125,331	1,060,570
Net position - beginning	9,214,114	1,669,498	10,883,612
Net position - ending	\$ 10,149,353	\$ 1,794,829	\$ 11,944,182

See accompanying Notes to the Basic Financial Statements



**TOWN OF STAR VALLEY, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Gila RDX Tax Extension Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 5,541,784	\$ 926,023	\$ 930,994	\$ 448,180	\$ 7,846,981
Receivables					
Intergovernmental	123,802	28,088	18,171	-	170,061
Due from other funds	404,727	-	-	-	404,727
<b>Total Assets</b>	<b>\$ 6,070,313</b>	<b>\$ 954,111</b>	<b>\$ 949,165</b>	<b>\$ 448,180</b>	<b>\$ 8,421,769</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 1,736	\$ -	\$ -	\$ 1,736
Accrued wages and benefits	77,035	-	-	-	77,035
<b>Total Liabilities</b>	<b>77,035</b>	<b>1,736</b>	<b>-</b>	<b>-</b>	<b>78,771</b>
<b>FUND BALANCES</b>					
Restricted	-	952,375	949,165	448,180	2,349,720
Unassigned	5,993,278	-	-	-	5,993,278
<b>Total Fund Balances</b>	<b>5,993,278</b>	<b>952,375</b>	<b>949,165</b>	<b>448,180</b>	<b>8,342,998</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,070,313</b>	<b>\$ 954,111</b>	<b>\$ 949,165</b>	<b>\$ 448,180</b>	<b>\$ 8,421,769</b>

**TOWN OF STAR VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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**Total Fund Balance - Governmental Funds** \$ 8,342,998

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>(683,331)</u>	2,134,522

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	\$ (303,795)	
Compensated absences	<u>(44,707)</u>	(348,502)

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:	\$ 57,079	
Deferred inflows of resources relating to pensions:	<u>(36,744)</u>	20,335

**Total Net Position - Governmental Activities** \$ 10,149,353

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Gila RDX Tax Extension Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 643,568	\$ -	\$ -	\$ -	\$ 643,568
Intergovernmental	787,502	293,220	204,845	-	1,285,567
Licenses and permits	59,127	-	-	-	59,127
Fines and forfeitures	14,890	-	-	-	14,890
Interest earnings (loss)	(4,027)	3,904	-	-	(123)
Other revenues	4,812	-	-	204	5,016
<b>Total Revenues</b>	<b>1,505,872</b>	<b>297,124</b>	<b>204,845</b>	<b>204</b>	<b>2,008,045</b>
<b>EXPENDITURES</b>					
Current:					
General government	422,761	-	-	-	422,761
Public Safety	345,327	-	-	-	345,327
Community development	31,398	-	-	-	31,398
Public works/utilities	-	140,471	58,189	-	198,660
<b>Total Expenditures</b>	<b>799,486</b>	<b>140,471</b>	<b>58,189</b>	<b>-</b>	<b>998,146</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>706,386</b>	<b>156,653</b>	<b>146,656</b>	<b>204</b>	<b>1,009,899</b>
<b>Fund Balance - Beginning</b>	<b>5,286,892</b>	<b>795,722</b>	<b>802,509</b>	<b>447,976</b>	<b>7,333,099</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,993,278</b>	<b>\$ 952,375</b>	<b>\$ 949,165</b>	<b>\$ 448,180</b>	<b>\$ 8,342,998</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, 2021**

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**Net Change in Fund Balances - Governmental Funds** \$ 1,009,899

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: \$	-	
Depreciation expense:	<u>(73,709)</u>	(73,709)

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	22,620
Pension expense	(8,912)

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>(14,659)</u>
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**Change in Net Position of Governmental Activities** **\$ 935,239**

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>ASSETS</b>	
Current assets	
Restricted cash and cash equivalents	\$ 23,502
Accounts receivable, net	23,181
Total current assets	46,683
Noncurrent assets	
Depreciation capital assets, net	2,266,005
<b>Total Assets</b>	<b>2,312,688</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	9,973
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	12,969
Accrued wages and benefits	6,516
Due to other funds	404,727
Customer deposits payable	23,502
Unearned revenue	3,897
Total current liabilities	451,611
Non-current liabilities	
Net pension liability	66,993
<b>Total Liabilities</b>	<b>518,604</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	9,228
<b>NET POSITION</b>	
Investment in capital assets	2,266,005
Unrestricted	(471,176)
<b>Total Net Position</b>	<b>\$ 1,794,829</b>

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

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	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 230,747
<b>OPERATING EXPENSE</b>	
Cost of sales and service	206,976
Depreciation	76,620
Total operating expenses	<u>283,596</u>
<b>OPERATING LOSS</b>	<u>(52,849)</u>
<b>NON-OPERATING REVENUES</b>	
Capital contributions	178,180
<b>CHANGE IN NET POSITION</b>	125,331
<b>Net Position - Beginning</b>	<u>1,669,498</u>
<b>Net Position - Ending</b>	<u>\$ 1,794,829</u>

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

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	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 234,132
Payments to suppliers	(142,513)
Payments to employees	(75,886)
Customer deposits	4,561
Net cash provided/(used) by operating activities	<u>20,294</u>
<b>Cash flows from non-capital financing activities</b>	
Interfund borrowing	(29,244)
<b>Cash flows from capital and related financing</b>	
Acquisition of capital assets	(164,669)
Capital contributions	178,180
Net cash provided/(used) in operating activities	<u>13,511</u>
<b>Net increase in cash</b>	4,561
<b>Cash</b>	
Beginning of year	18,941
End of year	<u>\$ 23,502</u>
<b>Reconciliation of operating loss to cash used in operating activities</b>	
Operating loss	\$ (52,849)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	76,620
Pension expense	(9,052)
Change in assets/liabilities	
Receivables, net	8,049
Deferred outflows of resources	(4,258)
Accounts payable	(1,625)
Customer deposits payable	4,561
Deferred inflows of resources	(1,956)
<b>Net cash used by operating activities</b>	<u>\$ 20,294</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, 2021**

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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, 2021**

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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 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, 2021**

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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, 2021**

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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, 2021**

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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>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>					
Highways and streets	\$ -	\$ 952,375	\$ 949,165	\$ -	\$ 1,901,540
Federal grants	-	-	-	264,974	264,974
Local transportation assistance	-	-	-	19,927	19,927
Judicial court enhancement	-	-	-	163,279	163,279
Total restricted	-	952,375	949,165	448,180	2,349,720
<b>Unassigned</b>	5,993,278	-	-	-	5,993,278
<b>Total</b>	\$ 5,993,278	\$ 952,375	\$ 949,165	\$ 448,180	\$ 8,342,998

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Building and Planning	\$ 26,091	\$ 42,954	\$ 16,863
Community Garden	7,837	8,112	275
Parks	21,837	23,286	1,449

Cash was available to meet all of the over-expenditures, and there as budget capacity available in other departments to offset the over-expenditures. The over-expenditure in Building and Planning was offset by an increase in building permit revenue received during the current year.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2021 are reported as follows:

Deposits:	
Cash in bank	\$ 2,414,826
Investments:	
Marketable certificates of deposit	5,455,657
Total deposits and investments	<u>7,870,483</u>
Less: restricted assets	<u>(18,941)</u>
Total cash and cash equivalents	<u>\$ 7,851,542</u>

*Deposits* - The Town's deposits had a carrying value of \$2,414,826 and a bank balance of \$2,440,629 at June 30, 2021. Of the bank balance, \$320,260 was covered by federal depository insurance and the remaining \$2,120,369 was collateralized by pledged securities through the state pooled collateral program.

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

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

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-2	2-3	3+
Marketable certificates of deposit	\$ 5,455,657	\$ 1,236,440	\$ 463,842	\$ 107,217	\$ 3,648,158

*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, 2021**

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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, 2021.

*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, 2021	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	\$ 5,455,657	\$ -	\$ 5,455,657	\$ -

**NOTE 4 – RESTRICTED ASSETS**

At June 30, 2021, the Town reported \$23,502 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, 2021, the Town reported the following interfund receivables and payables:

Due to	Due from Water Fund
General Fund	\$ 404,727

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, 2021**

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 268,257	\$ -	\$ -	\$ 268,257
Capital assets being depreciated				
Infrastructure	1,989,218	-	-	1,989,218
Buildings and improvements	318,637	-	-	318,637
Machinery, equipment, and vehicles	241,741	-	-	241,741
Total Capital Assets Being Depreciated	2,549,596	-	-	2,549,596
Less Accumulated Depreciation				
Infrastructure	(354,250)	(55,056)	-	(409,306)
Buildings and improvements	(68,044)	(7,081)	-	(75,125)
Machinery, equipment, and vehicles	(187,328)	(11,572)	-	(198,900)
Total Accumulated Depreciation	(609,622)	(73,709)	-	(683,331)
Total Capital assets, being depreciated, net	1,939,974	(73,709)	-	1,866,265
Governmental Activities Capital Assets, Net	\$ 2,208,231	\$ (73,709)	\$ -	\$ 2,134,522
	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Building improvements	\$ 24,807	\$ -	\$ -	\$ 24,807
Water system	2,573,054	176,712	-	2,749,766
Machinery, equipment, and vehicles	32,812	-	-	32,812
Total Capital Assets Being Depreciated	2,630,673	176,712	-	2,807,385
Less Accumulated Depreciation				
Building improvements	(11,135)	(1,378)	-	(12,513)
Water system	(420,813)	(75,242)	-	(496,055)
Machinery, equipment, and vehicles	(32,812)	-	-	(32,812)
Total Accumulated Depreciation	(464,760)	(76,620)	-	(541,380)
Business-type Activities Capital Assets, Net	\$ 2,165,913	\$ 100,092	\$ -	\$ 2,266,005

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

Governmental Activities:	
General government	\$ 35,904
Highways and streets	60,376
Culture and recreation	7,429
Total depreciation expense	<u>\$ 103,709</u>
Business-type Activities:	
Water	<u>\$ 76,620</u>



**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 7 – LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2021 is as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 30,048	\$ 28,623	\$ (13,964)	\$ 44,707	\$ 10,730

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, 2021, 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	\$ 370,788	\$ 67,052	\$ 45,972	\$ 11,004

**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, 2021**

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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%

*\*With actuarially reduced benefits*

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

**Contributions**

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.04% of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.65% of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.14% 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, 2019, were \$27,935.

During the fiscal year ended June 30, 2021, the Town paid for ASRS pension as follows: 80% from the General Fund and 20% from the Water Fund.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Arizona State Retirement System (Continued)**

**Pension Liability**

At June 30, 2021, the Town reported a liability of \$370,788 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020.

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, 2020. The Town’s proportion measured as of June 30, 2020, was 0.0021%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021 the Town recognized pension expense for ASRS of \$11,004.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,354	\$ -
Net difference between projected and actual earnings on pension plan investments	35,763	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	45,972
Contributions subsequent to the measurement date	27,935	-
Total	<u>\$ 67,052</u>	<u>\$ 45,972</u>

The \$27,935 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, 2022. 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, 2021**

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

**Arizona State Retirement System (Continued)**

Year Ending June 30:	Deferred Outflows (Inflows) of Resources
2022	\$ (27,690)
2023	(3,162)
2024	12,936
2025	11,061
2026	-
Thereafter	-
Total	<u>\$ (6,855)</u>

**Actuarial Assumptions**

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
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, 2019 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 Geometri Real Rate of Return
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	<u>100%</u>	

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**Arizona State Retirement System (Continued)**

**Discount Rate**

At June 30, 2020, 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	\$ 507,047	\$ 370,788	\$ 256,882

**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**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY AND CONTRIBUTIONS**  
**JUNE 30, 2021**

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

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

**SCHEDULE OF CONTRIBUTIONS**

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

	<b>Adopted and Final</b>		<b>Variances -</b>	
	<b>Budget</b>		<b>Final to Actual</b>	
		<b>Actual</b>		
<b>REVENUES</b>				
Taxes	\$ 320,199	\$ 643,568	\$	323,369
Licenses and permits	18,845	59,127		40,282
Fines and forfeitures	19,000	14,890		(4,110)
Intergovernmental	977,473	787,502		(189,971)
Interest earnings (loss)	50,000	(4,027)		(54,027)
Other	3,850	4,812		962
<b>Total Revenues</b>	<b>1,389,367</b>	<b>1,505,872</b>		<b>116,505</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	4,903,476	287,461		4,616,015
Town council	48,797	46,935		1,862
Elections	4,100	2,556		1,544
Building and planning	26,091	42,954		(16,863)
Court	44,775	42,855		1,920
<b>Total general government</b>	<b>5,027,239</b>	<b>422,761</b>		<b>4,604,478</b>
Public Safety				
Contracted law enforcement	445,577	345,327		100,250
Culture and recreation				
Community garden	7,837	8,112		(275)
Parks	21,837	23,286		(1,449)
<b>Total culture and recreation</b>	<b>29,674</b>	<b>31,398</b>		<b>(1,724)</b>
<b>Total Expenditures</b>	<b>5,502,490</b>	<b>799,486</b>		<b>4,789,993</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(4,113,123)</b>	<b>706,386</b>		<b>4,906,498</b>
<b>Fund Balance - Beginning</b>	<b>5,286,892</b>	<b>5,286,892</b>		<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,173,769</b>	<b>\$ 5,993,278</b>	<b>\$</b>	<b>4,819,509</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, 2021**

	<b>Adopted and Final</b>		<b>Variances -</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Final to Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 269,140	\$ 293,220	\$	24,080
Interest earnings	-	3,904		3,904
<b>Total Revenues</b>	<b>269,140</b>	<b>297,124</b>		<b>27,984</b>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	690,992	140,471		550,521
<b>Total Expenditures</b>	<b>690,992</b>	<b>140,471</b>		<b>550,521</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(421,852)	156,653		578,505
<b>Fund Balance - Beginning</b>	<b>795,722</b>	<b>795,722</b>		<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 373,870</b>	<b>\$ 952,375</b>	<b>\$</b>	<b>578,505</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, 2021**

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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	\$ 136,000	\$ 204,845	\$	68,845
<b>EXPENDITURES</b>				
Current:				
Highways and streets	916,762	58,189		858,573
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(780,762)	146,656		927,418
<b>Fund Balance - Beginning</b>	802,509	802,509		-
<b>Fund Balance - Ending</b>	\$ 21,747	\$ 949,165	\$	927,418

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2021**

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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.